

FOREIGN DIRECT INVESTMENTS (FDI) INFLOWS IN EMERGING NIGERIAN EQUITY MARKET

¹Enahoro A. John Phd, FCA,

²Mohammed R. Samuel, B.Sc, M.Sc, MBA, MPP, MITD, MIRD, FCA &

³Oyebolu Olasunbo (Mrs.), B.Sc, MBF, ACIS, FCIB, FCA.

Department of Accounting

Babcock University, Ilisan-Remo, Nigeria.

PhD Student of Babcock University, Ilisan-Remo, Nigeria.

Abstract

The growth in foreign equity investments portfolio in emerging markets such as Nigeria has significant implications. One main motivation for investing in emerging markets was significant diversification benefits offered to international investors because it was viewed as a segmented market (Chatrath 1996). However, invasion and rule by foreign trading companies created a great threat to the developing economies. This study investigates the foreign direct investments (FDI) inflows in emerging Nigerian equity market. The study employed investigative and empirical analysis approach. Two stochastic models of causal link for FDI Inflows of developed economies and global FDI inflows of emerging markets with the Nigerian economic indicators have been specified based on their perceived linear functional relationships. A non-structural approach for investigating the foreign direct investments (FDI) inflows was adopted. Annual data for a sample period of eleven years ranging from 2001 to 2011 were analyzed. Thus, the variables included in the model were those considered appropriate indicators of Nigerian economic growth and FDI inflows over the relevant period. Multiple regression analysis, the ordinary least squares (OLS) technique was also adopted analyzing the models for estimates of their parameters using MINITAB software, version 15. The estimates were further evaluated using F- test for statistical significance and acceptance or rejection of the research hypotheses while Pearson Product Moment Correlation Coefficient was used to determine the strength of the relationships among the variables. It was revealed that there was a strong negative correlation between FDI inflows of developed economies and unemployment in Nigeria while other variables were positively weak. On the other hand, we found that global FDI inflows of emerging markets are positively correlated with unemployment but other economic indicators are weak. It was concluded that globalization and increasing competitive pressure on companies have increased the opportunity cost of not investing in emerging Nigerian markets. The decline in global FDI inflows have affected investments pattern in Nigeria. It is recommended that Nigerian economy should bridge the capital shortage gap, complement and encourage domestic investments to generate more employment and to alleviate poverty.

Keywords: *Foreign Direct Investments, Nigerian Stock Market, Global Crisis.*

Introduction

Geert, Campbell, Christian, and Stephan (2007) opined that in a perfectly integrated world economy, capital should be invested where it is expected to earn the highest risk-adjusted return. Much of the research on real variables and quantities is strongly at odds with the notion of global Integration. In their classic study of 16 developed countries, Feldstein and Horioka (1980) found a home bias in real investments. In

particular, they showed that domestic saving rates explained over 90% of the variation in investment rates. The Feldstein and Horioka sample ended in 1974, it did not reflect the considerable progress towards globalization in the 1970s and 1980s. However, Obstfeld and Rogoff (2000) continued to find a high correlation between domestic investment and savings for the 1990 to 1997 period. In addition, in the last decade, foreign investors' interest in the emerging Nigeria equity market has been growing because of the continuation of the economic liberalization process and impressive performance of the Nigerian economy.

Nigeria's economic growth has been fuelled by strong macroeconomic outcomes, improving infrastructure, growing outsourcing activities by western companies in Nigeria and increasing consumption appetite of Nigeria's fastgrowing and large middle-class population. The growth in foreign equity portfolio investments in emerging markets such as Nigeria has significant implications. In the past, one main motivation for investing in emerging markets like Nigeria was significant diversification benefits it offered to international investors because it was viewed as a segmented market (Chatrath 1996). Sinha, Kent and Shomali (2007) opined that FDI is one of the major sources of foreign capital for emerging markets.

However, if the present magnitude and pace of foreign investments are sustained over time, then the Nigerian emerging market and others may not remain segmented. This will not only reduce International portfolio diversification benefits but will also make the emerging markets more vulnerable to the global shocks. Also, there is evidence which suggests that foreign investors have short-term investment interest and at the slightest crisis, the foreign capital tends to leave at a much greater pace than the pace at which it arrives in emerging markets (Bekaert 2002). Furthermore, the massive losses experienced by investors following the sub-prime crisis since August 2007 makes it all the more critical that the globalization paradigm is re-examined using a case study of Nigeria since it is one of the few emerging markets at the forefront of the global economic growth. This study addresses the key issue by providing empirical evidence on the impact of foreign portfolio flows on the short-run and long run behaviour of the Nigerian stock market.

There is extant literature that has shown that equity markets around the world have become more integrated and globally with stock price movements. A study reveals that the United States (US) and the United Kingdom (UK) stock markets led market co movements because they transmitted shocks not only to their developed counterparts but also to the emerging equity markets in developing countries such as Nigeria. Dungey (2004) reports that equity markets in Australia are affected by shocks common to all other markets around the world. It is revealed that the US market plays a significant role in explaining the Australian equity market's movement and Australia's domestic output has a very small impact on its own equity market which seems to diminish in the long run. Richards (2005) finds similar results and concluded that foreign investors and conditions external to the local markets have greater impact than those reported in the earlier studies.

In a related study on the long-run equilibrium relationship among four central European emerging markets and developed markets of Germany and the UK, Syriopoulos (2007) conjures that increase in inflow of foreign portfolio investments may have been a significant factor for the observed long-run equilibrium relationship among emerging and developed markets. However, he did not explicitly examine this relationship. Although, Lane and Milesi-Ferretti (2003) have investigated the impact of foreign portfolio

and direct investments on financial integration for a sample of industrialized countries, there are however relatively fewer studies involving emerging global markets and even fewer on the emerging Nigerian equity market. Sharma (2003) investigated the impact of foreign investment on Indian's export performance and finds that foreign investment does not statistically affect the export performance. Lamba (2005) using data from July 1997 to December 2003, reports that the Indian market is becoming increasingly influenced by the US and the UK equity markets, and their impact has been persistent since the 11 September attack in the US.

However, study that investigates the direct influence of trading activities of foreign investors on the integration of the emerging Nigerian equity market with global equity market is lacking. This study fulfils an important gap in the literature by examining the influence of foreign portfolio investments in explaining the short and the long-run relationship of the emerging Nigerian equity market with global equity markets. The significant increase in foreign investments has followed an impressive economic growth and performance of the Nigerian economy. A notable fact is that more than half of the investment has turned out to be true. The Nigerian equity markets in the recent decade had been extremely volatile as a result of large-scale withdrawal of investments by foreign institutional investors following the sub-prime crisis in the Nigerian Stock Exchange. The Nigerian Stock Exchange, which is considered as the barometer of the stock markets in Nigeria, has shown significant increase in capitalization and turnover. This is also reflected in the strong performance of the Nigerian equity market. In particular, significant growth in the Nigerian stock market had occurred before 2007.

Sinha, Kent and Shomali (2007) observed that there are many studies on the benefits of FDI to the emerging markets. The study also concluded that there was lack of sufficient internal capital in emerging markets as governments are devoid of resources. Also, that the private sector does not have enough capital while the developing economies lack the know-how to invest in relatively large projects and the savings in these markets are not enough to create intrinsic economic growth. The global economy experienced serious turmoil in the recent past as a result of the global financial crisis, which culminated in an economic recession in major industrialized countries, including the US, UK, Germany, and Japan among other countries. As reported in Central Bank of Nigeria annual report 2010; the global financial crisis that began in July 2007 with the loss of confidence by investors in securitized mortgages in the United States and the financial contagion that resonated world-wide due to the inter-linkages of the world financial system, led to the tumbling of stocks of all major trading markets across Europe, Asia and other emerging economies as a substantial drop in major global markets including Nigeria.

Furthermore, the crisis led to the insolvency of America's largest securities firms, Meril Lynch and Lehman Brothers as well as the bankruptcy and eventual collapse of the third largest mortgage institution in the US. The seriousness of the economic crisis led various governments, especially in the developed economies, to initiate unprecedented financial bailouts coupled with subsequent proposals of massive fiscal stimuli to reverse the trend and bring the world economies out of the doldrums. The policies adopted varied from interest rate cuts, bail-out packages, nationalization of financial institutions, swaps arrangements, coordinated rate cut among central banks. Other policy measures included the sale of Bear steams, the bail-out of the American International Group (AIG) and Citigroup among others. African economies that were considered relatively insulated from the contagion became as vulnerable as other regions. The major problem is the global rates accelerated due to the surge in food and fuel prices. However, the deteriorating

global economic conditions moderated inflationary expectations while the tight monetary and financial conditions provided the scope of monetary easing, both in the euro area and UK (Sinha, Kent & Shomali 2007).

Among the emerging Asian economies, excluding china, headline inflation soared in a number of countries. In Africa, inflation was accentuated in Sub-Saharan African (SSA) countries and the sharp and widespread decline in the prices of commodities was explained by the significant slowdown in the global economy. In the light of the above, this study seeks to investigate the relationship between FDI inflows of developed economies, the global FDI inflows from emerging markets and the Nigerian economic growth.

The main objective of this study is to assess the impact of the direct influence of trading activities of foreign investors on the integration of the emerging Nigerian equity market with global equity market. The study is guided by the following specific objectives:

- To investigate the relationship between FDI inflows from developed economies and the Nigerian economy;
- To establish the relationship between the global FDI inflows from emerging markets and the Nigerian economic growth.

Literature Review

Conceptual and Theoretical Framework

Generally, existing literature have provided conflicting predictions concerning the growth effects of FDI. Scholars supporting the positive effects of FDI on economic growth believe that it could stimulate technological change through the adoption of foreign technology and know-how and technological spillovers, thus modernizing host country economy.

According to Rappaport (2000), FDI may improve the productivity not only of the firms receiving investments, but also of all firms of the host countries as a consequence of technological spillovers. These spillover effects were generated from both intra-industry (or horizontal, i.e.: within the same sector) externalities and inter-industries (or vertical) externalities through forward or/and backward linkages (Javorcik, 2004; Alfaro & Rodriguez-Clare, 2004). De Gregorio (2003) has noted that technologies and knowledge that are not readily available to host country investors may be brought to them along with FDI, and in this way resulting to productivity growth throughout the economies. Also, FDI may boost exports for the host countries. Empirical studies supporting these arguments include Sun (1998) and Shan (2002).

Besides, Alfaro et al. (2007) has argued that FDI promoted economic growth in economies with sufficiently developed financial markets; while Balasubramanyam, Salisu, and Sapsford (1996) have stressed that trade openness was crucial for obtaining the growth effects of FDI. Blomstrom et al (1994) opined that a positive growth-effect of FDI may be real whether the country was sufficiently rich or not. However, Carkovic and Levine (2002) have rejected this finding, taking account of an interaction term from income per capita and FDI. According to Carkovic and Levine (2002), this view was not true since FDI flows did not exert an exogenous impact on growth in financially developed economies.

However, the positive effects of FDI on economic growth have not won unanimous support recently. In an influential study, Aitken and Harrison (1999) did not find any evidence of a beneficial spillover effect from foreign firms and domestic ones in Venezuela over the 1979-1989 periods. Similarly, Haddad and Harrison

(1993) and Mansfield and Romeo (1980) found no positive effect of FDI on the rate of economic growth in developing countries. Moreover, Lipsey (2002), after surveying the macro empirical research, claimed that a consistent relation between the size of inward FDI stocks or flows relative to GDP and growth did not exist. Empirical studies backing up those views could be found in Braunstein and Epstein (2002) and Huang (2003).

This study is based on the theory of Internalization, Assignment theory, Macro level and Oli theory popularly known as the Dunning's eclectic paradigm. The internalization theory tries to explain why there are international activities such as globalization and international business while an assignment theory of FDI analyses the volume and composition of foreign direct investment. On the other hand, Macro level analyses generally trace the outcomes of interactions such as economic and other resource transfer interactions over a large population. Some of the common forms of FDI are knowledge Gap hypotheses, Agenda theory and Cultivation studies. Oli theory is a theory that provides a three- tiered framework for a company to follow when determining if it is beneficial to pursue direct foreign investment. It is based on the assumption that institutions will avoid transactions in the open market when internal transactions carry lower costs.

Research Hypotheses

The following research hypotheses have been formulated for this study:

Ho₁ : There is no significant relationship between FDI inflows from developed economies and Nigerian economic development;

Ho₂ : There is no significant relationship between Global FDI inflows from emerging markets and the Nigerian economic growth.

Methodology

The study employs investigative and empirical analysis approach. Two stochastic models of causal link for FDI Inflows from developed economies; global FDI inflows from emerging markets and the Nigerian economy have been specified based on perceived linear functional relationships. This enables us to explore empirically the link between FDI inflows from developed economies and the Nigerian economy; as well as the **relationship between Global FDI inflows from emerging markets and the Nigerian economic growth**. A non-structural approach for investigating the **foreign direct investments (FDI) inflows in emerging Nigerian equity market was adopted**. The use of a non-structural approach was advocated by Bekaert and Harvey (2000), who suggested that due to lack of theoretical basis, non-structural approach should be preferred in conducting portfolio flow studies. Thus, the variables included in the model are those considered appropriate indicators of Nigerian economic growth and FDI inflows over the relevant period.

We employed Multiple Regression analysis, via ordinary least squares (OLS) techniques. We confronted the model for estimates of its parameter using MINITAB software, version 15. The estimates were further evaluated using F- test for statistical significance and acceptance or rejection of the research hypotheses while Pearson Product Moment Correlation Coefficient was used to determine the strength of the relationships among the variables. The estimated model was discussed vis-à-vis a priori expectations for insight into the nature of the relationship between the explained and respective explanatory variables. To incorporate dynamism into the model, we introduced one-period lag error correction term to accommodate the effect of changes in the variables over time.

We used annual data in our analysis for a sample period of eleven years ranging from 2001 to 2011. The relevant indicators for economic growth and FDI inflows are real GDP growth rate, Gross national savings, Inflation rate, unemployment rate (% of labour force), Investment (% of GDP), Current Account Balance (% of GDP) and FDI inflows for both developed economies and the global equity markets. Data were extracted from the World Trade Organization's International Trade Statistics 2012, DFAT, ABS, IMF, National statistics, UNCTAD and other various sources from the internet.

Model Specifications

Two models were developed for this study.

Model 1

The functional relationship is:-

$$FDIDE = f(RGDP, GNS, IR, UR, INV, CAB) \dots \dots \dots (1)$$

Where:-

FDIDE= FDI Inflows (% of GDP of Developed Economies)

RGDP = Real Gross Domestic Product

GNS = Gross National Savings

IR = Inflation Rate at end of period (% of GDP)

UR= Unemployment Rate (% of labour force)

INV = Investment (% of GDP)

CAB = Current Account Balance (% of GDP)

Model 1 is expressed as thus:-

$$FDIDE = \beta_0 + \beta_1 * RGDP_{it} + \beta_2 * GNS_{it} + \beta_3 * IR_{it} + \beta_4 * UR_{it} + \beta_5 * INV_{it} + \beta_6 * CAB_{it} + ECM_{t-1} + \mu$$

Where: ECM_{t-1} is one period lag error correction term.

U = Error term

I = Sample Size

T = Time (2001 2011)

$\beta_1, \beta_2, \beta_3, \beta_4, \beta_5$ and β_6 are the regression co efficient.

Model 2

Mathematical expression of model 2:-

$$GFDI = \beta_0 + \beta_1 * RGDP_{it} + \beta_2 * GNS_{it} + \beta_3 * IR_{it} + \beta_4 * UR_{it} + \beta_5 * INV_{it} + \beta_6 * CAB_{it} + ECM_{t-1} + \mu$$

Where: ECM_{t-1} is one period lag error correction term.

μ = Error term

I = Sample Size

T = Time (2001 2011)

$\beta_1, \beta_2, \beta_3, \beta_4, \beta_5$ and β_6 are the regression co efficient.

A priori theoretical expectation from economic theoretical exposition and convention is that, each model parameter estimate should be positive. Thus, $\beta_i (i=0, 1, 2, 3, 4) > 0$.

Results of the Study

The constructs that were measured at the national level were market size (GDP), market growth rate (GDP % growth), political stability (Interest rate), corruption (Transparency International Index) and exchange rate volatility (% change over last year). The Nigerian model of FDI includes the above stated determinants and the impact of these variables in the model tested to predict FDI inflows and changes. Data were analyzed for the period 2001- 2011 using MINITAB version 15.

Hypothesis one

Ho₁: There is no significant relationship between FDI inflows from developed economies and the Nigerian economic development.

The regression model is:

$$FDIDE(Y_1) = 147.060RGDP(X_1) + 0.375GNS(X_2) + 1.44IR(X_3) + 2.35UR(X_4) + 0.13INV(X_5) - 1.15CAB(X_6).$$

The impact of the above six stated independent variables were tested on FDI inflows. The result is that 71.1% of the variations in FDI inflows (Y_1) can be explained by these six independent variables. There is the existence of multi-co linearity among the variables considered because VIF values are greater than 2.0 as confirmed by the Durbin-Watson statistical value of 1.64. The existence of multi-co linearity may be as a result of insufficient sample for the analysis because most of the variables considered are weak. Though, there is high negative correlation between FDI inflows (Y_1) and unemployment with value 0.742 but it is significant at $\alpha = 0.01$. However, other variables are positively weak. The box plot revealed extreme values on real GDP Growth with value of 21.2 in 2002 and least value on inflation rate of 5.413 in 2007. (See table 1)

Hypothesis two

Ho₂: There is no significant relationship between Global FDI inflows from emerging markets and the Nigerian economic growth.

The regression model is:

$$GFDI(Y_2) = -52.9 + 0.74RGDP(X_1) + 0.383GNS(X_2) + 1.57IR(X_3) + 2.63UR(X_4) + 0.05INV(X_5) + 1.31CAB(X_6).$$

The impact of the six stated independent variables were tested on global FDI inflows. There is a strong relationship between global FDI inflows (Y_2) and unemployment rate ($r = 0.759$) and it is significant at $\alpha = 0.01$ while other variables are positively weak. The implication of this result is that 71.9% of the variations in Global FDI inflows (Y_2) can be explained by these six independent variables. (See table 2)

Discussion of Findings

The first hypothesis states that, there is no significant relationship between FDI inflows from developed economies and Nigerian economy. There are some positive effects between FDI inflows from developed economies and Nigerian economic development though positive and weak. The result is in agreement with the research findings of Caves (1996), who observed several positive effects of FDI that has brought about increasing efforts to attract more of it. Among these were productivity gains, technology transfers and the introduction of new processes, managerial skills and know-how in the domestic market, employee training, international production networks and access to markets. Also in support of this finding is Findlay (1978) who postulated that FDI, through a "contagion" effect, increased the rate of technical progress in host country from the more advanced technology and management practices used by foreign firms.

The outcome of the second hypothesis which states that, there is no significant relationship between FDI inflows from emerging markets and Nigerian economic growth was positively correlated but weak. Nevertheless, some macroeconomic studies, using aggregate FDI flows for a broad cross section of countries, have generally suggested a positive role of FDI in generating economic growth under particular environments. For instance, Blomstrom, Lipsey, and Zejan (1994) believed that FDI had a positive growth effect when the country was sufficiently wealthy, that is, FDI could exert a positive effect on economic

growth, but that there seemed to be a threshold level of income above which FDI had positive effect on economic growth and below which it did not. In addition, FDI may contribute to economic growth where the transfer of technology raised the stock of knowledge in host country through labor, training, skill acquisition, new management practices and organizational arrangements (De Mello, 1999). Borensztein et al. (1998) pointed out that FDI, as an important vehicle for the transfer of technology, has contributed to growth in larger measure than domestic investment.

Furthermore, result from the study corroborates earlier studies who have argued that FDI could help promote economic growth through technology diffusion and human capital development (Van Loo 1977; Borensztein, De Gregorio & Lee 1998; De Mello 1999; Shan 2002; Liu, Burridge & Sinclair 2002; Kim & Seo 2003; Sunil & Chandra 2010 and Kabril 2012). Moreover, as Noorzoy put forward in 1979, FDI could help host countries overcome capital shortage and complement domestic investment when FDI flowed to high risk areas or new industries where domestic investment is limited.

Conclusion and Recommendations

A significant increase in foreign portfolio investments in emerging markets in general, and in Nigerian equity markets in particular, is a matter of concern to the policy makers in developing countries. It is hereby revealed that there was a strong negative correlation between FDI inflows from developed economies and unemployment in Nigeria while other variables were positively weak. On the other hand, it is revealed that global FDI inflows from emerging markets are positively correlated with unemployment while other economic indicators remained weak. The Nigerian stock market's excellent performance since 2001, together with impressive economic growth and the easing of foreign investment regulations, has attracted significant foreign portfolio investments. In agreement with Lane and Milesi-Ferretti (2003), it is expected that increased foreign portfolio investments will increase the global linkages and, as a consequence, expose the Nigerian equity market to become more vulnerable to global shocks.

The findings of this work have significant theoretical and practical implications. Theoretically, the significant response of the Nigerian equity market returns to global shocks suggests that in pricing Nigerian assets, an appropriate asset pricing model would need to include global factors. In the practical sense, the rapid growth in the flow of foreign equity portfolio investments is leading to greater integration of the Nigerian equity market with the global markets. It is concluded that globalization and increasing competitive pressure on companies have increased the opportunity cost of not investing in emerging Nigerian markets. The decline in global FDI inflows have affected investments pattern in Nigeria. We therefore, recommend that Nigerian economy should bridge the capital shortage gap, complement and encourage domestic investments to generate more employment and to alleviate poverty.

TABLE 1: Correlations coefficient

	FDI INFLOWS	REAL GDP GROWTH	GROSS NATIONAL SAVINGS	INFLATION RATE	UNEMPLOYMENT RATE	INVESTMENT	CURRENT ACCOUNT BALANCE
Pearson Correlation	1	.382	-.104	.024	-.742**	-.104	.114
Sig. (2-tailed)		.246	.761	.944	.009	.762	.738
N	11	11	11	11	11	11	11
Pearson Correlation	.382	1	.653*	.103	-.209	.486	-.450
Sig. (2-tailed)	.246		.029	.763	.537	.130	.165
N	11	11	11	11	11	11	11
Pearson Correlation	-.104	-.653*	1	-.592	-.155	-.108	.777**
Sig. (2-tailed)	.761	.029		.055	.650	.752	.005
N	11	11	11	11	11	11	11
Pearson Correlation	.024	.103	-.592	1	-.074	-.233	-.631*
Sig. (2-tailed)	.944	.763	.055		.829	.491	.038
N	11	11	11	11	11	11	11
Pearson Correlation	-.742**	-.209	-.155	-.074	1	.079	-.412
Sig. (2-tailed)	.009	.537	.650	.829		.816	.208
N	11	11	11	11	11	11	11
Pearson Correlation	-.104	.486	-.108	-.233	.079	1	.009
Sig. (2-tailed)	.762	.130	.752	.491	.816		.980
N	11	11	11	11	11	11	11
Pearson Correlation	.114	-.450	.777**	-.631*	-.412	.009	1
Sig. (2-tailed)	.738	.165	.005	.038	.208	.980	
N	11	11	11	11	11	11	11

** . Correlation is significant at the 0.01 level (2 -tailed).

* . Correlation is significant at the 0.05 level (2 -tailed).

RESEARCHERS FIELD WORK ANALYSIS

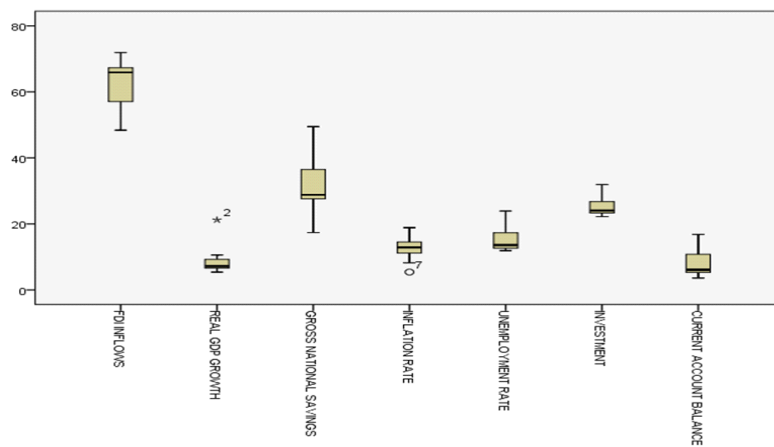


Table 2: Correlations

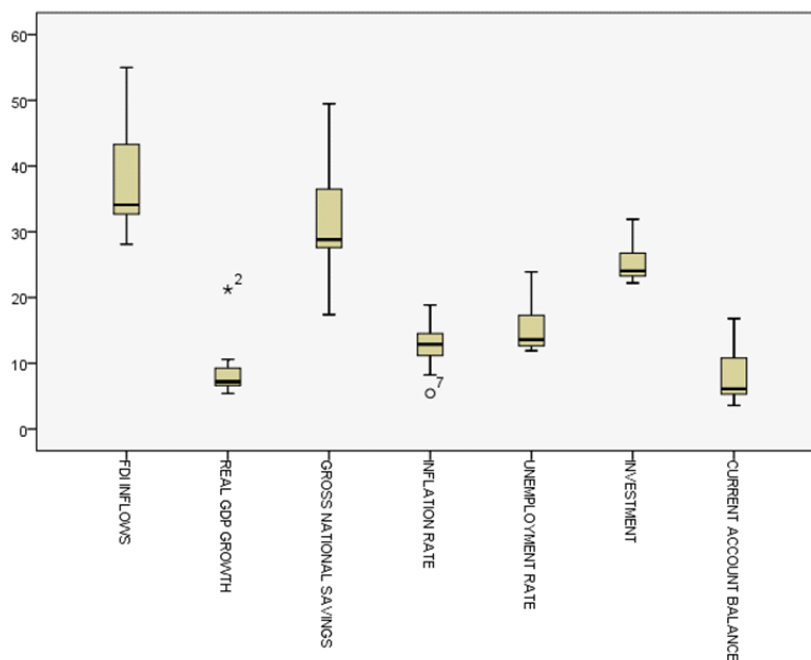
		FDI INFLOWS	REAL GDP GROWTH	GROSS NATIONAL SAVINGS	INFLATION RATE	UNEMPLOYMENT RATE	INVESTMENT	CURRENT ACCOUNT BALANCE
FDI INFLOWS	Pearson Correlation	1	-.364	.074	-.016	.759**	.094	-.138
	Sig. (2-tailed)		.271	.830	.962	.007	.784	.686
	N	11	11	11	11	11	11	11
REAL GDP GROWTH	Pearson Correlation	-.364	1	-.653*	.103	-.209	.486	-.450
	Sig. (2-tailed)	.271		.029	.763	.537	.130	.165
	N	11	11	11	11	11	11	11
GROSS NATIONAL SAVINGS	Pearson Correlation	.074	-.653*	1	-.592	-.155	-.108	.777**
	Sig. (2-tailed)	.830	.029		.055	.650	.752	.005
	N	11	11	11	11	11	11	11
INFLATION RATE	Pearson Correlation	-.016	.103	-.592	1	-.074	-.233	-.631*
	Sig. (2-tailed)	.962	.763	.055		.829	.491	.038
	N	11	11	11	11	11	11	11
UNEMPLOYMENT RATE	Pearson Correlation	.759**	-.209	-.155	-.074	1	.079	-.412
	Sig. (2-tailed)	.007	.537	.650	.829		.816	.208
	N	11	11	11	11	11	11	11
INVESTMENT	Pearson Correlation	.094	.486	-.108	-.233	.079	1	.009
	Sig. (2-tailed)	.784	.130	.752	.491	.816		.980
	N	11	11	11	11	11	11	11
CURRENT ACCOUNT BALANCE	Pearson Correlation	-.138	-.450	.777**	-.631*	-.412	.009	1
	Sig. (2-tailed)	.686	.165	.005	.038	.208	.980	
	N	11	11	11	11	11	11	11

** . Correlation is significant at the 0.01 level (2-tailed).

* . Correlation is significant at the 0.05 level (2-tailed).

ESEARCHERS FIELD WORK ANALYSIS

BOX PLOT



References

- Aitken, B. and Harrison, A. (1999). Do Domestic Firms Benefit from Direct Foreign Investment? Evidence from Venezuela. *American Economic Review* 89 (3) : 605-618.
- Alfaro, et al (2007). FDI and Economic Growth: The Role of Local Financial Markets. *Journal of International Economics* 61(1): 512-33.
- Alfaro, L. and Rodriguez-Clare, A. (2004). Multinationals and Linkages: Evidence from Latin America. *Economia* 4: 113-170.
- Balasubramanyam, V.N., Mohammed S. and Dabid S. (1996). Foreign Direct Investment and Growth in EP and IS countries. *Economic Journal* 106(34):92-105.
- Bekaert, G. and Harvey C.R. (2000). 'Foreign Speculators and Emerging Equity Markets', *The Journal of Finance*, 55(2): 565-613.
- Blomstrom, M., Lipsey, R.E. and Zejan, M. (1994). "What Explains Growth in Developing Countries?" NBER Discussion Paper 1924. *International Business Research*, 55.
- Borensztein, E.J., De Gregorio J. and Lee J. W. (1998). How Does Foreign Direct Investment Affect Economic Growth? *Journal of International Economics* 45 (1): 115-135.
- Braunstein, E. and Epstein, G. (2002). 'Bargaining Power and Foreign Direct Investment in China: Can 1.3 Billions Consumers Tame the Multinationals?'. CEPA Working Paper 2002/13. New York: Center for Economic Policy Analysis.
- Bekaert, G., Harvey C.R. and Lumsdaine, R.L. (2002). 'The Dynamics of Emerging Market Equity Flows', *Journal of International Money and Finance*, 21 (3): 295-350.
- Carkovic, M. and Levine, R. (2002). "Does Foreign Direct Investment Accelerate Economic Growth?" University of Minnesota Working Paper.
- Caves, R.E. (1971). International corporations: the industrial economics of foreign investment, *Economica*, 38(149): 1-27.
- Caves, R. (1996). *Multinational Enterprise and Economic Analysis*. Cambridge University Press.
- Chatrath, A., Ramchander S. and Song, F. (1996). 'Benefits from Portfolio Diversification into the Indian Equity Market', *American Business Review*, 14(1): 110.
- De Gregorio, J. (2003). "The role of foreign direct investment and natural resources in economic development" Working Paper No 196. Central Bank of Chile, Santiago.
- De Mello, L. (1999). "Foreign Direct Investment-Led Growth: Evidence from Time Series and Panel Data," *Oxford Economic Papers* 51 (1): 67-73.
- Dungey, M., R. F. and Martin, V.L. (2004). 'Identification of Common and Idiosyncratic Shocks in Real Equity Prices: Australia, 1982-2002', *Global Finance Journal*, 15(1): 81-102.
- Economic Intelligent Unit Data Base (2007) .available at <http://www.eiu.com/index>.
- Feldstein, M. and Charles, H. (1980). Domestic savings and international capital flows, *Economic Journal* 90: 314-329.
- Findlay, R. (1978). "Relative Backwardness, Direct Foreign Investment and the Transfer of Technology: A Simple Dynamic Model." *Quarterly Journal of Economics* 92, 1-16.
- Haddad, M. and Harrison, A., (1993). Are there spillovers from direct foreign investment? *Journal of development Economics* 42, 51-74.
- Huang, Y. (1998). *FDI in China: An Asian Perspective*. Singapore: Institute of Southeast Asian Studies.
- Huang, Y. (2003). 'One Country, Two Systems: Foreign-invested Enterprises and Domestic Firms in China'. *China Economic Review*, 14, 404-16.

- Javorcik, B.S. (2004). "Does Foreign Direct Investment increase the Productivity of Domestic Firms? In Search of Spillovers through Backward Linkages", *American Economic Review* 94 (3): 605-627.
- Kabir, H. (2012). Foreign Direct Investment and Nigerian Economy. *America Journal of Economics*. 2(3): 33-40.
- Kim, D. D. and Seo, J. (2003). Does FDI Inflow Crowd out Domestic Investment in Korea? *Journal of Economic Studies*, 30 (6): 605-22.
- Lamba, A.S. (2005). 'An Analysis of the Short- and Long-Run Relationships between South- Asian and Developed Equity Markets', *International Journal of Business*, 10(4): 383-402.
- Lane, P.R. and Milesi-Ferretti G.M. (2003). 'International Financial Integration', *IMF Staff Papers*, 50(special issue): 821-113.
- Lipsey, R. E. (2002). Home and Host Country Effects of FDI. NBER Working Paper 9293.
- Mansfield, E. and Romeo, A., (1980). Technology Transfer to Overseas Subsidiaries by U.S.- Based Firms. *Quarterly Journal of Economics* 95 (4): 737-750.
- Noorzoy, M. S. (1979). Flows of Direct Investment and their Effects on Investment in Canada. *Economic Letters*, 2 (3): 257-61.
- Obstfeld, M. and Kenneth, R. (2000). Perspectives on OECD economic integration: Implications for U.S. current account adjustment, *Federal Reserve Bank of Kansas City Global Economic Integration: Opportunities and Challenges*, 169-208.
- Rappaport, J. (2000). How Does Openness to Capital Flows Affect Growth?. Research Working Paper, RWP 00-11 Federal Reserve Bank of Kansas City.
- Richards, A. (2005). 'Big Fish in Small Ponds: The Trading Behaviour and Price Impact of Foreign Investors in Asian Equity Markets', *Journal of Financial and Quantitative Analysis*, 40(1): 127.
- Shan, J. (2002). A VAR Approach to the Economics of FDI in China. *Applied Economics*, 7 (34): 885-93.
- Shan, J. (2002). A Macroeconomic Model of Income Disparity in China. *International Economic Journal*, 16(2): 47-63.
- Sharma, K. (2003). 'Factors Determining India's Export Performance', *Journal of Asian Economics*, 14(3): 435-46.
- Sinha, S.S., Kent, D.H. and Shomali, H. (2007). Comparative analysis of FDI in China and Indian. *Journal of Asia Entrepreneurship and sustainability*. 11(2): 37-41.
- Sun, H. (1998). 'Macroeconomic Impact of Direct Foreign Investment in China: 1979-96'. *The World Economy*, 21 (5): 675-694.
- Sunil, S. P., and Chandra, T. (2010). Foreign Investors and Global Integration of Emerging Indian Equity Market. *Journal of emerging Market Finance*, 9(1): 1-24.
- Syriopoulos, T. (2007). 'Dynamic Linkage between Emerging European and Developed Stock Markets: Has the EMU Any Impact?', *International Review of Financial Analysis*, 16(1): 41-60.
- Van Loo, F. (1977). 'The Effect of Foreign Direct Investment on Investment in Canada'. *Review Of Economics and Statistics*, 59 (4): 474-481.