

EFFECT OF FOREIGN INVESTMENT INFLOWS ON CAPITAL MARKET PERFORMANCE IN NIGERIA

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Abstract: *This study explores the relevance of disaggregate financial information disclosure suggested by standard setters in promoting decision usefulness of financial information by exploring the effect of foreign investment inflows on capital market performance in Nigeria. The study adopted ex-post facto research design using quarterly time series data from 2005Q1 – 2022Q4 by employing autoregressive distributed lag (ARDL) model in the data analysis technique and determined the long-run and short-run relationship between the variables of the study. The findings of the study revealed that equity capital, loans and currency deposits have significant positive effect on capital market performance measured with market capitalization, while money market instrument and trade credit have negative significant effect. However, other capital, other equity, bond and other claims have no significant effect on capital market performance in Nigeria. This study provide insight that effective performance evaluation, decision making and transparency in the public and private sector required disaggregate financial information disclosure. Previous studies adopted aggregate approach in investigating capital inflows performance, policy decision and its implications without considering various heterogeneity of the components of these inflows. This overblows performance result and policy decision impacts. This study considered various heterogeneity of the different components of the foreign investment financial inflows in the research. The study conclude that disaggregate financial information disclosure is helpful in performance evaluation, decision usefulness and policy process. The study recommends that for better performance evaluation, policy and decision making by the decision makers, disaggregate disclosure of financial information is necessary. Foreign equity ownership should be encouraged, reserve assets from currency and deposits to drive capital market performance and overall development of the Nigeria financial system. Financial system reform should be holistic without excluding any component elements of the financial system while foreign loan or debt should be channelled toward productive sector.*

Keywords: *Foreign capital inflows, Decision usefulness of disaggregate financial information, Disaggregate disclosure, Capital market performance*

Introduction

The capital market system provides avenue for the mobilization of financial resources through which foreign capital inflows is mobilize from foreign and domestic capital market. This is facilitated by the integration of international capital market system. Investors that identified potential investment opportunity participate in other countries resulting in foreign capital inflows from long-term securities and assets, medium-term financial securities or assets and short-term investment inflows. These capital inflows are either equity or debts in the form of foreign direct investment in equity and other capital, foreign portfolio investment in other equity, bonds and money market instruments, and other investment inflows from trade credits, loans, currency deposits and other claims such as special drawing right. Therefore, the ownership holding structure is diluted into equity and debts. Different foreign capital inflows have the potential to contribute positively in promoting sustainable economic benefits in term of growth, development and industrialization albeit in different ways (Evan, 2002). This implies it is not logical to unjustly discriminate against one form of foreign financial inflows and the other. The inflows signify capital movement as a feature of factors of production in mobilizing economic resources at high level beyond domestic savings to provide returns. The mobilization of financial resources through foreign investment inflows lead to industrial development in the long-run (Adeleke, Olowe & Fasesin, 2004; Onyeisi, Odo & Anoke, 2016). Complexity nature of financial instruments and transactions level in the market required reliable and relevant information for decision. The capital market system is characterized by non-detail disclosure of information that make users sensitive to reliable, relevant, timely and complete information in terms of qualitative and quantitative information. What is important here is that financial information from stock exchange group market development should have decision usefulness. There was evidence that Nigeria has insignificance foreign investment inflows caused by delay in the integration and internationalization of the capital and money market and financial information disclosure problem that in return do not attract foreign investors (Onyeisi, Odo & Anoke, 2016). Foreign investment inflows role cannot be over emphasized, but some of its roles among others according to Evan (2002) include; improving domestic market liquidity, make long-term market investment attractive through market efficiency, promoting market discipline in deeper and broader sense through technical-know-how into domestic capital market, efficient allocation of financial resources, development of equity market and improvement of corporate governance by allowing shareholders participation. Foreign investment inflows have significant role to play in developing, less developed and developed countries (Obadan, 2004; Nwokoma, 2013). This contributes in developmental projects financing, ensure economic growth, poverty reduction and eradication, improving welfare consumption pattern in a country that provide the capital in the long-run (Reinhart, 2005).

The study is motivated by the information disclosure problem that affect decision usefulness. The capital market system is characterized by a large volume of financial transaction flows and economic activities associated with investment risk tolerant and return by the investors, behavioral pattern and conflict of interest among various stakeholders over financial resources control. This indicate that there is the need for reliable and relevance financial information for effective policy decision making. However, there is always a trade-off between risk and return, where return depend on the risk tolerance, investment may not flow into the country capital market that is not performing, where performance is weak and return on investment is not

guaranteed. Similarly, there is a trade-off between reliability and relevance due to different financial information required by the users (Lan, Linh, Thoa & Zhang, 2021). On one hand for instance, investors, government and analysts seek for capital market financial inflows for assessing and evaluating capital market development for investment decision, advise and policy decision while on the other hand general purpose financial statements is required for earning management, tax purpose, fiscal and monetary policy, compliance and monitoring purpose. In addition, standard setters have been setting and issuing accounting standards such as IFRS 7, 8 and 9, IPSAS 22 and 30 and so on to provide framework for improving the contents of financial information in term of reliability, relevance, comparability, predictability and decision usefulness for measurement and performance evaluation and policy decision making. In recent time, standard setters advocated and suggested for disaggregation of financial information and data disclosure with focused on financial statements (Larry & Craig, 2000; Kjell & Tonny, 2019). However, there should be general approach to disaggregate financial information disclosure requirement than limiting to financial reporting. Different financial information users have different needs, use and purpose that varies to some extent. Disaggregation helps to reduce bias in decision making, performance evaluation and increase transparency. Furthermore, empirical studies (Hussain & Goswami, 2021; Sajid, Hashim, Abdullah & Hassan, 2021; Tite, Ogundipe, Ogundipe & Akinde, 2022) employed aggregate than disaggregate approach and examined the relationship between foreign investment inflows and capital market performance. However, few empirical studies (Josephine & Emeka, 2021; Chukwu, Chimarume & Ezeaku, 2021) employed disaggregate approach at the low level of disaggregation and investigated the effect of foreign investment inflows on capital market performance whereas few empirical studies by (Ikezam, 2018; Ireobe, Obamuyi & Abayomi, 2019; Nwala, Nwagboso & Nwankwo, 2019) considered high level of disaggregation and studied the effect of foreign investment inflows on capital market performance. There is the need for further comprehensive empirical study.

The main objective of this study is to investigate the effect of foreign investment inflows on capital market performance in Nigeria while the specific objective of the study is to;

- (i) investigate the effect of Equity Capital, Other Capital, Other Equity Capital, Bonds, Money Market Instruments, Loans, Currency Deposits and Other Claims of foreign investment inflows on market capitalization in Nigeria.

The research question that the paper raised to address is;

- (i) what is the effect of Equity Capital, Other Capital, Other Equity Capital, Bonds, Money Market Instruments, Loans, Currency Deposits and Other Claims of foreign investment inflows on market capitalization in Nigeria?

This study is guided by this hypothesis;

H₀₁: There is no significant relationship effect between Equity Capital, Other Capital, Other Equity Capital, Bonds, Money Market Instruments, Loans, Currency Deposits and Other Claims of foreign investment inflows and market capitalization in Nigeria.

The significance of this empirical study will be useful to students and researchers in accounting, finance and economic as the synthesis and review of extant related literatures will serve as a sources of reference material in academics by contributing to capital market literature in the quest for further empirical study. The finding of this study will be helpful in providing relevant guide to standard setters on the decision usefulness of disaggregate financial information and data disclosure. The study is useful to government by providing an in-depth foresight that can

contribute toward policy and decision-making framework. The methodology of this study may be useful to regulators, investors and analysts in understanding performance measurement, predictive analysis and decision making in the capital market development research.

Literature Review

Foreign Investment Inflows

Foreign Investment Inflows are inflows from various functional category or classes of portfolio of investment that are in the form of capital importation into a particular country from another country across the borders. The inflows involve movement of financial resources and assets from different foreign investors to another. Foreign investment inflow is the movement of capital from foreign investors in a particular country's economy into another economy (Nwokoma, 2013; Okolie & Ehiedu, 2023). This is an aspect of international finance that relates to borrowing and increase in the international net indebtedness from both the private and public sectors over a period of time (Iyoha, 2004; Zango, 2016).

It involves the exchange of financial claims between the residents and non-residents involving the movement of financial resources from one country to another (BIS, 2009, Nkoro & Furo, 2012). Inflows from international investment come in different major categories such as foreign direct investment, foreign portfolio investment, other investment and foreign aids which can be foreign direct investment in equity and capital, foreign portfolio investment in other equity, bond and money market instruments, and foreign other investments in the form of trade credits, loans, currency deposits, and other claims. There is information trade-off between and among various foreign investment in flows resulting in ownership and control matter for management leading to potential agency problem between capital providers who are the owner of capital and managers of the capital due to financial information concealment arising from information disclosure problem (Goldstein & Razin, 2006). Investors cannot wait so long without taking measures where there is no appropriated financial information disclosure and easy access to the reliable information (Andrade & Chuaochuharia, 2010).

Foreign Equity Capital

Foreign equity capital is an investment from foreign investor that are non-resident in an entity's share in another country. It involves an equity ownership of 10% or more share of local entity shares in order to gain management, control and significant influence over management decision by voting right directly or indirectly (Obadan, 2004; IMF, 2009; UNCTAD, 2009; Alshamari, 2018; Josephine & Emeka, 2021). Investment in foreign equity capital of up to the ownership threshold of 10% and more provide the opportunity to access more private insider information on a company from inside without depending on the public source of information (Goldstein & Razin, 2006; Zeghal & Mhedhbi, 2006).

Foreign Other Capital

This is not equity foreign direct investment but it is a foreign direct investment inflow known as other capital involving the inflows of short-term finance between and among affiliates of the same enterprises, branches, subsidiaries, and associates or the same related multinational companies that is normally facilitated by direct investors, investment enterprises sharing the same direct investor or group (Duce & Espana, 2003; Alshamari, 2018; Alshamari, Raghavan & Shantapriyan, 2018). It is an inter-company loan among the affiliates of the same business group or that share the same foreign investors. For other capital inflows under foreign direct investment, both the borrowers and the lenders belong to the group structure resulting in the

arm length problem due to known observation of the arm length principle. The purpose for other capital inflows among the affiliates group structure, enterprise, branches, subsidiaries and associates is to facilitate easy cash movement to the one of the affiliates facing financial crisis due to cash flow deficit or liquidity problem (Eienabor, Aguwamba & Liman, 2016).

Foreign Other Equity Capital

This is a portfolio investment equity that represent less than 10% equity ownership holding threshold from foreign investors who as a result do not have access to insider information and depend more on the public source of information (Goldstein & Razin, 2006). It is classified under foreign portfolio investment inflows as other equity capital. Foreign portfolio equity investment or other equity capital inflows take place when foreign entities invest in a local stock market by buying shares in any one of the local companies (Aremu, 2013). Other equity capital inflows are a source of capital and liquidity that provide direct access to capital market with flexibility (Alshamari, 2018). Due to the nature of the less than 10% equity ownership threshold holding, the investors of foreign portfolio equity have limited role on entity in the course of decision making due to limitation placed on accessing the rightful insider information (Razin, Sadka, & Yuen, 1998).

Bonds

Bonds are debt instruments which are usually issued by the government or corporate entity to mobilize and raise the required fund for budget financing and business project (Ajayi, 2013; Chen & Mansa, 2020). Bond attracted repayment of both the principal and interest at the end of maturity period usually a fixed period of time (IMF, 2009; Odoko, 2012; Ajayi, 2013; Nwala, Nwagboso & Nwankwo, 2019; Chidi-Okeke, Chukwu, & Chimarume, 2023). It provides an important alternative source of financing at the time of financial distress or during economic recession (Jiang, Tang, & Law, 2001; Aobdia, Lin & Petacchi, 2015; Harrison, Salihu & Yahaya, 2021; Nwala, Nwagboso & Nwankwo, 2019; Edame & Okoro, 2021). Therefore, it is a good source of long-term capital financing in the capital market that is usually issued at a coupon rate

Money Market Instruments

Money market instruments are financial instruments with less than one year maturity that are used for short-term lending or borrowing (Greatness & Odi, 2021; Nwala, Nwagboso & Nwankwo, 2019; Okolie & Ehiedu, 2023). It is one of the financial instruments that served as a short-term debt lending, borrowing or buying and selling instrument for meeting the short-term financing need of the firms, businesses, borrowers or users within a maturity period of one year (Haider, Khan, Sadique & Hashim, 2017; Ehiedu, 2022). There are various money market instruments that may be issued to mobilize fund which include; commercial paper, negotiable certificate of deposits, bankers' acceptance, government treasury bills, municipal notes and repurchase agreements depending on the level of stock exchange market operation as the case may be (Okolie & Ehiedu, 2023; Nwala, Nwagboso & Nwankwo, 2019; Oghenekaro, 2013; Olokoyo, Taiwo & Akinjare, 2016). Money market instruments provide an effective means for liquidity management since the instruments is highly liquidity and characterized by short-term maturity (Olokoyo, Taiwo & Akinjare, 2016; Greatness & Odi, 2021).

Trade Credit

Trade credit is a short-term capital inflow medium extended by a trader to another trader and by a particular country to another country across the border. Trade credit enhance the purchasing power and expand the volume of trading (Shahzad, Liu & Luo, 2022). It serves as

a more refined form of loan as long as it is used and managed appropriately since it is usually short term in nature (Zhu & Jiang, 2009; Garcia-Marin, Justel & Schmidt-Eisenlohr, 2021). Trade credits arise from claims and liabilities known as trade payables or account payables due to extension of direct credit by the suppliers to the buyers in the course of economic transactions of goods and services (Nay Pyi Taw, 2015). Prior to the global financial crisis from 2007-2009, trade credit represented a significant percentage of world funded merchandise trade by 90 percent (Klapper, Laeven & Rajan, 2012). This indicates that it is a good source of business financing. However, it required an entity to have credit standing.

Foreign Loans

Foreign loan is a debt obligation received and repayable in foreign currency obtained through direct lending in the form of assets and liabilities (Mainoma, 2015; Nay Pyi Taw, 2015). Foreign loans help in contributing toward catalyzing and facilitating import of capital goods through investment funding available at the lower cost to both the developing and emerging market (Ranjan & Kumar, 2012). The loan contributes positively toward capital formation and liquidity of the market and it is the second largest form of foreign capital flows in to the transition countries (Mileva, 2008). Foreign loans come in different forms; such as cash fund, assets like plants, equipment, goods, services, and technology. Therefore, the loan also includes; borrow fund, financial leases, loan to finance trade and other loans such as mortgages. Any foreign loans should be linked to some particular projects in order to make it productive.

Foreign Currency and Deposits

Foreign currency and deposits are the form of foreign exchange reserve control by the Central Bank of any sovereign country (Hassan & Chokroborty, 2024). It consists of notes and coins with fixed minimal value and it is characterized and affected by fluctuation. Foreign currency and deposits are used interchangeably with foreign exchange reserve to represent the currency of other countries and deposits of international currencies held by the central bank of particular country to help the monetary authority and the government to use in maintaining currency stability, liquidity and capital formation in the capital market financial system (Ray & Mahavidyalaya, 2012; Hassan, 2018). Currency and deposits are treated as one component where currency comprises of notes and coins in circulation for use to make payments while deposits are claims comprising both transferable and other deposits (IMF, 2009; Nay Pyi Taw, 2015).

Other Claims

Other claims are form of foreign loans provided and extended by the monetary authority to non-residents, non-deposit taking corporations and long-term loan to the IMF trust account that are readily available for repayment for meet the demand of balance of payment funding needs (IMF, 1993). Claims arise from contractual relationship and agreement entered into where an institutional party promises to make funds and other resources available to another party in the future (IMF, 1993; IMF, 2009). Therefore, claims are financial assets that have corresponding liabilities and give effect to the existence of two parties resulting in cross border transactions. Although claims can be used in a different similar context to refer to a right, here other claims referred to financial instruments that give rise to economic assets and corresponding counterpart liabilities (IMF, 2009). These include loans raised from reverse repurchase except if it is not classified as deposits and other financial assets available for immediate use.

Capital Market Performance

Capital market performance is a relative term referring to stock market performance, capital market development or stock market development that involve the use of primary features of capital market to assess the efficient contribution of the market development (Onuoha, Okoye & Chika, 2021). These features include; All share price index, market capitalization, market value, liquidity level, dividend yield, price to earnings ratio, market size, share traded equity or trade volume (Liyana pathirana & Ranasinghe, 2020; Acha & Akpan, 2019).

Market capitalization is used as a proxy for dependent variable in this study because among all the capital market indicators used in measuring the market performance or capital market development, progress, growth and prospect is less arbitrary when compare with other indicators or measures and it also captured the market changes at high level of frequency (Rajan & Zangles, 2003; Adam & Tweneboath, 2009; Osoro, Simiyu, & Omagwa, 2020). Market capitalization help investors to select investment that match their level of risk tolerance, criterion for investment diversification and market size determination. Therefore, market capitalization is the total worth value of all the registered listed market stocks in the security and exchange market determine by multiplying by the company's shares by the current market share of each stock indicating the market value and size (CBN, 2016; Ibrahim & Mohammed, 2020).

Theoretical Background

Decision Usefulness Theory

Decision usefulness theory origin could be briefly traced to the proposal made by American Accounting Association (AAA) to the present state of articulation by the Financial Accounting Standard Board (FASB) and International Accounting Standard Board (IASB) (Williams & Ravenscroft, 2015). This theory is one of the accounting theories that was advanced further by George Staubus in 1954 on the decision usefulness of accounting information to users including the investors for economic decision making to serve both the private and public sector economy. It relates to the usefulness of accounting financial information and data. The theory is characterized by a mixture of normative and descriptive propositions that formed the theoretical basis for accounting standard setting and conceptual framework (Staubus, 2000; Tollerson, 2012). What characterized decision usefulness theory to be normative was that it was driven from a norm that focus on the decision usefulness objective from which a coherent and broad structure as a set of ideas such as characteristics of financial information was developed. The theory is perceived to be normative because the decision usefulness objectives are not generally accepted by those practicing accounting and preparing financial statements, the management community and the enterprise management. On the hand, decision usefulness theory is identified with descriptive propositions because it was based upon the fact on the basis of general description of the current accounting practice that move gradually closer to agreement with the theory (Staubus, 2000). Therefore, without a theory of generally accounting principles, there is no existing alternative to the decision usefulness theory. This theory contributed toward accounting research in the areas of accounting thoughts which suggest that the best accounting standards are the one that provide the most useful and helpful financial information to users in the decision-making process (Adefunke & Ojeaga, 2018). Furthermore, the theory put forward that decision usefulness of financial information is assessing based on the predictive ability of the financial information. The more the financial users can predict the economic and financial events, as well as the accounting information with accuracy, the more the information is useful to them.

Empirical Review

Hasan and Chokroborty (2024) analysed the impact of foreign exchange reserve, inflation and call money rate on market capitalization in Dhaka stock exchange market from July, 2010 to November, 2022 on monthly trend basis. Regression analysis was employed as technique of data analysis. Result from regression analysis confirmed that foreign exchange reserve and inflation rate have impacted positively on market capitalization while call money rate has impacted negatively on market capitalization. It is therefore recommended that stable foreign exchange reserve and inflation rate should be kept at targeted fiscal level to boost market capitalization. Policy decision that ensures the accumulation of foreign exchange reserve in order to avoid external threat to the economy should be put in place while at the same time maintain inflation at targeted fiscal level. Moreover, Adverse decision that might affect the liquidity of the capital market must be avoided to ensure the development of stock market capitalization.

Okolie and Ehiedu (2023) studied the link between foreign portfolio investment flow in Nigeria stock exchange from 1981-2022. Ex-post facto study design was employed where market capitalization was used as a proxy for the explained variable while equity bond and money market instruments were proxies for foreign portfolio investment flow for the independent variables. Regression analysis and diagnostic test were carried out in the data analysis technique. Result shows that foreign portfolio equity has positive insignificant effect on total market capitalization. However, bond and money market instruments have positive impact on total market capitalization and recommend that both supervisory and regulatory structure should be strong to ensure strict compliance with targeted policies toward tracking and controlling indiscriminate capital transmission through equity.

Sunday (2023) examines the effects of selected financial instruments on capital market development in Nigeria from 2012-2022 on quarterly basis and employed ex-post factor study design together with dynamic ordinary least square regression in the statistical analysis technique. Bond and equity were used as proxies of financial instruments for explanatory variables while market capitalization was the proxy for the dependent variable. Various diagnostic tests were also carried out in the course of analysing the data in which the findings confirmed that both bond and equity have impacted significantly on capital market development measured with market capitalization. It was recommended that capital market should be supervised appropriately in accordance with the international best practice to attract more foreign investors.

Nwala, Nwagboso & Nwankwo (2019) investigated the impact of foreign portfolio investment inflows volatility on the total market capitalization in Nigeria from 2007-2018. The study adopted ex-post facto research design and employed the use of Exponential Generalized Conditional Heteroscedasticity (EGARCH) and Autoregressive Distributed Lag (ARDL) model technique in the data analysis that analyzed the volatility and the relationship between market capitalization as dependent variable and equity, bonds and money market instruments as independent variables. The results of the study indicated that volatility of foreign portfolio investment in equity has significant effect on total market capitalization while volatility of foreign portfolio investment in bond has no significant impact on total capital market capitalization which indicate the existence of information asymmetries within the operations of the capital market activities on the international capital flows market that contributed toward the volatility of foreign investment portfolio in bond impacted insignificantly on Nigeria capital

market development. The study further revealed that foreign investment portfolio in money market instrument volatility has no significant effect on total market capitalization in Nigeria. Ikezam (2018) examined the effect of foreign portfolio investment on the performance of Nigeria capital market in Nigeria by examining the relationship between net foreign portfolio investment, foreign portfolio investment in equity, bonds, government security and exchange rate as predictors and market capitalization and all share price index as dependent variables. The study employed ordinary least square multiple regression in the data analysis technique procedure together by the use of error correction model (ECM), cointegration test, granger casualty test, Augmented Dickey Fuller test, and analyzed the data. The finding showed that foreign portfolio investment in bond and government securities have negative relationship with all share price index while net foreign portfolio investment, foreign portfolio investment in equity and exchange rate has positive relationship with all share price index. However, net foreign portfolio investment, foreign portfolio investment in bonds and government securities have negative relationship with market capitalization, while foreign portfolio investment in equity and exchange rate has positive relationship with market capitalization in Nigeria.

Ireobe, Obamuyi and Abayomi (2019) conducted an exploratory investigation of foreign portfolio investment in money market instruments on the Nigeria stock market performance from 2007-2017. The study employed ex-post facto research design by using monthly time series data and adopted Autoregressive Distributed Lag (ARDL) model in the data analysis. The result revealed a significant positive relationship between foreign portfolio investment in money market instrument and stock market performance and conclude that foreign portfolio investment in money market instruments had significantly predicted stock market performance in Nigeria.

Ireobe, Obamuyi and Abayomi (2018) examined the effect of foreign portfolio investment in bond stock on the performance of the Nigeria stock market by adopting ex-post facto research design and used monthly time series data from 2007-2017. Autoregressive Distributed Lag (ARDL) model was employed as a technique in the method of data analysis through regression analysis. The finding of the study indicated that foreign portfolio investment in bond has a positive and insignificant influence on Nigeria capital market performance and concluded that foreign portfolio investment in bond significantly predict the Nigeria capital market performance. Therefore, the study recommends that capital market regulators need to further encourage foreign portfolio investment in bond as financial instruments do not attract much investment in equity. Furthermore, there is need for effective corporate governance and transparency as well as full financial information disclosure by listed firms in order to increase foreign portfolio investment in debt in Nigeria.

Gachanja and Kosimbei (2018) examined the dynamic linkage between foreign equity flow and stock market returns and at the Nairobi Security and Exchange Market from 2007-2015 using quarterly time series data. Vector Autoregressive (VAR) model, granger causality test, decomposition and impulse response function were employed in the data analysis technique. The finding of the study shows that both foreign inflows and outflows have positive and significant effect on stock market return while fore equity flows granger caused stock market return in Nairobi Securities Exchange Market. The study recommends that there is the need for government agencies to implement relevant policies to attract equity in flows in Kenya.

Babalos, Caporale and Spagnolo (2019) conducted an empirical investigation of the relationship between equity flows and stock market return by the use of monthly time series

data from 2001-2015. The study used VAR-GARCH in mean model. BEKK was also employed in testing both the mean and volatility spillovers. The finding of the study indicates the existence of statistically significant causal relationship between foreign equity and stock market return. Umutlu, Akdeniz and Altay-Salih (2013) examined the effect of foreign equity flows on stock market volatility in Turkey from 1997-2006 (June) by disaggregating foreign equity flows into equity inflows, outflows and foreign net equity flows. The study adopted generalized method of moments (GMM). The finding of the study revealed that foreign inflows had negative significant effect on stock market return.

He, Lu and Ongena (2016) examined who gain from the credit granted between firms as evidence from inter-company loan announcement in China stock exchange market from 2005-2012. The study measured empirically the impact of intercompany loans (other capital) on stock market in China by adopting exp-post facto research design approach and employed panel data. Regression analysis and fixed effect model were adapted as a data analysis technique. T-test and Wilcoxon sign-rank test were conducted for robustness check. The result of the study shows that inter-company loan led to a mixed market reaction.

Albuquerque, Ramadorai and Watugala (2015) investigated the link between trade credit and international return co-movement from 1993-2009 and used data from 43 Countries. Regression analysis and panel regression was adapted as data analysis technique. The study revealed cross-serial correlation between increase in the Country stock returns and increase in trade credit. The study further indicates that stock market return of firms with the higher trade credit from exporting Countries were strongly predicted by returns of the associated clients from importing Countries. The study concludes that there was relationship between trade credit and stock return.

Abakah and Abakah (2016) investigated the impact of foreign reserve on stock market in Ghana from December, 2001-December, 2015. The study adapted a multivariate framework approach technique through the use of ordinary least square estimate, unit root test using Augmented Dickey Fuller test, Johansen co-integration test and granger causality test as well normality test by using Jarque Bera test. The result shows that foreign exchange reserves have significant positive effect on market capitalization. The presence of long-run relationship between foreign reserves, interest rate and market capitalization since there was presence of co-integration. The granger causality test indicated that there was unidirectional relationship between foreign exchange reserves and market capitalization. The study concludes that improving national foreign exchange reserve will have positive effect on the market growth in Ghana.

Aigheyisi and Edore (2013) conducted an empirical investigation of the effect of foreign financial resources inflows on stock market development in Nigeria from 1988-2011 and Ghana from 1991-2011. Market capitalization as a GDP ratio was used as a proxy for dependent variable and stock market development indicator. While external debt, foreign direct investment, foreign portfolio investment inflows, personal remittances and official development assistance and aid were proxied as independent variables. Multiple linear regression technique was used in the study and analysed the data. The findings of the study shows that external debt has negative effect on market capitalization whereas foreign direct and portfolio investment, personal remittances, official development assistance and aid have positive effect on market capitalization in Nigeria. However, the relationship between official development assistance and aid, and market capitalization was statistically insignificant in Nigeria. On the other hand, external debt, foreign direct investment and personal remittances

have negative and significant effect on market capitalization in Ghana but the official development assistance and aid has positive effect on market capitalization in Ghana. The study recommends the need for the creation of macroeconomic, socio-political environment to attract more foreign investment.

Methods

The research methodology adopted an ex-post facto research design in the study and used quarterly time series secondary data obtained from Central Bank of Nigeria, Nigeria National Bureau of Statistics, Nigeria Investment Promotion Commission and Nigeria Exchange Group (NGX) for the periods of 2005Q1 to 2022Q4. The rationale why this study choose year from 2005Q1-2022Q4 is due to the availability of consistent data set require for data analysis in this study in Nigeria. Prior to the adoption of universal financial system transactions reform in Nigeria in 2001, capital market was not deepened and the inflows of capital was from few capitals market financial instruments and the nature of data set required in this study was not in existence based on the model specification of the study. After this financial system transactions reform, Nigeria capital market was deepened in which many financial instruments were used for capital inflows leading to era of improving the transparency of data set on quarterly basis. Moreover, the secondary data set used from 2005-2022 in the study involved time series data. When time series data is employed in any quantitative empirical study, it is more robust and revealing in term of statistical data analysis (Peseran, Shin & Smith, 2001). This implies that when reliable time series data with consistent long period of trend is used in the quantitative research work, it ensures the robustness and reliability of the findings and result of the study that will lead to reasonable inference and conclusion. Therefore, it is suggested that to perform a robust empirical quantitative time series data analysis, a longer period of time series trend is the most appropriate (Rob & Andrey, 2007). This means that the longer the time series period, the robust the data analysis and result. However, when long period time series data trend is not available but there is reliable short time series data trend, it is more appropriate to use the short time data set available on the basis of frequency or interval such as daily, weekly, monthly and quarterly for the purpose of robust statistical data analysis.

What informed the choice of year from 2005Q1-2022Q4 in this study is that the nature of any capital market activities is generally associated with fluctuations and volatility. The use of quarterly time series data help to capture fluctuation properly in the data set and invariable capital market activities (Kaiji, Patrick & Tao, 2024). This will allow room to have sufficient time series data for robust and meaningful diagnostic test, data analysis and result. The data analysis technique and tool used in the study was Autoregressive Distributed Lag (ARDL) model, the study conducted unit root test employed together with other tests in the data analysis procedures. The variables used in the study include; foreign investment portfolio inflows from equity, other capital, other equity, bond, money market instrument, trade credit, loan, currency deposit and other claims as independent variables that are either equity based or debt based foreign investment inflows while market capitalization is the dependent variable.

Model Specification

The model specification adapted in this study is based on the models used in the previous studies (Ikezam, 2018; Iriobe, Obamuyi & Abayomi, 2018; 2019; Nwala, Nwagboso & Nwanko, 2019) with modification under a guide from decision usefulness theory and international capital flow theory. Therefore, the model specification for this study is specified below:

$$MKC = \beta_0 + \beta_1 EQCP + \beta_2 OCPT + \beta_3 OEQCP + \beta_4 BNDS + \beta_5 MMKI + \beta_6 TDCR + \beta_7 LONS + \beta_8 CDPS + \beta_9 OCLMS + ECT \dots \dots \dots (i)$$

Where:

MKC = Market Capitalization; EQCP = Equity Capital, OCPT = Other Capital, OEQCP = Other Equity Capital, BNDS = Bonds, MMKI = Money Market Instrument, TDCR = Trade Credit, LONS = Loans, CDPS = Currency Deposits, OCLMS = Other Claims, β_0 = intercept, $\beta_1 + \beta_9$ = Coefficient of the independent variables, ECT = Error term

Results and Discussion

Descriptive Statistics

Table 1: Summary of Descriptive Statistics

	MKC	EQCP	OCPT	OEQCP	BNDS	MMKI	TDCR	LONS	CDPS	OCLMS
Mean	18811.91	206922.6	4744.375	612975.3	135786.1	658869.8	1006.777	479213.6	2540.947	100964.2
Maximum	47114.55	371393.9	39221.06	2377912.	415379.9	4128217.	7013.608	1558847.	6464.230	493672.5
Minimum	2900.060	25027.75	227.8650	3550.000	10.29244	264.6000	0.000000	8405.890	0.000000	0.000000
Std. Dev.	12278.83	123273.3	3863.618	522012.6	127705.3	108210.1	1000.784	467506.0	2480.991	100094.8
Skewness	0.003315	-0.321444	0.318911	0.173236	0.713202	0.118113	0.138842	0.736295	0.403341	0.477213
Kurtosis	3.085999	3.604980	3.111075	3.206711	2.226667	3.703043	3.989218	3.345443	3.445709	3.991228
Observations	72	72	72	72	72	72	72	72	72	72

Source: Extracted from E-view 12 Output, 2023.

Table 1 shows the mean values of Market Capitalization (MKC), Equity Capital (EQCP), Other Capital (OCPT), Other Equity Capital (OEQCP), Bonds (BNDS), Money Market Instruments (MMKI), Trade Credits (TDCR), Loans (LONS), Currency Deposits (CDPS) and Other Claims (OCLMS) to be 18811.91, 206922.6, 4744.375, 612975.3, 135786.1, 658869.8, 1006.777, 479213.6, 2540.947, and 100964.2 respectively. Their standard deviation values are greater than their mean values, it suggests that the variables are not widely dispersed from the mean value.

The minimum values of MKC, EQCP, OCPT, OEQCP, BNDS, MMKI, TDCR, LONS, CDPS and OCLMS are 2900.060, 25027.75, 227.8650, 3550, 10.29244, 264.6, 0.00, 8405.890, 0.000 and 0.000 respectively. Their maximum values are 47114.55, 371393.9, 39221.06, 2377912, 415379.9, 4128217, 7013.608, 1558847, 6464.230 and 493672.5. Also, the skewness values of MKC, EQCP, OCPT, OEQCP, BNDS, MMKI, TDCR, LONS, CDPS and OCLMS are 0.003315, -0.321444, 0.318911, 0.173236, 0.713202, 0.118113, 0.138842, 0.736295, 0.403341, and 0.4772131 respectively, these values are all close to zero, it means that the distribution of the variables is symmetric in nature. The Kurtosis values of MKC, EQCP, OCPT, OEQCP, BNDS, MMKI, TDCR, LONS, CDPS and OCLMS are 3.085999, 3.604980, 3.111075, 3.206711, 2.226667, 3.703043, 3.989218, 3.345443, 3.445709 and 3.991228, these values are within the range of 3, it indicates that the shape is a normal distribution.

Correlation Matrix

Table 2: Correlation Analysis

Correlation										
Probability	MKC	EQCP	OCPT	OEQCP	BNDS	MMKI	TDCR	LONS	CDPS	OCLMS
MKC	1.000000									
EQCP	0.565945	1.000000								
	0.0000	-----								
OCPT	-0.189490	0.059650	1.000000							
	0.1109	0.6187	-----							
OEQCP	-0.030428	0.500346	0.123690	1.000000						
	0.7997	0.0000	0.3006	-----						
BNDS	0.672757	0.630536	-0.231533	0.347097	1.000000					
	0.0000	0.0000	0.0504	0.0028	-----					
MMKI	0.452778	0.495847	-0.125889	-0.009208	0.511415	1.000000				
	0.0001	0.0000	0.2920	0.9388	0.0000	-----				
TDCR	0.081344	0.472510	0.053959	0.576922	0.304685	0.004237	1.000000			
	0.4970	0.0000	0.6526	0.0000	0.0093	0.9718	-----			
LONS	0.757008	0.654057	-0.152263	0.000470	0.664767	0.667219	0.044636	1.000000		
	0.0000	0.0000	0.2017	0.9969	0.0000	0.0000	0.7097	-----		
CDPS	-0.293345	-0.739069	-0.259754	-0.431040	-0.404397	-0.373566	-0.020501	-0.512009	1.000000	
	0.0124	0.0000	0.0276	0.0002	0.0004	0.0012	0.8643	0.0000	-----	
OCLMS	0.422107	0.607707	-0.194219	0.272995	0.555074	0.716281	0.085294	0.661584	-0.493480	1.000000
	0.0002	0.0000	0.1021	0.0203	0.0000	0.0000	0.4762	0.0000	0.0000	-----

Source: Extracted from E-view 12 Output, 2023.

From Table 2, it can be observed that Equity Capital (EQCP), Bonds (BNDS), Money Market Instruments (MMKI), Loans (LONS) and Other Claims (OCLMS) have significant positive relationship with capital market performance measured with market capitalization (MKC) in Nigeria with p values of 0.0000; 0.0000; 0.0001; 0.0000; and 0.0002 which are less than .05 level of significance while Currency Deposits (CDPS) has a significant negative relationship with capital market performance measured with market capitalization (MKC) in Nigeria with p value of 0.0124 which is also less than .05 level of significance. Other Capital (OCPT), Other Equity Capital (OEQCP), and Trade Credits (TDCR) have insignificant relationship with capital market performance measured with market capitalization (MKC) with p values of 0.1109; 0.7997 and 0.4970 which are greater than .05 level of significance. The table above also presents the correlation matrix among the independent variables. It is observed that the variables correlate fairly well between 0.757008 and 0.000470. The common rule of thumb is that if the correlation coefficient between two regressors is greater than 0.8, then multicollinearity is a serious issue. There is no correlation coefficient greater than 0.8. This indicates that multicollinearity is not an issue in the model valuations; hence there is no problem of multicollinearity of data (Wallace & Naser, 2005).

Unit Root Test

Table 3: Augmented Dickey-Fuller Unit Root Test

Variables	AT LEVEL				AT FIRST DIFFERENCE						
	ADF Statistic	Test	Test Critical Value @ 5%	Prob-Value	ADF Statistic	Test	Critical Value @ 5%	Prob-Value	Max Lag	Order of Integration	
MKC	0.446706		-2.902953	0.9836	-8.924448		-2.903566	0.0000	1	1(I)	
EQCP	-1.740738		-2.902953	0.4067	-8.279474		-2.903566	0.0000	1	1(I)	
OCPT	-2.499850		-2.902953	0.1198	-8.246260		-2.903566	0.0000	1	1(I)	
OEQCP	-1.545827		-2.902953	0.5048	-8.246221		-2.903566		1	1(I)	
BNDS	-1.390731		-2.902953	0.5822	-8.328152		-2.903566	0.0000	1	1(I)	
MMKI	-1.732726		-2.902953	0.4106	-8.249427		-2.903566	0.0000	1	1(I)	
TDCR	-3.410998		-2.902953	0.0137					1	1(O)	
LONS	-0.988911		-2.902953	0.7531	-8.361338		-2.903566	0.0000	1	1(I)	
CDPS	-2.080286		-2.902953	0.2531	-8.249459		-2.903566	0.0000	1	1(I)	
OCLMS	-2.418037		-2.902953	0.1405	-8.246631		-2.903566	0.0000	1	1(I)	

Source: Extracted from E-view 12 Output, 2023.

From the table above, it could be observed that Market Capitalization (MKC), Equity Capital (EQCP), Other Capital (OCPT), Other Equity Capital (OEQCP), Bonds (BNDS), Money Market Instruments (MMKI), Loans (LONS), Currency Deposits (CDPS) and Other Claims (OCLMS) are found not to be stationary at level, because the absolute values of their ADF Test Statistic are less than the absolute values of Test Critical Value at 5%. But after the first difference they were found to be stationary, that is, integrated at order one because the absolute value of ADF test statistics is greater than the critical value of at 5%. However, Trade Credits (TDCR) was stationary at level with absolute ADF Test Statistic value greater than the critical value at 5%. Since all the variables were found to be stationary at different orders, of 1(1) and 1(0), it was safe for the study to employ bound test approach to validate or test for the presence of Co-integration. The order of integration of the variables are mixed, therefore, this study conducts Autoregressive Distributed Lag (ARDL) as the technique of analysis.

Lag Order Selection Criteria

Table 4: Lag Order Selection Criteria

Lag	LogL	LR	FPE	AIC	SC	HQ
0	-8249.830	NA	4.49e+91	239.4154	239.7391	239.5438
1	-7671.933	971.5363*	4.45e+85*	225.5633*	229.1249*	226.9763*
2	-7644.071	38.76461	4.27e+86	227.6542	234.4537	230.3518
3	-7580.125	70.43367	1.99e+87	228.6993	238.7366	232.6814

Source: Extracted from E-view 12 Output, 2023.

The Table above shows that Akaike Information Criterion (AIC) has the lowest value of 225.5633 at lag 1. Therefore, lag 1 is selected as the maximum lag for the analysis.

Bound Test Co-integration Test

Table 5: ARDL Long Run Equilibrium

Test Statistic	Value	Signif.	I(0)	I(1)
F-Statistics	6.963524	10%	2.37	3.2
K	9	5%	2.79	3.67
		1%	3.65	4.66

Source: Extracted from E-view 12 Output, 2023.

The table above presents the ARDL bound test approach and Co-integration result. This result revealed the presence of co-integration among the variables. The f-statistics value of 6.963524 is greater than the lower bound value of 2.79 and upper bound values of 3.67 at 5% level of significance. Hence, there is a sufficient proof of the presence of a long-run equilibrium relationship between foreign investment inflows portfolio variables such as Equity Capital (EQCP), Other Capital (OCPT), Other Equity Capital (OEQCP), Bonds (BNDS), Money Market Instruments (MMKI), Trade Credits (TDCR), Loans (LONS), Currency Deposits (CDPS) and Other Claims (OCLMS) and capital market performance in Nigeria between 2005Q1 and 2022Q4. The result thus shows that Equity Capital (EQCP), Other Capital (OCPT), Other Equity Capital (OEQCP), Bonds (BNDS), Money Market Instruments (MMKI), Trade Credits (TDCR), Loans (LONS), Currency Deposits (CDPS) and Other Claims (OCLMS) have long run relationship with capital market performance in Nigeria within the period under study.

Results of Long-run Relationship

Table 6: Long Run Form Dependent Variable: MKC

VARIABLES	COEFFICIENT	STD ERROR	T-STATISTICS	PROB
C	89.62761	1697.494	0.052800	0.9581
BNDS	0.008779	0.005510	1.593207	0.1173
CDPS	1.000353	0.369161	2.709798	0.0091
EQCP	0.040527	0.015172	2.671118	0.0101
LONS	0.019365	0.005842	3.314670	0.0017
MMKI	-0.006434	0.001350	-4.767357	0.0000
OCLMS	-0.000915	0.004135	-0.221309	0.8257
OCPT	-0.135809	0.069557	-1.952503	0.0564
OEQCP	0.002182	0.001199	1.819712	0.0747
TDCR	-1.214384	0.430803	-2.818883	0.0068
R ²	0.460530			
Adj. R ²	0.380936			
F-Statistic	154.4645			
Pro. F-statistic	0.0000			

Source: Extracted from E-view 12 Output, 2023.

In the long run, Bonds (BNDS) has non-significant effect on capital market performance in Nigeria ($\beta = 0.008779$, $p < .05$). Whereas Currency Deposits (CDPS) has significant positive effect on capital market performance in Nigeria ($\beta = 1.000353$, $p < .05$). Likewise, Equity Capital (EQCP) has significant positive effect on capital market performance in Nigeria ($\beta = 0.040527$, $p < .05$).

The long run results of the ARDL shows that Loans (LONS) has significant positive effect on capital market performance in Nigeria ($\beta = 0.019365$, $p < .05$). On the contrary, Money Market Instruments (MMKI) has significant negative effect on capital market performance in Nigeria ($\beta = -0.006434$, $p < .05$). Other Claims (OCLMS) has non-significant effect on capital market performance in Nigeria ($\beta = -0.000915$, $p > .05$). In the same manner, Other Capital (OCPT) has non-significant effect on capital market performance in Nigeria ($\beta = -0.135809$, $p > .05$).

The long run results also showed that Other Equity Capital (OEQCP) has non-significant effect on capital market performance in Nigeria ($\beta = 0.002182$, $p > .05$). Whereas Trade Credit (TDCR) has significant negative effect on capital market performance in Nigeria ($\beta = -1.214384$, $p < .05$).

Results of the ARDL Short-run Relationship

Table 7: Results of the ARDL Short-run Relationship

Dependent Variable: D(MKC)

VARIABLES	COEFFICIENT	STD ERROR	T-STATISTICS	PROB
D(BNDS)	0.008420	0.005392	1.561562	0.1245
D(CDPS)	0.993498	0.365765	2.716217	0.0089
D(EQCP)	0.039200	0.014682	2.669919	0.0101
D(LONS)	0.018680	0.005538	3.373049	0.0014
D(MMKI)	-0.006405	0.001337	-4.791609	0.0000

D(OCLMS)	0.000248	0.002905	0.085233	0.9324
D(OCPT)	-0.133183	0.068681	-1.939145	0.0579
D(OEQCP)	0.002087	0.001166	1.790495	0.0792
D(TDCR)	-1.196517	0.424983	-2.815443	0.0069
ECM(-1)	-0.072495	0.020450	-3.544992	0.0009
R ²	0.460530			
Adj. R ²	0.380936			
F-Statistic	154.4645			
Pro. F-Statistic	0.0000			

Source: Extracted from E-view 12 Output, 2023.

As expected, the ARDL Error Correction Term (ECT) is negative ($\beta = -1.214384$, $p < .05$) and statistically significant at 5 percent level of significance. The coefficient revealed that once there is disequilibrium in the system, it takes an average speed of 7 per cent to adjust itself back towards long-run equilibrium level. This means that approximately 7 per cent of the discrepancy in the previous year is adjusted for by the current year.

The R² value of .46 revealed that the predictors explained 46% variance in the outcome variable with $F = 154.4645$, $p < .05$. It showed that 46% changes in capital market performance in Nigeria are collectively due to Equity Capital (EQCP), Other Capital (OCPT), Other Equity Capital (OEQCP), Bonds (BNDS), Money Market Instruments (MMKI), Trade Credits (TDCR), Loans (LONS), Currency Deposits (CDPS) and Other Claims (OCLMS) while 93% unaccounted variations were captured by the white noise error term. Likewise, the adjusted R-square value of 0.38 shows that if additional independent variables are introduced to the model, the R-square will reduce from 46% to 38%, the adjusted R-square reveals the ability of the independent variables to predict the dependent variable when additional independent variable is introduced into the model.

Statistical Test of Hypotheses

H₀₁: There is no significant relationship effect between Equity Capital, Other Capital, Other Equity Capital, Bonds, Money Market Instruments, Loans, Currency Deposits and Other Claims from foreign investment inflows and market capitalization in Nigeria.

The ARDL long run results showed that Bonds (BNDS) has no significant effect on capital market performance in Nigeria ($\beta = 0.008779$, $p < .05$). Also, in the short run, Bonds (BNDS) has no significant effect on capital market performance in Nigeria ($\beta = 0.008420$, $p > .05$). Hence, this study accepts the null hypotheses that bond has no significant effect on capital market performance in Nigeria both in the short and long run. This is consistent with the findings of (Ikezam, 2018; Nwala, Nwagboso & Nwankwo, 2019; Sunday, 2023). However, it is against the findings of (Okolie & Ehiedu, 2023; Ireobe, Obamuyi & Abayomi, 2018).

Currency and Deposits (CDPS) has significant positive effect on capital market performance in Nigeria in the long run ($\beta = 1.00035$, $p < .05$). While the short run result revealed that CDPS has significant positive effect on capital market performance in Nigeria ($\beta = 0.993498$, $p < .05$). The study accepts the alternative hypotheses that CDPS has significant effect on capital market performance in Nigeria in the short and long run which agreed with findings of (Abakah &

Abakah, 2016; Hassan & Chokroborty, 2024). However, it was inconsistent with the finding of (Golder, Islam & Kayser, 2020).

ARDL Error Correction Regression result indicated that Equity Capital (EQCP) has significant effect on capital market performance in Nigeria in the long run ($\beta = 0.040527$, $p < .05$). Furthermore, in the short run, EQCP has positive significant effect on capital market performance in Nigeria ($\beta = 0.039200$, $p < .05$). The study accepts the alternative hypotheses that EQCP has significant positive effect on capital market performance in Nigeria in the short and long run. This is consistent with the findings of (Gachanja & Kosimbei, 2018; Babalos, Caporale & Spagnolo, 2019; Ikezam, 2018; Nwala, Nwagboso & Nwankwo, 2019; Sunday, 2023). However, it is inconsistent with the findings of (Okolie & Ehiedu, 2023).

Loans (LONS) has significant positive effect on capital market performance in Nigeria ($\beta = 0.019365$, $p < .05$). Also, in the short run, LONS has significant positive effect on capital market performance in Nigeria ($\beta = 0.018680$, $p < .05$). Hence, this study accepts the alternative hypotheses that Loans has significant positive effect on capital market performance in Nigeria both in the short and long run and do not agree with the finding of Aigheyisi and Edore (2013). Money Markets Instruments (MMKI) has significant negative effect on capital market performance in Nigeria in the long run ($\beta = -0.006434$, $p < .05$). While the short run result revealed that MMKI has significant negative effect on capital market performance in Nigeria ($\beta = -0.006405$, $p < .05$). The study accepts the alternative hypotheses that money markets instruments have significant negative effect on capital market performance in Nigeria in the short and long run. The result agreed with the finding of Nwala, Nwagboso and Nwankwo (2019), however, it does not agree with the findings of (Okolie & Ehiedu, 2023; Ireobe, Obamuyi & Abayomi, 2019).

Other Claims (OCLMS) has no significant effect on capital market performance in Nigeria in the long run ($\beta = -0.000915$, $p > .05$). Furthermore, in the short run, OCLMS has no significant effect on capital market performance in Nigeria ($\beta = 0.000248$, $p > .05$). The study accepts the null hypotheses that other claims have no significant effect on capital market performance in Nigeria in the short and long run. This finding is still open to more empirical study.

Other Capital (OCPT) has no significant effect on capital market performance in Nigeria ($\beta = -0.135809$, $p > .05$). Also, in the short run, other claims have no significant effect on capital market performance in Nigeria ($\beta = -0.133183$, $p > .05$). Hence, this study accepts the null hypotheses that other claims have no significant effect on capital market performance in Nigeria both in the short and long run. This finding does not agree with the finding of He, Lu and Ongena (2016).

Other Equity Capital (OEQCP) has no significant effect on capital market performance in Nigeria in the long run ($\beta = 0.002182$, $p > .05$). While the short run result revealed that other equity capital has non-significant effect on capital market performance in Nigeria ($\beta = 0.002087$, $p > .05$). The study accepts the null hypotheses that other equity capital has no significant effect on capital market performance in Nigeria in the short and long run in which the result was inconsistent with the findings of (Ikezam, 2018; Nwala, Nwagboso & Nwankwo, 2019; Okolie & Ehiedu, 2023).

ARDL Error Correction Regression result indicated that Trade Credit (TDCR) has significant negative effect on capital market performance in Nigeria in the long run ($\beta = -1.214384$, $p <$

.05). Furthermore, in the short run, trade credit has negative significant effect on capital market performance in Nigeria ($\beta = -1.196517$, $p < .05$). The study accepts the alternative hypotheses that trade credits have significant effect on capital market performance in Nigeria in the short and long run which is in line with the finding of Albuquerque, Ramadorai and Watugala (2015).

Post Estimation Diagnostics Tests

Table 8: Post Estimation Diagnostics Tests

Test	P-Value
Heteroskedasticity Test	0.6128
Serial Correlation LM Test	0.0993
JB Normality Test	0.0954

Source: Author's Computation from E-view 12 Results, 2023.

The result presented in the above table revealed that there were no evidences of heteroskedasticity, serial correlation, and the data are normally distributed in the estimated ARDL-ECM model have the *p-values* of 0.6128, 0.0993 and 0.0954 respectively. They were all found to be greater than the 0.05 level of significance.

Cusum Stability Tests

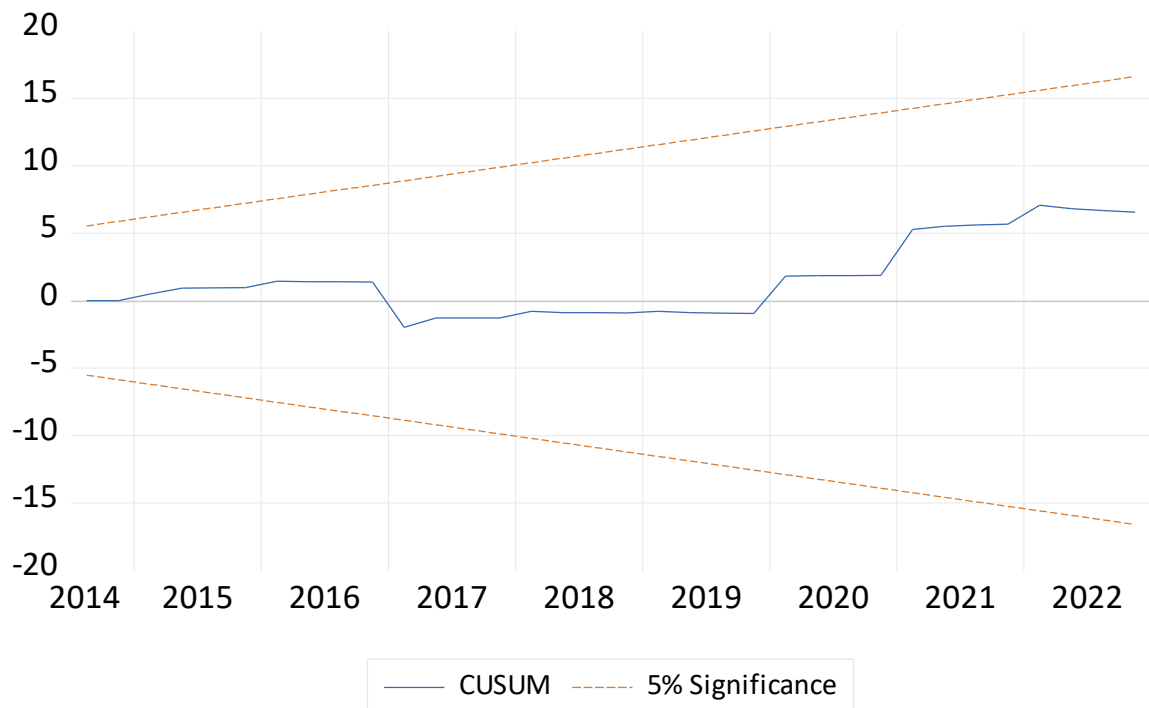


Figure I: Cusum Stability Tests

Source: Extracted from E-view 12 Output, 2023.

The CUSUM stability tests in Figure II revealed that the model is stable and the regression equation is correctly specified as the plots of the charts lie within the critical bounds at 5% significant level.

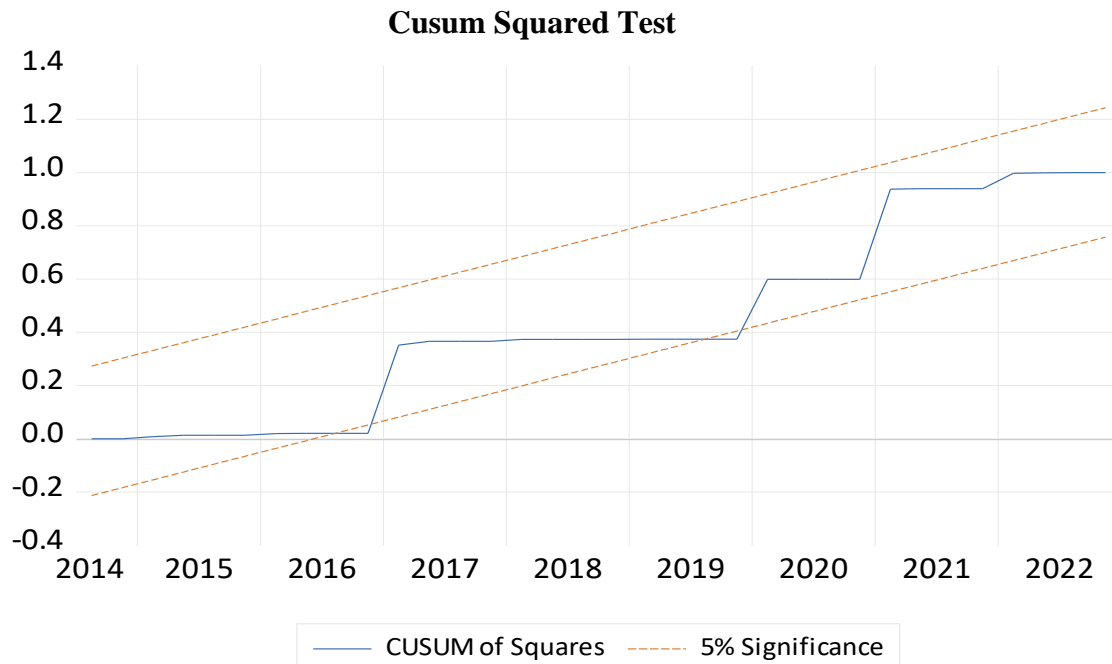


Figure II: Cusum Squared Tests

Source: Extracted from E-view 12 Output, 2023.

The CUSUM squared tests in Figure II revealed that the model is stable and the regression equation is correctly specified as the plots of the charts lie within the critical bounds at 5% significant level. The figure above shows that the plot of CUSUM squared for the model under consideration is within the five per cent critical bound. This by implication suggests that the parameters of the model do not suffer from any structural instability over the period of study. That is, all the coefficients in the error correction model are stable.

Test of Specific Error

Table 9: Ramsey RESET Test

	Value	Df	Probability
t-statistic	2.295133	51	0.1259
F-statistic	5.267634	(1, 51)	0.1259
Likelihood ratio	6.978863	1	0.1082
F-test summary:			
	Sum of Sq.	Df	Mean Squares
Test SSR	17957265	1	17957265
Restricted SSR	1.92E+08	52	3688756.
Unrestricted SSR	1.74E+08	51	3408981.
LR test summary:			
	Value		
Restricted LogL	-626.4770		
Unrestricted LogL	-622.9876		

Source: Extracted from E-view 12 Output, 2023.

Table 9 shows that the value of $F = 5.267634$, $p > .05$. Since the computed p-value is greater than the alpha which is 0.05. The study accepts the null hypothesis that the true specification is linear. This means that there is no misspecification error in the model.

Conclusion

The study examined the relationship between foreign investment financial inflows and capital market performance motivated by financial information disclosure problem. This study focused on the issue of improving the decision usefulness of financial information through disaggregate disclosure to promote relevancy, reliability and predictability of financial information, data, comparability, policy initiation and performance evaluation. The study employed ex-post facto research design by using time series data from 2005-2022 on quarterly basis. The data was analysed using Autoregressive Distributed Lag (ARDL) model technique and the result indicate that equity capital, loans and currency deposits have significant positive effect on capital market performance measured with market capitalization, while money market instruments and trade credit have negative significant effect. However, other capital, other equity, bond and other claims have no significant effect on capital market performance in Nigeria. The study conclude that disaggregate financial information disclosure is helpful in decision usefulness process and recommends that for better performance evaluation and policy decision in the path of the decision makers, disaggregate disclosure of financial information is necessary. Foreign equity ownership should be encouraged toward attracting foreign investment inflows and mobilization of reserve assets should be mobilized from currency and deposits to drive the capital market performance and overall development of the Nigeria financial system. Financial system reform should be holistic without excluding any element that form the components of the financial system. Where there is foreign loan or debt, it should be channelled toward productive sector. The study investigates only the relationship between foreign investment financial inflows and capital market performance in Nigeria and does not incorporate control variables such as inflation rate, exchange rate, interest rate and so on.

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