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Timisoara Journal of Economics and Business TJE&B

EFFECTS OF GLOBALIZATION ON NIGERIA'S STOCK MARKET GROWTH

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DOI: 10.2478/tjeb-2024-0006

Globalization is a complex phenomenon that has generated a variety of responses and interpretations. The Nigerian capital market has underperformed compared to its global counterparts, primarily due to government control over the economy and inadequate infrastructure. This study examines the impact of globalization on the growth of Nigeria's stock market from 1986 to 2023. Utilizing a multiple regression model, the research explores the relationship between globalization and stock market growth. Various statistical methods, including the Granger Causality Test, Auto Regressive Distributed Lag (ARDL), and the Augmented Dickey-Fuller Test, were employed to assess the performance of the Nigerian stock market within the context of globalization. The findings reveal that foreign direct investment (FDI) is statistically insignificant, with a p-value of 0.6519. In contrast, trade openness (TOP) is significant at the 10% level, evidenced by a p-value of 0.0649. Additionally, the joint significance of TOP, FDI, and other control variables on market capitalization is confirmed, with an F-statistic probability value of 0.00000, indicating overall relevance. These results suggest that globalization has a small but positive effect on Nigeria's stock market growth. The study recommends establishing a regulatory body to ensure compliance with market regulations, enhancing transparency, accountability, and fair practices. This regulatory framework would bolster investor confidence, improve financial responsibility, and strengthen the overall economy.

Keywords: **Globalization, Stock market, Growth, Trade openness, Interest rate, Inflation**

JEL Classification: **G1, G2, O2, O4**

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1. Introduction

With its economic and sociopolitical facets, globalization is a multifaceted phenomenon that has elicited different reactions and interpretations. Depending on the observer's perspective and the surrounding circumstances, these responses may be favorable or negative. Integration of politics, economy, and culture on a worldwide scale is referred to as globalization. It has broken down national borders and effectively downsized the world. The beginnings of globalization can be found in the latter part of the 20th century, when developments in communication and transportation technologies revealed that national borders were too onerous for economic activity (Allazov, 2020). Globalization, as defined by Goel and Gupta (2011), is the process of integrating people, organizations, capital, labor, and goods internationally through global strategies that make it easier to connect and coordinate international operations.

Increased foreign investment, commerce, and financial activities are indicative of a more open economy brought about by globalization. Foreign direct investment (FDI), foreign private investment (FPI), and trade liberalization—all of which entail international investors making capital in developing nations with accessible resources—have a lot in common. Multinational corporations (MNCs) and transnational companies (TNCs) are common forms of these investors (Dabwor et al., 2022).

The Nigerian capital market is a vital component of the nation's financial system and is a major force behind economic expansion. Due to its ability to facilitate the trade of long-term financial instruments, it is regarded as a capital market. It is commonly acknowledged that the capital market is an institution that advances the socioeconomic growth of both industrialized and emerging nations. It provides a platform for nations to draw in and carry out domestic and international investment. According to Kadandani and Yusuf (2019), the stock market in Nigeria facilitates economic development by acting as a conduit for savings and guiding them toward profitable ventures.

When trading securities, the capital market's participants—banking institutions, stockbrokers, investment and merchant bankers, and venture capitalists—act as middlemen between the market and the general public. In order to advance global financial integration, there must be a healthy capital market. A nation can become more competitive in the international capital markets by developing an efficient domestic financial system. Countries can lessen their need on foreign aid and external borrowing by having access to global finance markets through a robust banking system. According to numerous financial researchers, financial globalization makes it easier to share information about local security issues (Tinyakova et al., 2017).

The performance of the Nigerian capital market has lagged behind that of other global capital markets. This is partly explained by things like poor infrastructure and the government's control over the economy, which is different from the market-controlled economies in other regions of the world. Consequently, there is an increasing interest in investigating the connection between the global economic crisis and the deregulation of the Nigerian stock market (Na & Kim, 2022). Trade liberalization and foreign direct investment are two elements that have an impact on the effects of globalization. Thus, from 1986 to 2023, the purpose of this study is to look into how globalization has affected the Nigerian stock market.

Globalization is typically viewed in the West as a good thing that can help poorer nations. Nigeria is among the numerous developing countries that have not yet fully benefited from globalization (Abbas et al., 2016). With more than 50 years of history, the Nigerian stock market is a vital component of the national economy. But a number of obstacles, including as institutional and societal issues, have impeded its development and vitality (Gerald & Simon, 2014). Previous research on how globalization affects stock market growth has yielded conflicting findings. This is caused by exchange rate limitations, distortions in foreign capital transactions, policies linked to capital account liberalization, and challenges in quantifying real global variables. In developing nations like Nigeria, capital mobility distortions have been especially common. In light of these difficulties and complexities, the goal of this research is to investigate the connection between globalization and stock market growth.

Could globalization be viewed as a useful instrument for fostering the expansion of Nigeria's stock market? is the research question that motivated the study. Examining how globalization has affected Nigeria's stock market's expansion is the study's principal goal. These particular goals are to investigate the connection between foreign direct investment and the expansion of the Nigerian stock market and to evaluate the effect of trade liberalization on the expansion of the Nigerian stock market. Only the economic aspects of globalization and their implications for the Nigerian economy will be the subject of this investigation. 38 years, or more precisely from 1986 to 2023, were covered by the empirical study.

2. Literature Review

Concept of Globalization

There is no one definition of globalization that is widely agreed upon, and different authors have given it diverse descriptions. Nonetheless, it is commonly acknowledged as a prominent factor influencing the state of the economy. According to Onyimba et al. (2019), globalization is frequently linked to the advancement of economic success and highlights the superiority of market forces over government intervention and self-interest over compassion. Zadorozhna (2021) characterizes globalization as an economic revolution of the modern era, mainly driven by advances in information and communication technology (ICT), and defined by the globe becoming a global village.

Kwabena-Twerefou et al. (2019) describe globalization as a set of processes that lead to a change in the way social ties and transactions are organized spatially. The extent, intensity, speed, and impact of these relationships and transactions are among the variables taken into consideration while evaluating this transition. Transcontinental or interregional flows and networks of activity, interaction, and power exercise are the result of globalization. In this explanation, the author highlights a number of important aspects. First of all, rather than being a static description of a system, globalization is seen as a dynamic process. Second, the concept of spatial changes in interconnectivity patterns is fundamental to the globalization process. The author also contends that a number of domains, such as commerce, finance, migration, and culture, exhibit signs of globalization.

Globalization is the result of time and distance being compressed in the interchange of commodities and services between nations, according to Zaher and Buics (2022). International trade is positively impacted by this contraction of transactional space.

According to Akinwale and Adekunle (2019), globalization is a process that makes it possible for events in one area to have a significant impact on the safety and well-being of communities in other areas of the world. This includes transregional flows and networks of connection at diverse regional levels, from local to global, and across a variety of social activity domains, from cultural to criminal. Technology transfer, easier access to established markets, and the possibility of economic growth, enhanced productivity, and higher living standards are just a few of the opportunities that globalization has brought to developing nations. It's crucial to remember that globalization has not only beneficial benefits. Along with these new issues, the phenomena has also brought about environmental deterioration, financial and commercial market instability, and rising inequality within and across states.

Globalization and Nigeria's Economy

Following the introduction of the Structural Adjustment Programme (SAP) in 1986 under President Ibrahim Babangida's military administration, globalization became a topic of study in Nigeria's economic literature (Weldeslassie et al., 2019). But the British had already incorporated Nigeria into the world capitalist system before the country's October 1, 1960, independence by importing capital goods and raw materials and exporting completed commodities. However, through the importation of capital goods and raw materials and the exportation of finished commodities, the British had already integrated Nigeria into the global capitalist system prior to the country's independence on October 1, 1960. Following its independence, Nigeria persisted in this pattern, depending on the United Kingdom and other developed countries for development strategies, modernization, and technology. Nigeria required to import capital goods, consumables, and access to technology, whilst the industrialized nations looked for markets for their products (Armeanu & Joldes, 2019).

In accordance with the "Washington Consensus," which sought to direct economic restructuring in developing nations, the Structural Adjustment Programme (SAP) was implemented in Nigeria in cooperation with the World Bank (WB) and the International Monetary Fund (IMF) (Adediran et al., 2015). According to Haider et al. (2017), SAP was viewed as a remedy for the faltering economies of less developed nations. Nigeria had to open up its economy and engage with the global market as part of this restructuring, which resulted in the liberalization of several important industries. The emphasis switched to an export-led approach, a market-oriented economic structure, and economic stability (Asaolu & Ogunmuyiwa, 2011).

Concept of Stock Market

The Nigerian stock market is a crucial component of the country's financial system, acting as a forum for investors to trade shares and assisting businesses in raising finance. There are various definitions of the capital market; nevertheless, no single term is accepted by everyone. In order to raise long-term money for initiatives carried out by businesses, governments, and related organizations, buyers and sellers exchange shares, stocks, and bonds on the stock market, according to Omodero et al. (2016). It facilitates financial intermediation, encourages the modernization of the financial sector, channels resources, and mobilizes savings for effective allocation, all of which support the socioeconomic growth and development of both emerging and mature economies. In conclusion, the capital market serves as a venue for the trading of financial securities by both people and institutions.

Trade Openness

The degree to which a nation participates in international trade and the degree to which its economy is integrated into the world trading system is referred to as trade openness. It gauges a nation's readiness to engage in global commerce by removing obstacles like tariffs and quotas and supporting laws that encourage cross-border investment, trade, and the movement of products and services. A number of possible advantages of trade openness include enhanced competitiveness, easier access to bigger markets, economies of scale, technology transfer, and the possibility of faster economic growth. But it also comes with drawbacks, like being vulnerable to changes in the world economy, rivalry, and the need for local sectors to adapt.

Interest Rate

The percentage of the loan amount or investment principal that is charged or earned as compensation for taking out a loan or making a loan is known as the interest rate. It is stated as a yearly percentage and shows the cost of borrowing or the return on investment. Interest rates are important for monetary policy, financial markets, and consumer behavior, among other areas of the economy. It's crucial to remember that interest rates might change between nations, financial products, and loan kinds. They are impacted by things like market circumstances, inflation expectations, central bank policy, and the health of the economy as a whole. For people, companies, and governments to make wise financial decisions and successfully navigate the economy, they must keep an eye on and comprehend interest rates.

Theoretical Review of Globalization and Stock Market Growth

There is now a great deal of multidisciplinary discussion surrounding the philosophy of globalization, with a diverse spectrum of people voicing opposing viewpoints. The relationship between the stock market and globalization is attempted to be explained from a variety of theoretical angles.

Mckinnon-Shaw Hypothesis

McKinnon and Shaw (1973) proposed that financial deregulation and stock market expansion can influence investment, savings, and general economic performance, all of which can lead to economic growth. Repressed financial markets, they contended, discourage savings, obstruct effective resource allocation, produce financial market fragmentation, restrict investment, and eventually diminish the pace of economic growth. They are typified by low interest rates, credit controls, and other limitations. The main tenet of the McKinnon-Shaw thesis is that real interest rates that are low or negative deter savings, which in turn reduces the amount of money available for investments and, as a result, slows down the rate of economic growth. On the other hand, a rise in the real interest rate may encourage savers to set aside more money, which would encourage greater investment and boost economic expansion. These include the financial sector's efficient growth, the real interest rate and savings having a positive correlation, and the money demand and investment having a strong complementarity (Sulaiman & Ibrahim, 2014). Thus, this theory serves as the study's conclusion.

Review of Empirical Literature

Armeanu and Joldes (2019) used stock market indices such the EURO STOXX, S&P500, and NIKKEI 225 to study the impact of globalization on capital markets in the US, Asia, and Europe. Taking into account the methods utilized in earlier research on the subject, the study used a variety of tests and methodology. Examined daily stock exchange data from 2000 to August 2019. The Granger causality test empirical results showed a unidirectional causal relationship between the Asian stock market and the US and European stock markets. The analysis also discovered that the European capital market was impacted by the American capital market.

A study by Akinwale and Adekunle (2019) looked into how Nigeria's capital market was affected by globalization between 1986 and 2017. They used a variety of statistical methods, including the Bound Test, Autoregressive Distributed Lag (ARDL), and Augmented Dickey-Fuller (ADF) using secondary data from the Central Bank of Nigeria Statistical Bulletin. The study looked at how Nigeria's market capitalization was affected by trade openness, foreign direct investment (FDI), and foreign portfolio investment (FPI). The unit root test results showed that FDI and FPI were stationary at the level, whereas trade openness and market capitalization became stationary at the first difference. A long-term equilibrium link between the variables was also discovered by the investigation. The ARDL analysis, market capitalization was positively and significantly impacted in the short and long terms by trade openness and FPI. However, both in the short and long terms, FDI had a negative and negligible impact on market capitalization. Based on these results, the study came to the conclusion that trade openness and the influx of foreign capital had a major impact on the Nigerian economy due to globalization.

Kwabena-Twerefou et al. (2019) used panel data from five chosen nations from 1993 to 2013 to investigate the association between stock market development and economic growth in Sub-Saharan Africa. They utilized Moment's dynamic panel estimate framework and its system generalized technique. The study discovered a small but positive correlation between economic growth and stock market development, as indicated by the turnover ratio of domestic shares and market capitalization. Further research revealed that human capital, investment, and GDP that lagged all had a strongly favorable effect on growth. On the other hand, while the impact of FDI differed among models, trade and FDI both hampered growth. The study recommended that legislative changes be made in order to stimulate economic growth by using the stock market's expansion as a conduit. These regulations ought to prioritize the proper taxation of investors as well as the creation of institutions, technology, and regulatory frameworks that support the sub-region's market's size and liquidity.

A study by Onyimba et al. (2019) looked into how trade integration and financial openness affect the growth of capital markets in developing nations like Nigeria. The aim of the study was to investigate the effects of financial openness and trade integration indicators, which are derived from export/import volume and foreign direct investment (FDI), on the size and liquidity of the capital market. The study's primary conclusion was that integration with international economic activity has a favorable impact on the expansion and development of the capital market. According to the findings, regulators should support more financial market liberalization, especially in emerging nations, in order to draw in more investors, improve the range and caliber of financial products, and advance consistency in accounting standards.

Kadandani and Yusuf (2019) looked into how globalization affected Nigeria's stock market's growth between 1981 and 2016. The purpose of the study was to investigate the connection between trade openness, stock market expansion, and foreign direct investment (FDI). Based on theoretical underpinnings, six explanatory variables were taken into consideration. The research employed the ordinary least squares methodology in conjunction with econometric assessments such as the Granger causality test, co-integration test, and Augmented Dickey-Fuller (ADF) unit root test. To estimate the model, the Vector Error Correction Model (VECM) was employed. The investigation showed a positive linear association between the market capitalization of the Nigeria Stock Exchange and trade openness and exchange rate.

A study was carried out by Allozav (2020) to investigate how globalization has affected the global stock market. Within the framework of the globalization process, the analysis suggested a way to evaluate the impact of national stock markets, as reflected by their individual stock indexes, on the global stock market. The study sought to pinpoint the precise conditions in which national stock markets have a major influence on how the global stock market moves by employing linear multidimensional equations. This method enables the identification of shifts in the kind, amount, and patterns of national market influence on the international market as well as the mutual influence that results from globalization. Predicting how national stock markets will affect the world market at this stage of the economic cycle was another goal of the study. The study looked at how the stock markets of the USA, Germany, Great Britain, Japan, China (including Shanghai), and Russia affected the global stock market using a periodization framework based on economic cycles. The findings showed that each cycle's fall and recovery phases had grown more intricate as a result of globalization. While in the latter part of the 20th century a small number of stocks had a greater influence, in the 21st century the movement of the global stock index is determined by the combined contribution of all major areas.

Dabwor et al. (2022) looked at the relationship between stock market volatility and economic growth in Nigeria from 1981 to 2018, examining the moderating effect of globalization (economic, social, and political globalization). Exams used in the study included the Johansen cointegration test, the Bayer-Hancks test, and the unit root test with structural breakdowns by Lee and Strazicich. The results showed that there was a long-term relationship between the real gross domestic product, stock market returns, and globalization index. All three were found to be cointegrated and integrated of order one. The results of the GARCH(1,1) model indicate that shocks to stock market volatility are more likely to be long-lasting than short-lived. The study demonstrated a positive, inelastic, but statistically insignificant influence of stock market returns on economic growth in Nigeria. This association was seen between stock market returns and economic growth. Furthermore, it was discovered that globalization positively, elastically, and statistically significantly affected Nigeria's economic growth.

Zaher and Buics (2022) used annual data from 1993 to 2019 to investigate how financial globalization affects stock market volatility in 24 nations. Prior studies have indicated that enhancing international financial connections may mitigate stock market fluctuations inside nations. The study used a composite index of financial globalization made up of two indices: the de facto index, which gauges real-world activities and flows, and the de jure index, which shows the laws and regulations that permit these activities and flows. The de jure index demonstrated a substantial negative link with stock market volatility, however the de facto index did not significantly affect stock market volatility, according to the data. This emphasizes how crucial financial globalization-promoting laws and regulations are to lowering stock market volatility.

Na and Kim (2022) looked at whether investor protection acts as a mediating factor in the relationship between globalization and stock market quality. The study also examined the impact of the legal system on the channel effect. The empirical study validated a favorable causal relationship between market quality and globalization. The study also showed that globalization leads to improved investor protection. The investigation made a distinction between the characteristics of investor protection that can be linked to globalization. The results illustrated the channel significance of investor protection by showing that the globalization-related component of investor protection has a notably positive impact on market quality. Additionally, the analysis showed that common law nations did not exhibit similar correlations between globalization, investor protection, and market quality. Thus, globalization may improve investor protection in civil law nations and improve the quality of financial markets by enabling institutional reform.

3. Methodology

The study looks at the connection between globalization and the expansion of the Nigerian stock market using a multiple regression model. A number of statistical methods are used to evaluate the performance of the Nigerian stock market in the context of globalization, such as the Auto Regressive Distributed Lag (ARDL) and the Augmented Dickey-Fuller Test. Furthermore, variables including foreign direct investment, trade openness, inflation rate, and interest rate in Nigeria are analyzed between 1986 and 2023 using descriptive statistics.

Model Specification

Thus, the model is stated as;

$$\text{MCAP} = \text{F (FDI, TOP, INF, INT)} \tag{1}$$

Where:

MCAP=Market Capitalization of Stock Market
FDI = Foreign Direct Investment
TOP = Trade Openness
INF = Inflation Rate
INT = Interest Rate

Econometric Specification of the Model

$$LOG(MCAP) = \beta_0 + \beta_1 LOG(FDI) + \beta_2 TOP + \beta_3 INF + \beta_4 INT + \mu \quad (2)$$

Where:

β_0= intercept
β_1, β_2, β_3, β_4 = parameters
μ = stochastic error term

4. Presentation and Analysis of Results

Descriptive Statistics

Table 1. Descriptive statistics

	LFDI	*LMCAP*	*TOP*	*INT*	*INF*
Mean	24.63843	5.988878	0.311316	18.24838	19.06711
Median	25.36528	5.930698	0.350000	17.87167	11.90000
Maximum	27.93851	9.915546	0.590000	31.65000	72.84000
Minimum	18.79912	1.609438	0.070000	9.959167	5.380000
Std. Dev.	2.942057	3.071056	0.128740	4.229096	17.49325
Skewness	-0.627443	-0.117070	-0.195140	0.661601	1.706542
Kurtosis	2.095088	1.492208	2.305048	4.414168	4.693308
Jarque-Bera	3.789878	3.686407	1.005855	5.938666	22.98435
Probability	0.150328	0.158309	0.604758	0.051338	0.000010
Sum	936.2602	227.5774	11.83000	693.4386	724.5500
Sum Sq. Dev.	320.2609	348.9612	0.613234	661.7544	11322.52
Observations	38	38	38	38	38

Source: Author computations, 2024.

The data shown in Table 1 indicate that the average value of TOP is 0.31%, LMCAP is 5.99%, and the mean value of LFDI is 24.63%. INT and INF have average values of 18.24% and 19.07%, respectively. Higher values of the standard deviation indicate more variance in the data, which is measured as the data's dispersion around the mean. In this instance, TOP has the lowest dispersion around the mean value and LINF the most variation. It is suggested that these variables have a normal distribution by the skewness value of zero. On the other hand, the variable has a thicker tail on the right or left side when the skewness is larger than or less than zero. Several of the variables have minor skewness values, which indicates that they are not normally distributed, according to the results. The degree of distribution peakiness is measured by skewness and kurtosis. By combining these measurements, the Jarque-Bera statistic is computed, yielding a more precise evaluation of the variables' normalcy. The normalcy null hypothesis forms the foundation of the Jarque-Bera statistic. Since all of the variables' corresponding p-values are more than 0.05, the results show that all of the variables—aside from INF—are not regularly distributed.

Correlation Matrix

The results from the GARCH-M (1,1) specifications, which use a normal distribution function are presented in Panel A of Table 2.

Table 2. Correlation Matrix

	LMCAP	*LFDI*	*TOP*	*INT*	*INF*
LMCAP	1				
LFDI	0.955529	1			
TOP	0.524268	0.613716	1		
INT	-0.45911	-0.3887	0.038327	1	
INF	-0.47483	-0.45808	-0.32756	0.443374	1

Source: Author computations, 2024.

The relationships between each variable are shown in Table 2's correlation matrix. With a correlation coefficient of 0.95552, it indicates that LFDI and LMCAP have a positive relationship. This suggests that there is a substantial positive correlation between these two factors. Furthermore, the data shows that, with a value of 0.524268, there is a substantial positive association between LMCAP and TOP. However, there is a negative association between LMCAP and both INT and INF. LMCAP and INT have a correlation coefficient of -0.45911, indicating a negative link. Similarly, LMCAP and INF have a -0.47483 coefficient of negative correlation. These relationships suggest that INT and INF tend to decrease as LMCAP increases, and vice versa.

Result of Variance Inflation Factor

The variance inflation factor for the variables under investigation is displayed in Table 3. To determine whether multicollinearity is present or absent, the VIF is utilized.

Table 3. Variance Inflation Factor

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
LFDI	0.005572	163.6492	2.240889
TOP	2.556052	13.78927	1.968309
INT	0.001935	32.35063	1.607716
INF	0.000104	3.293613	1.483515
C	4.122333	196.7089	NA

Source: Author computations, 2024.

It is clear from the information given that there is no multicollinearity among the variables. The centered Variance Inflation Factor (VIF) values, all of which are less than 10, are examined in order to reach this result. According to the rule of thumb, multicollinearity is present when the VIF values are greater than 10, and it is absent when the values are less than 10. Thus, it can be said that multicollinearity among the variables is not a problem in this instance because the centered VIF figures are less than 10.

Augmented Dickey-Fuller Test

The following is the outcome of the Augmented Dickey-Fuller (ADF) test used to determine the stationarity of the time series data included in the model, as described in the preceding chapter.

Table 4. ADF result

VARIABLE	ADF TEST STATISTIC (LEVEL)	CRITICAL VALUE (LEVEL)	ADF TEST STATISTIC (FIRST DIFFERENCE)	CRITICAL VALUE (FIRST DIFF)	PROBABILITY (5%)	ORDER OF INTEGRATION
LFDI	-1.436749	-2.943427	-9.538106	-2.945842	0.0000	I(1)
LMCAP	-0.648101	-2.943427	-4.519956	-2.945842	0.0009	I(1)
TOP	-2.426276	-2.943427	-7.565423	-2.945842	0.0000	I(1)
INT	-3.095034	-2.943427	-	-	0.0356	I(0)
INF	-3.399487	-2.945842	-	-	0.0176	I(0)

Source: Author computations, 2024.

The outcomes of the unit root Augmented Dickey-Fuller (ADF) test show that every variable in the research is stationary both at the level and following the first difference. This suggests that there are two orders of integration for the variables: 0 (I(0)) and 1 (I(1)). The autoregressive distributed lag (ARDL) method must be used since the variables have distinct integration orders. The estimation of both the short- and long-term associations between the variables is possible with this method. A bond test is performed to ascertain the proper lag length and model specification.

Presentation of Short-run ARDL Model Results

Table 5 following displays the findings of the estimated short-run dynamics between the independent and dependent variables.

Table 5. Short-run ARDL model Result

Variable	Coefficient	Std. Error	t-Statistic	Prob.*
LMCAP(-1)	0.831548	0.050780	16.37560	0.0000
LFDI	0.028437	0.062381	0.455869	0.6519
LFDI(-1)	0.132354	0.072832	1.817255	0.0795
TOP	0.993789	0.517931	1.918766	0.0649
TOP(-1)	-0.863154	0.483771	-1.784220	0.0849
INT	-0.000706	0.013407	-0.052639	0.9584
INF	-0.003156	0.002869	-1.100289	0.2803
C	-2.713430	1.162194	-2.334749	0.0267
R-squared	0.855212	Mean dependent var		6.107242
Adjusted R-squared	0.844056	S.D. dependent var		3.024269
S.E. of regression	0.233157	Akaike info criterion		0.114598
Sum squared resid	1.576499	Schwarz criterion		0.462905
Log likelihood	5.879932	Hannan-Quinn criteria.		0.237393
F-statistic	861.1230	Durbin-Watson stat		1.929522
Prob(F-statistic)	0.000000			

Source: Author computations from Eviews, 2024.

The estimated short-run relationship between the dependent variable (LMCAP) and the independent variables (LFDI, TOP, INF, INT) using the ARDL technique is presented in the table along with a number of statistics and coefficients. With an R-squared of 0.99, the independent variables account for 99% of the variation in LMCAP, with the error term accounting for the remaining 1%. The sample size and number of independent variables are taken into consideration in the adjusted R-squared value of 0.994056, which provides a penalized measure of goodness of fit. An increased adjusted R-squared indicates that the model fits the data better.

The associated p-value (0.00000), which is less than the selected significance level of 0.05, indicates that the combined effect of the independent variables is statistically significant, according to the F-statistics. This suggests that LMCAP is significantly impacted by the independent factors taken as a whole. The 1.929522 Durbin-Watson statistic examines whether the residuals have autocorrelation. When the value is close to 2, it means that there is no discernible autocorrelation and the model correctly describes the temporal dependency in the data. The lagged LMCAP variable (LMCAP(-1)) has a coefficient of 0.831548, which indicates that a one-unit rise in the lagged LMCAP results in a 0.831548 unit increase in the current LMCAP, according to an analysis of the individual coefficients. There is statistical significance for this coefficient.

The link between a one-unit rise in LFDI and a 0.028437-unit increase in LMCAP is not statistically significant. Likewise, the lagged LFDI variable (LFDI(-1)) has a coefficient of 0.132354, indicating that an increase of one unit in the lagged LFDI corresponds to a 0.132354 unit rise in the present LMCAP. However, this coefficient is only marginally significant (p = 0.0795). The coefficient for TOP is 0.993789, meaning that an increase in TOP of one unit is correlated with an increase in LMCAP of 0.993789 units. At the ordinary level, this association is not statistically significant, nevertheless. Although neither of the INT or INF coefficients is statistically significant, they both show negative correlations with LMCAP.

Discussions

This study looks at how economic globalization has affected Nigeria's stock market's growth. The idea was tested using two measures of economic globalization: trade openness (TOP) and foreign direct investment (FDI). FDI and TOP were evaluated separately for significance using either probability values or t-statistics. With a p-value of 0.6519, the data show that FDI is statistically negligible. In contrast, TOP had a p-value of 0.0649 and was determined to be significant at a 10% level. Moreover, the probability value of the F-statistics was used to assess the combined relevance of TOP, FDI, and other control factors on market capitalization. The findings demonstrate that all of the variables together are jointly significant in explaining the markegt capitalization of the Nigerian stock exchange, with the p-value (0.00000) being less than 0.05. These results support the hypothesis that globalization has a small but beneficial effect on Nigeria's stock market expansion. The analysis concludes that there is a direct and insignificant relationship between globalization and the expansion of the Nigerian stock market, rejecting the alternative hypothesis and accepting the null hypothesis. Globalization may, all things considered, have a negligible impact on Nigeria's stock market growth

5. Summary, conclusion and recommendations

The study's results allow for the following conclusions to be made: first, trade openness was found to have a small but favorable effect on the growth of Nigeria's stock market. This implies that trade openness may benefit the stock market in certain cases, but not to a statistically significant degree. It was also shown that foreign direct investment (FDI) has a strong but unfavorable relationship with the expansion of Nigeria's stock market. This suggests that a rise in FDI could result in a fall in stock market expansion. More research would be necessary to determine the causes of this unhealthy association.

Recommendations

The study's conclusions suggest the following measures to encourage expansion in the Nigerian stock market: moderate exchange connections: The growth of the stock market was found to be positively but marginally impacted by trade openness; hence, the government must take action to moderate trade relations. This entails striking a balance between promoting trade openness and avoiding having a negative impact on Nigeria's economy. Tariffs and import charges are examples of trade restrictions that can be put in place to protect regional businesses and maintain fair competition.

Creation of a regulatory body for the market: The report suggests creating a regulatory body to make sure capital market directors and executives follow the laws and guidelines governing the industry. This regulatory body would uphold fairness, accountability, and transparency while acting in the best interests of investors and the economy as a whole. Customers' financial responsibility would increase as a result, and market trust would rise.

Investment portfolio diversification: By adding fixed physical domestic assets, the Nigerian capital market should think about expanding its investment options. This would raise the amount and value of investments made, which might lower unemployment and significantly strengthen the country's economy. Market players may have access to a greater range of investment options and risk mitigation through diversification.

It is envisaged that the Nigerian stock market will expand its operations, boost investor confidence, and aid in the general expansion of the country's economy by putting these policy proposals into practice.

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