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Effect of Foreign Direct Investments on Number of Listed Securities in Selected Sub-Saharan African Stock Markets, 1984 - 2015

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Abstract:

This Study examined the Effect of Foreign Direct Investments (FDI) on the number of listed securities (NLS) in Selected Sub-Saharan African (SSA) Stock markets, 1984 to 2015. The study used secondary data obtained from World Bank, IMF, Bureau of Statistics and the Central Bank of selected countries; The research work selected Nigeria, South Africa and Kenya as its sample and used the OLS, GLS Panel Data Analysis techniques, to test the Effect of the independent variables (FDI, and Gross domestic product) on the dependent variables (NLS) at the 5% level of significance. The findings amongst others show that FDI had an insignificant effect on NLS for Nigeria and Kenya stock markets but significant effect on South Africa; while the SSA countries' pooled panel result indicateth at FDI had a positive and significant effect on NLS. The result implies that a 1% increase in FDIR will result to a 1.71003% increase in number of listed securities. The study concludes that FDI affects number of listed securities and hence, recommends among others the provision of FDI friendly environment and implementation of market-friendly regulations such as reduction in listing requirements that will enable FDI benefiting Multinational companies (MNCs) to be listed on the stock exchange.

Keywords: Foreign direct investment, number of listed shares, inflation, national security

1. Introduction

Foreign Direct Investments may be regarded as a low cost and stablebuffer of long term finance for the Stock Market's use to meet the long term developmental needs of a nation in both capitalist and government sectors.(Desai, Foley & Hines, 2006; World Bank, 2015).

The above scenario implies that an increase in foreign direct investment in the local economy will result to increase in availability of long term developmental funds on the stock exchange market and this implies i) increase in market capitalization as foreign capitalists will direct such monies towards the purchase of shares of domestic companies. According to Farole and Winkler (World Bank, 2014), they argued that in such a situation, local enterprises will be able to fund their operational, tactical and strategic projects and achieve their profit and capital appreciation goals while the foreign investors hold controlling influence in such businesses. ii). Another import of increase in foreign capital inflow is that it leads to increase in stock market liquidity and assists investors to raise their level of securities trading easily. There will be growth in overall economic productivity and market turnover. The influx of capital into the stock market will also ginger the listing of more companies and securities on the stock exchange, creating more vibrancy and activities in the market. Increase in the number of companies and securities will result to greater market stability and breed confidence. Hence, in such an ideal situation, the World Bank (2015) expects that an increase in fixed capital (FDI) should cause an increase in stock market size and number of its listed securities. The above position is further supported by Desai et al (2006), Henry (2000), and Otchere et al (2011) to mention but few.

It is observed however, that in reality the above painted scenario most often does not hold as the results of most research work particularly for Less Developing Countries (LDC) run at conflict in majority of cases when compared with the ideal position as established by the World Bank and a few erudite researchers such as Levine and Zervos (1998) that found a positive and significant relationship between FDI and Stock Market Development indicators in the long-run period; and, Soumare and Tchana (2015) that discovered a positive, significant and bi-directional causal relationship between FDI and Stock Market Development indicators while other researchers such as Nwosa (2015) and Osinubi (2002), both found insignificant relationship between number of listed securities and foreign direct investment. We shall subdivide this studies into five sections, namely – 1.0 Introduction, 2.0 Review of Related literature, 3.0 Data and Methodology, 4.0 Data Presentation and Analysis, 5.0 Conclusion and Recommendation.

2. Review of Related Literature

2.1. Conceptual Framework

2.1.1. Importance of Foreign Direct Investments

According to International Monetary Fund (1999), the significance of Foreign Direct investments include:

- i) It is an important source of private external finance for developing countries. It is different from other major types of external private capital flows in that it is motivated largely by the investors' long-term prospects for making profits in production activities that they directly control.
- ii) It is also a means of transferring production technology, skills, innovative capacity, and organizational and managerial practices between locations, as well as of accessing international marketing networks.
- iii) It brings about improved economic growth due to the influx of capital and increased tax revenues for the host country.
- iv) Private Foreign Direct Investments are risk free to the host country and contributes to foreign exchange earnings, employment creation and increases in incomes, especially of skilled and semi-skilled workers in its various industries.
- v) Foreign Direct Investments will help improve the quality of products and processes in a particular sector, increased attempts to better human resources.

2.1.2. Fiscal Incentives to Stimulate FDI - Sub-Saharan Africa Experience

According to United Nation Conference on Trade and Development (UNCTAD 2015), Multinationals make their decisions to enter a particular market mostly on the basis of economic determinants – e.g. the size and growth of a market, access to resources or strategic assets, and the cost of factors of production. Moreover, a host of non-tax policy determinants are generally considered more relevant for location decisions, such as the stability and predictability of the business climate, the strength of commercial law and contract enforcement, trade restrictions, the intellectual property (IP) regime, and many others.

In this view, tax does not so much drive locational decisions as it drives the modality of the investment and the routing of investment flows. Top managers of MNEs decide to enter a given market largely independent of tax considerations, and their tax advisers then structure the investment in the most tax-efficient manner. The fact that a significant share of global investment is routed to its final destination through special purpose entities (SPEs) and tax havens, discussed later in this chapter, lends credence to this view.

2.1.3. Stock Market Development Measurement Variables

Stock market development may be captured using the following indicators: i) stock market size; ii) stock market liquidity; iii) stock market performance/volatility; iv) stock market concentration; and v) stock market linkage to real sector performance (World Bank, 2015; El-Wassal, 2013; Levine & Zervos, 1998). The adoption of a variety of indicators could provide a more accurate depiction of stock market development.

2.1.3.1. Stock Market Size

There are two main indicators of stock market size: market capitalization and the number of listed companies.

- Market Capitalization Ratio – This measures the value of listed shares divided by Gross Domestic Product (GDP). The assumption behind this variable is that capital market size is positively correlated with the ability to mobilize Capital (FDI, savings etc) and diversify risk on an economy-wide basis. Levine and Zervos (1998), found a positive and significant relationship between stock market development and long-run growth.
- The Number of Listed Shares - The number of listed shares is used as a complementary measure of stock market size. The main importance of this measure is that it is a proxy for the breadth of the stock market and is not subject to stock market fluctuations (Bekaert et al, 2001; Rajan & Zingales, 2003; and Karolyi, 2004). Moreover, it is not tainted by possible mis-measurement of GDP, which often happens in many developing countries.

In this study, we shall focus on the effect of foreign direct investments on the development of the number of listed securities in the sub-Saharan Africa stock markets.

2.2. Theoretical Framework

This research work is anchored on the theory of Foreign Direct Investments (Dunning's Eclectic theory). The justification for the selection of this theory for our study could be attributed to the composite nature of Dunning theory unlike other FDI proponents, it effectively captured all the major microeconomic reasons for foreign capital flows such as ownership-specific advantages, Location-specific advantages and Internalization-advantages, that when religiously applied by LDCs will make their stock markets highly liquid, very strong and well developed.

2.2.1. Theory of Foreign Direct Investment

Numerous theories have been developed in FDI literature. These theories have been classified as microeconomic theories and macroeconomic theories of FDI. Microeconomic theories focus on the characteristics of a firm that influence its decision making processes. These include market imperfections, market power and investment location theories. Macroeconomic theories of FDI seek to investigate on a country's characteristics that explain FDI inflows within and across countries. Examples include internalization and product cycle theories. FDI literature has also reviewed theories that focus on FDI motives.

This section deals with one of the microeconomic theories of FDI on which we have anchored our research work: The Dunning's eclectic theory.

2.2.2. The Eclectic Theory

This theory was postulated by Dunning (1973) and seeks to offer a general framework for determining patterns of both foreign owned production undertaken by a country's own enterprises and that of domestic production owned by foreign enterprises. According to Dunning (1973), there are two types of investments that a firm can choose to undertake. That is, Foreign Portfolio Investment (FPI) and Foreign Direct Investment (FDI). FPI is defined as the passive holdings of securities and other financial assets, which do not entail active management or control of securities issuer. FPI is positively influenced by high rates of return and reduction of risk through geographical diversification. The return of FPI is normally in the form of interest payments or non-voting dividends. FDI is defined as the acquisition of foreign assets for the purpose of control (Dunning, 1973).

The eclectic theory is launched in three pillars of Ownership, Location and Internalisation (O+L+I). The three pillars are different questions that foreign investors seek to answer. The O pillar comprises of the ownership advantages that addresses the question why the foreign firms need to go abroad. According to Dunning (1985), this question hypothesizes that foreign firms have one or more firm specific advantages which allows them to overcome operating costs in a foreign country. The ownership advantages include core competency, brand name and economies of scale amongst others.

The L pillar addresses the question of location. According to Dunning (1985), the decision of the firm to move offshore is based upon the firm specific advantage in conjunction with factors in a foreign country. Factors such as land and labour are important in determining the location of a Multinational Enterprise (MNE) in order for it to make profits. Dunning (1985) further asserts that the choice of investment location depends on several complex calculations that include economic, social and political factors to determine whether investing in that country is profitable or not.

The I pillar represents the internalisation advantages on how to go abroad. The MNE have several options to choose from in their entry mode in a foreign country. Choices range from the arm's length transactions (market) to the hierarchy (wholly owned subsidiary). The MNE can choose internalisation if the market does exist or functions poorly, that is transaction costs of the external route are high. Under the firm specific advantage, an MNE operating a plant in a foreign country can be faced with a number of additional costs in relation to their local counterparts (local competitor). These costs according to Dunning (1985) comprises of; Cultural, legal, institutional and language differences; Lack of knowledge about local market conditions; and increased expense of communicating and operating at a distance. The eclectic theory therefore points out that for a foreign firm to be competitive in a foreign country, it must have some kind of unique advantages that can help them overcome the cost associated with operating in the new country.

2.2.3. Empirical Studies of FDI Effects on Number of Listed Securities

The number of listed securities is used as a complementary measure of stock market size. The main advantage of this measure is that it is a proxy for the breath of the stock market and is not subject to stock market fluctuations. Moreover, it is not tainted by possible mis-measurement of GDP, which often happens in many developing countries (Bekaert et al, 2001).

Henry (2000), studied the relationship between FDI and stock market development in eleven (11) Less Developing Countries between 1985 to 1994 using Multi-linear regression method. The variables studied include; FDI, market turnover, value of stock traded and number of listed stocks. The investigation revealed a positive significant relationship between the FDI and number of listed stocks.

Rajan and Zingales (2003) studied the relationship between FDI and capital market development in 24 countries of the world from 1963 to 1999 using the panel Ordinary least square. The study employed FDI, GDP, Market capitalization, No. of listed securities as variables and the result revealed a significant relationship between FDI and Number of listed securities in the short-run period.

Karolyi (2004), investigated the impact of FDI on Capital market growth in 2 Asian countries from 1982 to 2002 using the Ordinary least square regression method and Granger causality tests. The data used include FDI, Market capitalization, GDP, Value of stock traded and Number of listed shares. The result revealed a negative but significant relationship between FDI and number of listed shares in the short-run period.

Alfaro et al (2004), studied the relationship between FDI and capital market development for 71 emerging market economies from 1975 to 1995 using Ordinary least square regression and Co-integration to examine the selected variables namely, FDI, market capitalization, GDP, Value of stock traded and Number of listed shares. The study discovered a positive and significant relationship between FDI and number of listed stocks.

Allen et al (2010), investigated the link between FDI and capital market variables namely – market capitalization and number of listed securities using Ordinary least square regression method and system of simultaneous equations. The study concluded that there exist a positive relationship between FDI and number of listed securities.

Olawoye (2011) conducted a study on the impact of capital market on economic growth of Nigeria using GDP as a proxy for economic growth and market capitalization, new issues, value of transaction and total listing as capital market variables. Multiple regression technique was used for analysis and the results revealed a positive relationship between total listing and economic growth.

Oluwantunsi et al (2013) used data from the central bank of Nigeria from 1999 to 2012 to investigate the impact of capital market and economic growth in Nigeria. Ordinary least square method of analysis was employed. The result shows that all capital market variables can jointly predict economic growth, but at an insignificant rate. The result further showed that number of listed company shares has a negative impact on economic growth.

Okonkwo, Ogwuru and Ajudua (2014) studied the relationship between stock market performance and economic growth in Nigeria from 1981 to 2012 using Co-integration, error correction model and co-integration techniques. The study employed GDP (dependent variable), market capitalization, value of traded stocks and number of listed stocks and discovered among others, that there exist a positive and significant relationship between number of listed stocks and economic growth in Nigeria.

3. Data and Methodology

3.1. Research Design

The study adopts the ex post facto research method which is a very common and ideal method in conducting research in business and social sciences. It is mostly used where variables are drawn from already concluded events and there is no possibility of data manipulation.

3.2. Sources and Nature of Data

The data for this work is secondary and drawn from the World Bank, International Monetary Fund (IMF), National Bureau of Statistics of the various study countries, the Central Bank of Nigeria statistical bulletin, statistics of the Central Bank of South Africa and the Central Bank of Kenya for the range of years under study. The data covered from 1984 to 2015.

3.3. Model Specification and Validity

This research work adopts the model of Desai, Foley and Hines (2006), Issourma and Tchana (2015) and Nwosa (2015) with slight modifications.

$$\text{NLS} = f(\text{FDIR}, \text{GDP}) \dots \dots \dots 1$$

$$\log \text{NLS}_t = \alpha_0 + \alpha_1 \log \text{FDIR}_t + \alpha_2 \log \text{GDP}_t + \alpha_3 \log \text{NS}_t + U_t \dots \dots \dots 2$$

$$\log \text{NLS}_{it} = \alpha_0 + \beta_1 \log \text{FDIR}_{it} + \beta_2 \log \text{GDP}_{it} + \beta_3 \log \text{NS} + U_i + V_{it} \dots \dots \dots 3 \text{ (Fixed effect model)}$$

- NLS = Number of Listed Shares and These are incorporated companies listed on the country's stock exchanges at the end of the year. (Allen et al, 2010)
- FDIR = Foreign Direct Investments and refers to the volume of foreign capitals inflowed into a domestic company by foreign investors and institutions for investment activities to ratio of GDP (Otchere et al, 2011)
- GDP = Gross Domestic Products and it refers to the level of economic and financial activities or transactions brought into an economy through the activities of the stock market and domestic foreign investments. (Desai et al, 2006)
- NS= National Security included as dummy variable (Oriakhi & Osemwengie, 2012)

3.4. Apriori Expectation

The apriori expectations adopted by the World Bank findings (2007 and 2015), Desai, Foley and Hines (2006), Issourma and Tchana (2015); which all stated a positive significant relationships between the stock market development parameter indicators and the Foreign direct investments.

4. Presentation and Analysis of Data

4.1. Tabular Data Presentation for Selected Variables

	NGN	NGN	NGN	SAFR	SAFR	SAFR	KEN	KEN	KEN
Year	NLS	GDP (%)	FDIR (%)	NLS	GDP (%)	FDIR (%)	NLS	GDP (%)	FDIR
1984	92	-1.8	0	470	2.5	0.11	19	-4.6	1.64
1985	96	0.6	0.02	462	-3.5	0.02	21	5.4	1.69
1986	99	3.5	2.88	536	-2.2	0.01	22	-11.3	2.03
1987	100	2.3	4.99	734	-0.1	0.12	25	-13.3	2.52
1988	102	2.6	4.09	754	2	0.17	27	4.5	1.23
1989	111	1.1	5.58	736	0.2	0.23	29	3.4	6.88
1990	131	1.1	-0.07	740	-2.6	0.67	31	9.6	1.98
1991	142	-1.6	0.21	698	-3.4	0.23	33	-0.7	4.51
1992	153	-3.9	2.51	642	-4.6	0.08	35	0.4	4.96

	NGN	NGN	NGN	SAFR	SAFR	SAFR	KEN	KEN	KEN
Year	NLS	GDP (%)	FDIR (%)	NLS	GDP (%)	FDIR (%)	NLS	GDP (%)	FDIR
1993	174	-3	8.43	615	-1	2.53	38	2	4.71
1994	177	-0.4	0.27	600	0.8	0.1	40	0.8	6.86
1995	181	1.3	0.81	612	1	0.47	56	-0.5	3.09
1996	183	1.1	0.55	599	2.4	0.9	57	4.7	4.45
1997	182	-2.5	2.5	615	0.9	0.47	57	2.5	4.81
1998	186	0	0.4	650	-1	0.19	57	2.3	2.93
1999	194	0.8	1.24	652	0.9	0.4	57	0	2.17
2000	195	-2.4	0.84	604	2.6	0.87	56	4.8	2.58
2001	196	1.2	4.15	510	1.2	0.04	57	4.2	2.01
2002	198	-2.2	0.65	429	3.6	0.21	49	4	2.77
2003	200	0.2	0.3	390	1.7	0.55	47	8.9	2.28
2004	206	1.8	0.26	369	3	0.29	48	5.9	1.67
2005	215	2.8	2.18	348	3.9	0.11	48	5.8	3.43
2006	201	3	0.22	359	4.2	0.2	52	5.4	2.92
2007	211	4	2.22	374	3.9	2.28	55	6.1	2.9
2008	212	-2.5	2.63	367	1.8	0.26	55	5.1	4.84
2009	214	0.5	1.83	353	-2.9	0.29	55	6.1	2.32
2010	215	6.1	0.89	352	1.5	0.42	55	7	1.63
2011	196	3.4	1.04	347	1.7	0.33	58	2.1	2.15
2012	189	1.5	1.26	338	0.7	0.32	60	1.5	1.53
2013	188	2.9	2.25	322	0.6	0.68	61	2.6	1.08
2014	188	2.4	1.64	322	0	1.55	65	3.5	0.82
2015	183	2.7	1.67	316	-0.5	2.28	64	-0.1	0.85

Table 1: Selected FDI and development Data between 1984 –2015

Source: Worldbank Data 2016; Nigeria Stock Exchange, 2016; National Bureau of Statistics, 2016; Index Mundi

(Standard and Poor's, Global Stock Market Factbook and Supplemental, International Monetary Fund, International Financial Statistics), 2016

The table 1 shows that while GDP growth rate and FDIR showed a cyclical growth trend for the study areas (Nigeria, South-Africa and Kenya) between 1984 and 2015, the number of listed securities for Nigeria showed a progressive growth from 92 in 1984 to 215 in 2010 before it started declining and closed at 183 in 2015. The same variable for South Africa and Kenya showed a progressive growth, from 19 and closed in 2015 at 64 companies for Kenya but for South Africa it started from 470 in 1984, grew to 754 in 1988 before commencing its decline closing at 316 in 2015. The result shows a negative growth in number of listed shares relative to growth in foreign direct investments in Nigeria. Similarly, South Africa showed a negative number of listed shares growth relative to growth in foreign direct investments. But, Kenya showed increased and positive growth trend in number of listed securities with growth in foreign direct investment.

4.2. Descriptive Statistics

	Nigeria			South Africa			Kenya		
	FDIR	GDP	NLS	FDIR	GDP	NLS	FDIR	GDP	NLS
Mean	2.882500	2.440625	172.1875	1.82625	0.83125	506.719	0.54290	0.56774	46.5161
Median	2.420000	3.450000	87.0000	1.25000	1.10000	490.000	0.29000	0.90000	55.0000
Maximum	6.880000	9.600000	215.0000	8.43000	6.10000	754.000	2.53000	4.20000	65.0000
Minimum	0.820000	-13.30000	92.00000	-0.0700	-3.90000	316.000	0.01000	-4.60000	19.0000
Std. Dev.	1.595522	4.872693	40.12275	1.91118	2.35597	151.412	0.68505	2.33815	14.2124
Skewness	1.002600	-1.677224	0.955759	1.64573	-0.17988	0.19345	1.92620	-0.47312	-0.64699
Kurtosis	3.315121	6.231248	2.467408	5.82939	2.48271	1.51696	5.53109	2.47103	1.96769
Jarque-Bera	5.493500	28.92439	5.250069	25.1188	0.52935	3.13211	27.4445	1.51792	3.53924
Probability	0.064136	0.000001	0.072437	0.00000	0.76746	0.20887	0.00000	0.46815	0.17040
Sum	92.24000	78.10000	5510.000	58.4400	26.6000	16215.0	16.8300	17.6000	1442.00
Sum Sq. Dev.	78.91640	736.0372	49904.88	113.232	72.0688	710689	14.0786	164.008	6059.74
Observations	32	32	32	32	32	32	31	31	31

Table 2: Descriptive Statistics

Source: Computation by author using E-view 7

In table 2, while FDIR shows significant probabilities with Nigeria, South Africa and Kenya at 5% significance level, NLS however, does not show any significance for the three Sub-Saharan African countries.

	FDIR	GDP	NLS
Mean	1.755319	1.342553	239.6277
Median	1.250000	1.500000	187.0000
Maximum	8.430000	9.600000	754.0000
Minimum	-0.070000	-13.30000	19.00000
Std. Dev.	1.772078	3.455072	212.2372
Skewness	1.404476	-1.107006	1.001759
Kurtosis	4.887663	6.873088	2.859795
Jarque-Bera	44.85946	77.95206	15.79881
Probability	0.000000	0.000000	0.000371
Sum	165.0000	126.2000	22525.00
Sum Sq. Dev.	292.0441	1110.190	4189150.
Observations	94	94	94

Table 3: Panel Descriptive Statistics

Source: Computation by Author Using E-View 7

The panel descriptive statistics in table 3, however, shows that foreign direct investment, gross domestic product and number of listed shares, all show significant probabilities at the 5% level of significance. This indicates a significant relationship between foreign direct investments and the sub-Saharan region stock market number of listed securities.

4.3. Panel Unit Root Test

Variables	L LandC Test Statistics	Critical Values @5%	P-value	Order of Integration
D(FDIR)	-7.01822	-7.258	0.000	I(1)
D(GDP)	-7.2267	-7.532	0.000	I(1)
D(NLS)	-6.0428	-6.249	0.000	I(1)

Table 4: Panel Unit Root Result

Source: Author's E-View 7 Computation

The panel unit root result shows that the variables (foreign direct investments-FDIR, Gross domestic Product-GDP and Number of listed Securities-NLS) are positively significant and stationery at first level. Hence, there is absence of unit root.

4.4. Test for Serial Correlation – Breusch-Godfrey (Bg) Tests

The Breusch-Godfrey tests is used to test for the presence or absence of serial or autocorrelations in the model with the Null hypothesis stating that there is No autocorrelation. This holds if p-value is greater than the chosen level of significance otherwise reject.

Breusch-Godfrey Serial Correlation LM Test:			
F-statistic	1.382660	Prob. F(2,19)	0.2750
Obs*R-squared	3.557447	Prob. Chi-Square(2)	0.1689
Test Equation: Equation 3			

Table 5: Breusch-Godfrey Serial Correlation Test – Nigeria

Source: Author's E-View 7 Computations

From table 5, the p-value is greater than the chosen level of significance of 5%, indicating the absence of autocorrelation in the model. This is further enhanced with a Durbin-Watson statistics of 1.653. Hence, we do not suspect any violation of the assumptions of classical linear regression. The applicable treatment was to lag the variables by minus four (-4) periods.

Breusch-Godfrey Serial Correlation LM Test			
F-statistic	0.524342	Prob. F(2,21)	0.5995
Obs*R-squared	1.426867	Prob. Chi-Square(2)	0.4900
Test Equation: Equation 3			

Table 6: Breusch-Godfrey Serial Correlation Test for South Africa

Source: Author's E-View 7 Computation

From table 6, the p-value is greater than the chosen level of significance of 5%, indicating the absence of autocorrelation in the model for South Africa. This was arrived at after treating the variables with a one (1) period lag.

Breusch-Godfrey Serial Correlation LM Test			
F-statistic	0.303660	Prob. F(4,19)	0.8719
Obs*R-squared	1.802615	Prob. Chi-Square(4)	0.7720
Test Equation: Equation 3			

*Table 7: Breusch-Godfrey Serial Correlation Test – Kenya
Source: Author's E-Views 7 Computation*

From table 7, the p-value is greater than the chosen level of significance of 5%, indicating the absence of autocorrelation in the model. This was arrived at after treating the variables with a one (1) period lag.

4.5. Test for Heteroskedasticity (Arch)

The assumption of the classical linear regression that the variance of the errors is constant is known as Homoscedasticity. If the variance of the errors is not constant, this would be known as Heteroskedasticity. Hence, we test for the presence of heteroskedasticity with the intention of treating same if found. The treatment method adopted here is the Autoregressive conditionally Heteroscedastic test known as ARCH. The Null hypothesis states that there is no Heteroscedasticity if the p-value is greater than the level of significance (Brooks, 2014).

Heteroskedasticity Test: ARCH			
F-statistic	2.655278	Prob. F(1,28)	0.1144
Obs*R-squared	2.598520	Prob. Chi-Square(1)	0.1070

*Table 8: Heteroskedasticity Table Result for Nigeria
Source: Author's E-View 7 Computations*

The null hypothesis states that there is No heteroskedasticity if p-value is not significant and is greater than the chosen level of significance of 5%. Hence, in this case we accept the Null hypothesis that there is no evidence of heteroskedasticity since p-value is greater than 5% significance level.

Heteroskedasticity Test: ARCH			
F-statistic	1.275092	Prob. F(1,26)	0.2691
Obs*R-squared	1.308981	Prob. Chi-Square(1)	0.2526

*Table 9: Heteroskedasticity Table Result for South Africa
Source: Author's E-View 7 Computations*

From table 9 for South Africa, we accept Null hypothesis that there is No heteroscedasticity since p-value is greater than the chosen level of significance of 5%. This was arrived at after one (1) period lag treatment.

Heteroskedasticity Test: ARCH			
F-statistic	0.194578	Prob. F(2,23)	0.8245
Obs*R-squared	0.432595	Prob. Chi-Square(2)	0.8055

*Table 10: Heteroscedasticity Table Result for Kenya
Source: Author's E-View 7 Computation*

In table 10 for Kenya, we accept Null hypothesis that there is No heteroscedasticity since p-value is greater than the chosen level of significance of 5%.

4.6. Test of Hypothesis

- H_{01} : Foreign direct investment has no significant effect on the number of listed stocks of the selected Sub-Saharan African countries.
- H_{11} : Foreign direct investment has significant effect on the number of listed stocks of the selected Sub-Saharan African countries.

Dependent Variable: NLS				
Method: Least Squares				
Sample (adjusted): 1985 2012				
Included observations: 28 after adjustments				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	11.69203	8.327518	1.404024	0.1731
FDIR(2)	1.005416	1.013402	0.992120	0.3310
GDP(3)	-0.131302	0.561918	-0.233667	0.8172
NLS(-1)	0.936268	0.039222	23.87070	0.0000
R-squared	0.966592	Mean dependent var		173.5357
Adjusted R-squared	0.962416	S.D. dependent var		39.81762
S.E. of regression	7.719283	Akaike info criterion		7.056884
Sum squared resid	1430.096	Schwarz criterion		7.247199
Log likelihood	-94.79637	Hannan-Quinn criter.		7.115065
F-statistic	231.4634	Durbin-Watson stat		1.943555
Prob(F-statistic)	0.000000			

Table 11: Regression Result (Nigeria)

Source: Author's Eviews 7 Computation

The results from table 11 are considered very insightful with R^2 and Adjusted R^2 of 96.66% and 96.24% respectively, shows that the chosen regression model best fits the data. Hence, the goodness of fit regression model is 96.66% and implies that chosen explanatory variables explains variations in the dependent variables to the tune of 96.66%. Also, with an Adjusted R^2 (96.24%) implies that the model can take on more variables conveniently without the R^2 falling beyond 96.24%, which is considered very good. The F-statistics of 231.463 is considered very high and good, probability (F-statistics) of 0.000000 and Durbin-Watson Statistic of 1.94356 (Showing absence of autocorrelation) are considered very impressive being positive and significant.

From table 11, the Nigeria FDIR(2) at lead 2, has a t-statistic value of 0.9921 and a p-value of 0.3310, was found to have a positive and statistically insignificant effect on number of listed shares at 5% level of significance since its p-value is well above 0.05. Therefore, we accept null hypothesis to reject the alternative. Equally, the GDP (3) at lead 3, has a t-statistic value of -0.2337 and p-value of 0.8172 (acting as a moderating variable in the model) is found to have a negative and statistically not significant effect at the 5% level. This shows that future levels of FDIR will positively affect number of listed stocks and implies that a 1% increase in FDIR will result to a 1.0054% increase in number of listed stocks in Nigeria.

Dependent Variable: NLS				
Method: Least Squares				
Sample (adjusted): 1985 2011				
Included observations: 27 after adjustments				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	70.45124	41.82630	1.684377	0.1056
FDIR(2)	13.20146	4.324059	3.053024	0.0051
GDP(4)	-13.25399	4.337365	-3.055769	0.0051
NLS(-1)	0.831327	0.073044	11.38114	0.0000
R-squared	0.921898	Mean dependent var		535.0741
Adjusted R-squared	0.911710	S.D. dependent var		146.0440
S.E. of regression	43.39487	Akaike info criterion		10.51451
Sum squared resid	43311.64	Schwarz criterion		10.70649
Log likelihood	-137.9459	Hannan-Quinn criter.		10.57160
F-statistic	90.49513	Durbin-Watson stat		1.610564
Prob(F-statistic)	0.000000			

Table 12: Regression Result (South Africa)

Source: Author's E-View 7 Computations

Table 12 shows R^2 and Adjusted R^2 of 92.19% and 91.17% respectively, and indicates that the chosen regression model best fits the data. Hence, the goodness of fit regression model is 92.19% and implies that chosen explanatory variables explains variations in the dependent variables to the tune of 92.19%. Also, with an Adjusted R^2 (91.17%) implies that the model can take on more variables conveniently without the R^2 falling beyond 91.17%, which is considered very good. The F-statistics of 90.495 is considered high and good, probability (F-statistics) of 0.000000 and Durbin-Watson Statistic of 1.6106 (Showing absence of autocorrelation) are considered very impressive being positive and significant.

From table 12, the South Africa FDIR(2) at lead 2, has a t-statistic value of 3.05302 and a p-value of 0.0051, was found to have a positive and statistically very significant effect on number of listed shares at 5% level of significance since its p-value is well below 0.05. Therefore, we reject null hypothesis to accept the alternative. In same vein, the GDP (4) at lead 4, has a t-statistic value of -3.0558 and p-value of 0.0056 (acting as a moderating variable in the model) is found to have a

negative and statistically significant effect at the 5% level. This shows that future levels of FDIR will positively and significantly affect number of listed stocks and implies that a 1% increase in future levels of FDIR will result to a 13.2015% increase in number of listed stocks in South Africa.

Dependent Variable: NLS				
Method: Least Squares				
Sample (adjusted): 1984 2012				
Included observations: 29 after adjustments				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-1.147690	2.609655	-0.439786	0.6639
FDIR(3)	-0.092810	1.002713	-0.092559	0.9270
GDP(3)	0.467866	0.326993	1.430810	0.1649
NLS(1)	0.986843	0.056520	17.46000	0.0000
R-squared	0.936377	Mean dependent var		44.79310
Adjusted R-squared	0.928742	S.D. dependent var		13.51819
S.E. of regression	3.608564	Akaike info criterion		5.531939
Sum squared resid	325.5434	Schwarz criterion		5.720532
Log likelihood	-76.21312	Hannan-Quinn criter.		5.591004
F-statistic	122.6466	Durbin-Watson stat		1.822276
Prob(F-statistic)	0.000000			

Table 13: Regression Result (Kenya)
Source: Author's E-View 7 Computations

The results from table 13 are considered very insightful with R^2 and Adjusted R^2 of 93.64% and 92.87% respectively, shows that the chosen regression model best fits the data. Hence, the goodness of fit regression model is 93.64% and implies that chosen explanatory variables explains variations in the dependent variables to the tune of 93.64%. Also, with an Adjusted R^2 (92.87%) implies that the model can take on more variables conveniently without the R^2 falling beyond 92.87%, which is considered very good. The F-statistics of 122.6466 is considered very high and good, probability (F-statistics) of 0.000000 and Durbin-Watson Statistic of 1.82228 (Showing absence of autocorrelation) are considered very impressive being positive and significant.

From table 13, the Kenya FDIR(3) at lead 3, has a t-statistic value of -0.09256 and a p-value of 0.9270, was found to have a negative and statistically insignificant effect on number of listed shares at 5% level of significance since its p-value is well above 0.05. Therefore, we accept null hypothesis to reject the alternative. Equally, the GDP (3) at lead 3, has a t-statistic value of 1.43081 and p-value of 0.1649 (acting as a moderating variable in the model) is found to have a positive and statistically not significant effect at the 5% level. This shows that future levels of FDIR in Kenya will have a depressive effect on number of listed stocks and further indicates that a 1% increase in FDIR will result to a 0.0928% fall in number of listed stocks in Kenya.

Pairwise Granger Causality Tests				
Sample: 1984 2015				
Lags: 2				
Null Hypothesis:	Obs	F-Statistic	Prob.	Decision
NLS does not Granger Cause FDIR	30	3.38751	0.0499	Reject
FDIR does not Granger Cause NLS		3.10845	0.0623	Reject

Table 14: Pairwise Granger Causality Test- Nigeria
Source: Author's E-Views Computation

From the Granger Causality Test result in Table 14, for Nigeria, the test was carried out with a lag 2 period, Stock market Development is unbundled into number of listed shares and its causal relationship with foreign direct investment tested. The choice of a lag of 2 is aimed at not sacrificing greater degrees of freedom which may be prejudicial to the outcome of the test. From the results, there was a uni-directional causality relationship from NLS to FDIR (since only the p-value – 0.0499 is less than the 5% chosen level of significance)

- Decision: We reject the null hypothesis for NLS-FDIR, that there exists a Uni-directional causal relationship.

Pairwise Granger Causality Tests				
Sample: 1984 2015; Lags: 2				
Null Hypothesis:	Obs	F-Statistic	Prob.	Decision
NLS does not Granger Cause FDIR	30	1.63279	0.2155	Accept
FDIR does not Granger Cause NLS		0.14859	0.8627	Accept

Table 15: Pairwise Granger Causality Test –South Africa
Source: Author's E-Views Computation

From the Granger Causality Test result in Table 15 for South Africa carried out using 2 period lag, the result shows No causal relationship between Foreign Direct Investments and the number of listed shares on Johannesburg stock market (Since the respective p-values are greater than 5% the chosen level of significance).

- Decision: We Accept the null hypothesis in this regard that FDIR does not granger-cause NLS for the South Africa stock market.

Pairwise Granger Causality Tests				
Sample: 1984 2015				
Lags: 2				
Null Hypothesis:	Obs	F-Statistic	Prob.	Decision
NLS does not Granger Cause FDIR	30	2.01772	0.1540	Accept
FDIR does not Granger Cause NLS		3.57818	0.0430	Reject

Table 16: Pairwise Granger Causality Test - Kenya

Source: Author's E-Views Computation

From the Granger Causality Test result in Table 16 for Kenya conducted using a lag of 2 period, we observed a Uni-directional causality relationship running from FDIR to NLS (0.0430).

- Decision: We reject the null hypothesis for FDIR-NLS, that there exists a Uni-directional causal relationship between foreign direct investment and number of listed shares on the Kenya stock market.

4.6.1. Test of Hypothesis – Pooled Effect Output

The data for the selected study areas were pooled together to enable the researchers determine the optimum overall result for the Sub-Saharan African region, adopting the following procedures;

Dependent Variable: MCR				
Method: Panel EGLS (Period weights)				
Sample (adjusted): 1987 2015				
Periods included: 29				
Cross-sections included: 3				
Total panel (balanced) observations: 87				
Linear estimation after one-step weighting matrix				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	3.304264	1.839543	1.796242	0.0779
FDIR(-3)	-1.145605	0.532486	-2.151429	0.0359
GDP(-3)	0.123704	0.336255	0.367886	0.7144
MCR(-1)	0.999426	0.014116	70.80128	0.0000
Effects Specification				
Period fixed (dummy variables)				
Weighted Statistics				
R-squared	0.990866	Mean dependent var	192.5639	
Adjusted R-squared	0.985718	S.D. dependent var	342.5977	
S.E. of regression	30.15394	Sum squared resid	50009.32	
F-statistic	192.4727	Durbin-Watson stat	2.042680	
Prob(F-statistic)	0.000000			
Unweighted Statistics				
R-squared	0.920039	Mean dependent var	90.19414	
Sum squared resid	55564.24	Durbin-Watson stat	1.865182	

Table 17: Fixed Effect Panel Eviews Generalized Least Square (Egls)

Source: Author's E-Views Computation

Fixed Effect panel analysis was also carried out to compare the output of this panel data analysis obtained from the pooled data with the fixed effect. In table 17, The R² and Adjusted R² both showed 99.09% and 98.57% respectively. This shows that the chosen regression model best fits the data. Hence, the goodness of fit panel regression model is 99.09% and implies that chosen explanatory variables explains variations in the dependent variables to the tune of 99.09%. The square of the correlation between the value of the dependent variable and the corresponding fitted values from the model. Also, with a high Adjusted R² (98.57%) implies that the model can take on more variables conveniently without the R² falling beyond 98.57%, which is very commendable. F-statistics of 192.47 is considered very good being positive and significantly large enough and it shows that there is significant positive relationship between the dependent and explanatory variables. The overall probability (F-statistics) of 0.0000 is rightly signed and very significant and shows that FDI has significant effect on stock market development variables. The Durbin-Watson of 2.043 is considered good and shows that the outcome of this academic exercise will be very reliable.

However, we shall further subject the result of above test procedure to Redundant Fixed Effects Test as a confirmatory check to determine the suitability of the panel data testing procedure adopted for our analysis.

Redundant Fixed Effects Tests			
Equation: Untitled			
Test period fixed effects			
Effects Test	Statistic	d.f.	Prob.
Period F	5.842214	(28,55)	0.0000

Table 18: Redundant Fixed Effects Test

Source: Author's E-Views Computation

The p-value associated with the test statistics in table 18 is significant at 0.0000 and we thus adopt this outcome for our panel data analysis.

4.6.2. Test of hypothesis Using Fixed Pooled Effect

- H_{01} : Foreign direct investment has no significant effect on the number of listed securities on the stock market of selected Sub-Saharan African countries.
- H_{11} : Foreign direct investment has significant effect on the number of listed securities on the stock market of selected Sub-Saharan African countries.

Dependent Variable: NLS				
Method: Panel EGLS (Period weights)				
Sample (adjusted): 1985 2010				
Periods included: 26				
Cross-sections included: 3				
Total panel (balanced) observations: 78				
Linear estimation after one-step weighting matrix				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	4.894773	2.629183	1.861709	0.0667
FDIR	1.710031	0.678496	2.520324	0.0139
GDP(5)	-1.114182	0.553834	-2.011762	0.0479
NS(-1)	-3.271855	2.311782	-1.415295	0.1612
NLS(-1)	0.979339	0.005627	174.0439	0.0000

Table 19: Result -Number of Listed Shares – Panel Egls Test

Source: Author's E views Computation

From table 19, FDIR has a t-statistic value of 2.52032 and a p-value of 0.0139, was found to have a positive effect on number of listed shares and this effect is statistically significant at 5% level since its p-value is well below 0.05. Therefore, we reject the null hypothesis to accept the alternative.

Similarly, the GDP(5) at lead 5, has a t-statistic value of -2.01176 and p-value of 0.0479 and this effect is statistically significant at the 5% level. Though its presence acts as a moderating variable in the model, it does have significant effect on number of listed shares while the national security within the sub-region is found to have a non-significant inverse effect on number of listed shares with a t-statistic of -1.41530 and a p-value of 0.1612. The implication of this result is that the coefficients of FDIR has a positive and significant effect on number of listed shares at the 5% level of significance and a 1% increase in foreign direct investment will lead to a 1.71003% increase in number of listed shares. Hence, while FDI has positive significant effect on number of listed shares, national security tend to run in opposite direction to number of listed shares.

- Decision Rule: We reject the null hypothesis and accept the alternative that foreign direct investments do have a significant effect on number of listed shares.

5. Discussion of Findings

This study examined the Effect of Foreign Direct Investments on Number of Listed Securities in Sub-Sahara Africa from 1984 to 2015 with a view to affirming or refuting the propositions of erudite scholars on the Effects of foreign direct investments and number of listed stocks using empirical evidence from selected Sub-Saharan Africa, namely- Nigeria, South Africa and Kenya. Following a detail theoretical review and empirical analyses, findings were made in line with the research questions as well as set and tested hypotheses.

The result of the panel data regression studies show that foreign direct investment has a positive and significant effect on number of listed securities in selected Sub-Saharan Africa. The study showed that foreign direct investment has a positive (t-statistic of 2.52032) and statistically significant effect (p-value of 0.0139) on number of listed securities at the 5% level of significance. The coefficient of the future levels of FDIR has a positive sign (1.71003%) at the chosen level of significance. This implies that a 1% increase in FDIR will result to a 1.71003% increase in number of listed securities provided there exist a terror-free environment (with decreasing expenditure on NS, to yield a positively increasing

outcome on number of listed shares due to their inverse relationship, t -statistic = -1.41530). The result of this study is consistent with the findings of Rajan and Zingales (2003), Alfaro et al (2004), Allen et al (2010) and Soumare and Tchana (2015), who also found a statistically significant positive effect of FDI on number of listed securities. This Sub-Saharan African experience seems to support the theoretical foundation of Dunning's eclectic theory. The outcome of this study does agree with our Apriori expectation of a positive and significant relationship (World Bank, 2015). A probable direct interpretation of this result is that the efforts of governments in sourcing foreign direct investment for Sub-Saharan Africa countries are concentrated in a very few existing MNCs in the stock markets leading to stock concentration and government inability to break new grounds in attracting FDI spillovers. It is pertinent to mention that current depressive security expenditure has encouraged growth in the number of listed shares. The theoretical and conceptual studies hold that low level of listed securities in Sub-Saharan African accounts for the sluggish growth and development of the stock markets.

It is also imperative to mention that in the individual country analysis, while only Nigeria and Kenya showed no significant effect of FDI on number of listed securities, South Africa however, showed positive and significant effect of FDI on number of listed securities and carried a higher panel weighting than the earlier two countries.

6. Conclusion and Recommendations

The results emanating from our study proved that foreign direct investment has positively significant effect on number of listed stocks of Sub-Saharan African Countries. In conclusion, based on the outcome of our Study, we affirm that foreign direct investments has significant positive effect on stock market development in Sub-Saharan African countries in the short-run and significant negative effect in the long-run equilibrium periods.

In line with the objective of this study, we summarise our recommendations as follows:

- The Sub-Saharan African governments are encouraged to create foreign direct investments enabling environments within the region to attract foreign investors and capital inflows. Such as the provision of tax incentives, ease of doing business, provision of conducive security arrangements and improved regulatory environment. This will assist to enhance the gains of the spillover effects of foreign direct investments.
- The governments should encourage compulsory listing of all local MNC/MNE (FDI benefiting institutions) on their respective stock exchange.
- The regulatory authorities should improve on the listing requirements to attract more and new FDIs to the stock market. This will be evidenced by an increase in the number of listed shares.

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