Impact Of Foreign Inflows On Stock Market Performance In Selected African Countries (1998-2022) Panel Analyses Of Selected African Countries

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ARTICLEINFO	ABSTRACT
	Foreign inflows have a significant and positive impact on stock market performance as well as the national economy. The study examined the impact of foreign inflows on the performance of the stock market in selected African countries. The research employed yearly time series data covering a period of 25 years (1998-2022) from seventeen African countries. The Panel-ARDL regression techniques, which were unbundled into Mean Group (MG) and Pooled Mean Group (PMG) estimators were used in the empirical analysis. It was found that only foreign remittance and debt had significant and positive impact on market capitalization, whereas FDI and FPI had a significant but negative impact in the countries under investigation. In contrast, all four of these factors had a significant and positive impact on market liquidity. Additionally, the study found that market capitalization and the investigated international financial flow variables had a long-term association in five of the investigated countries and that market liquidity and the investigated international financial flow variables had a long-term cointegrating relationship across all the investigated nations. As a result of the study's findings, laws and policies that will facilitate the inflow of foreign capital into Africa should be implemented. These measures will not only have a favorable and substantial effect on market capitalization and liquidity but will also improve stock market performance in the continent.

Keywords: Foreign inflow, Foreign Direct Investment, Foreign debt, Stock market performance, Market capitalization, Market liquidity, Panel-ARDL and Pooled mean group. |

INTRODUCTION

Stock market is an organized exchange where shares of publicly quoted companies are traded while stock market performance is the efficiency with which securities are traded in the exchanges as reflected in the key performance indicators measured by market capitalization and market liquidity. Stock market performance refers to the overall increase in size and depth of the market in terms of capitalization and liquidity. The last few decades have seen significant advancements in the global economy, which may be linked to the efforts made to establish stock markets in Africa. The need for improved capital market performance has been indicated by the potential for extremely efficient financial systems (Isenmila & Akinola, 2012). The UK and US financial markets, among many other advanced economies, have seen significant transformation and increased integration.

The expanding intermediation functions of the stock market have typically been the focus of theoretical discussions surrounding the development and growth of stock markets. Manasseh et al. (2018), posit that stock markets enable effective capital allocation, risk sharing, mobilization of savings, and availability of necessary information for potential investments. They also facilitate liquidity. The following explanations can be used to explain these interrelated stock market functions. A stock market provides a range of financial products that allow people and businesses to diversify their portfolios, which can aid in the mobilization of domestic savings. Additionally, joint ownership opportunities are offered by the stock market, providing

people with a practical way of sharing risks. Finally, a stock market provides investment channels for local and international investors in addition to facilitating the effective allocation of capital to profitable ventures. As a result, Pradhan et al. in

addition to facilitating the effective allocation of capital to profitable ventures. As a result, Pradhan et al. (2013), expect the stock markets to have a significant relationship with all the investment activities in a financial system. Therefore, one could argue that a stock market is a key gauge of economic activities in a country and that it significantly affects aggregate demand, primarily through investment and aggregate consumption. International financial flows remain one of the signaling factors that can tell stock market participants when to expect a higher return on their investment in stocks. Modifications to foreign portfolio investments may have a major effect on the stock price return (Talla, 2013).

It is thought that promoting the rate of economic growth requires an active and stable stock market (Azam, et al., 2016). Forson and Janrattanagul (2013) provided evidence to support the idea that stock markets are essential in promoting economic growth of any country because it increases liquidity and provide capital for economic development and industrialization. The fluctuations in stock prices can be considered purely random, as they swiftly adapt to the news and performance of the company. According to Hoque and Yakob (2017), the capital market can be thought of as the beating heart of an economy, while growth is the soul of foreign inflows. This assertion is supported both theoretically and practically. The stock market gives businesses a place to raise equity capital for capital expenditures and investments. It is also crucial for promoting a country's industrial and economic development.

Foreign inflow factors undoubtedly improve stock market performance. According to Owusu-Nantwi and Kuwornu (2011), developments and financial sector reforms have led to a positive change in the financial system of several African countries from traditional bank-based systems to security market-based systems. Over the past two decades, this evolution has facilitated the establishment of multiple stock markets in the region. The significant shift towards economies with property ownership and the corresponding rise in demand for capital access have fueled liberalizations and deregulations in the financial industry and in the pursuit of economic expansion. Understanding how market capitalization, return, and turnover interact with foreign inflow variables not only aids investors in making the most out of their asset portfolio, but also directs policy makers in developing measures that will enhance stock market performance in African countries and improve the region's ability to access financial capital through financial markets (Garonfolo, 2011).

On the other hand, the entire amount of foreign cash inflows into an economy from all sources, including non-resident contributors, immigrants, and investors, is referred to as foreign inflows. These inflows, which typically take the form of foreign loans, foreign remittances, FDI and FPI are directed toward a number of investment initiatives that will support the expansion and improvement of the financial systems. Foreign inflows boost growth through technology, market efficiency, and knowledge spillover, according to Borensztein et al. (1998). They also provide additional resources to local savings and promote resource accumulation. The findings of Bailliu (2000), Garcia and Santana (2004), Olivei and Klein (2008), Quinn and Toyoda (2008), who discovered a favorable impact of private equity capital, market deregulation, and capital account openness on growth, were used to verify and validate these claims empirically.

Despite continuous discussions on the impact of foreign inflows on the performance of the stock market in SSA countries, there seems to be no consensus among researchers. The persistent challenges of underperformance or non-performance of stock markets in African countries are not underdevelopment and the seeming inefficiency in the markets but they are traceable to undercapitalization and illiquidity of stock markets. Thus, attracting more international financial flows to boost domestic savings is the strategic priority for improved stock market performance in Africa. However, evidence has shown that significant inflows into a few emerging markets have affected the performance and growth of the stock markets, thus raising concerns about these inflows' capacity to spur growth and their true profitability. Moreover, there doesn't seem to be any connection between foreign inflows and stock market performance. As an example, there is a great deal of diversity and complexity surrounding the performance of African stock markets in relation to international foreign inflows. As a result, scholars from all over the world have examined it from a range of angles. Extant literature on foreign inflows-stock market performance nexus dwelt more on the impact of FDI on stock market development, see: Tweneboah and Adam (2008), Karthik (2011), Arčabić et al (2012), Shahbaz et al. (2013), Tsaurai K. (2014). Adaramola and Obisesan (2015), Umar et al. (2015), Idenyi et al. (2016), Abubakar and Njane (2017), Wanjiru (2017), Danladi (2018), Ramirez (2018), Wang et al. (2019); the impact of FPI on stock market Growth, see: Eniekezimene (2013), Haider et al (2017), Nzenwata (2017); the impact of foreign capital inflows on stock market development, see: Omorokunwa, and Mbaka (2021), Awoleye (2022), Onome et al. (2022); or the impact of foreign capital inflows on economic growth, see: Claessens et al. (2001), Azam et al (2016) and relied more on country-specific homogeneous factors that could lead to the formulation of wrong policy decisions based on the statistical inferences drawn. Again, these studies predominantly used traditional panel data and ordinary least square regression techniques

which is different from the panel ARDL model and the pooled mean group estimators used in this study. The aim of this study was to examine the impact of foreign inflows on stock market performance in selected African countries within the period, 1998-2022. Consequently, this study sought to close this research gap by gathering information from the seventeen African countries (in no particular order - Zimbabwe, Zambia, Egypt, Sudan, Tanzania, Tunisia, South Africa, Nigeria, Namibia, Botswana, Ghana, Eswatini, Ivory Coast, Mauritius, Kenya, Malawi and Morocco) listed in the various exchanges based on availability of data from our base year. In addition, this study also attempted to analyze the reasons for

inadequate capitalization and low liquidity and provide practical suggestions on how to effectively attract more international financial flows for improved performance of African stock markets. The results showed that, in the countries under examination, FDI and FPI had a significant but negative impact on market capitalization, while only foreign debt and remittance had a positive and significant impact. Conversely, stock market liquidity was significantly improved by each of these four factors. Additionally, the study found that market capitalization and the investigated international financial flow variables had a long-term association in five of the seventeen investigated countries, and that market liquidity and the investigated international financial flow variables had a long-term cointegrating relationship across all the investigated countries.

This study took a step further from other existing studies by looking at two major measures of stock market performance which are capitalization and liquidity, and how each of these measures is simultaneously affected by the selected foreign inflows variables within a particular coverage period. The introduction of foreign remittances and foreign debt is a major departure and contribution to existing literature and knowledge. In addition, this study covered the seventeen Africa countries and included all countries with available data on our key variables of stock market performance. Furthermore, the study looked at both causal and long-run relationships among our variables of interest. These analyses were estimated with due acknowledgement of the heterogeneity among various countries that were included in our scope. Thus, in addition to the panel-ARDL analysis, the preliminary analysis complemented other empirical studies that focused mainly on direction and magnitude of impacts between the variables. Finally, this study has also contributed to existing literature in the field by examining the panel perspective of the subject as well as carrying out panel-ARDL (time series) analysis on the individual selected countries. In doing so, we have given models to the selected African countries for peer comparison with the regional model and have ascertained direction of impact (causality and significance).

This paper is structured into five sections as follows: introduction, literature review, methodology, results, and conclusion. Finally, we have the reference where all books, papers, theses, and articles referred to in this study are listed using the American Psychology Association (APA) Referencing style.

REVIEW OF LITERATURE

Theoretical Review
Theoretical review on foreign inflow-stock market performance nexus represents an important portion of extant literature and evidence in corporate finance. Moreover, it is distinguished by enormous differences and contradictions because of methodological approaches used. Six probable theories and hypotheses have been highlighted, namely, the flow, portfolio, efficient market, monetary analysis, transaction cost and financial market theory. The flow theory of capital movements which was documented by James Meade (1960) and expounded in Fleming (1962) serves as the study's theoretical foundation. The proposition suggests that flows of private capital are usually discovered to possess a noteworthy effect on local investments, with the association, according to Bosworth and Collins (1999), being stronger for foreign bank loan and FDI and weaker for FPI. According to the theory, because fresh investment opportunities provide better returns in countries where capital is scarce, capital will move from those with ample capital to those with scarce capital. As suggested by Summers (2000), such a rearrangement of capital will increase investment in the reporting economy and have significant positive social effects. The theory assumes that as new buildings are constructed and more machineries installed, returns on capital would decline. However, this isn't always or even typically true in real life. Lucas (1990) observed that fresh investments yield higher returns in nations with trained labor force and advanced basic infrastructure, which helps to explain the reason why money doesn't move from affluent to poor nations. Consequently, a steady result is that investors look for favorable business environments and that fresh financial inflows typically travel to nations that have previously received significant flows (Mody & Srinivasan, 1998). Therefore, the decline in capital flows to low-income nations is not surprising.

Empirical Review
There are ongoing debates on international foreign flows and stock market performance in Africa. Scholars seem to disagree on the true impact of foreign inflows on stock market performance. It is against this backdrop that we empirically examined previous studies on foreign inflows and stock market performance.

Chauhan (2013) looked at the impacts of foreign portfolio, foreign institutional, and FDI into the national and Bombay stock exchanges and found that FDI had the biggest impact on national and Bombay stock exchanges and demonstrated a strong positive relationship in both markets. The study also found that institutional investment had the minutest impact on the two markets, while portfolio investment had the greatest impact on both markets. Omorokunwa and Mbaka (2021) studied the impact of stock market performance and foreign capital inflows in South Africa, Nigeria, Kenya, and Egypt. They found a substantial positive correlation between foreign capital inflow and market capitalization while there is little correlation between market volatility and FDI or FPI. In a related study, Onome et al. (2022) analyzed the long-term correlation between foreign capital inflows and performance of the stock market by examining how both FDI and FPI affect the growth of the stock market in Nigeria and though no long-term association was found amongst the variables. Awoleye (2022) examined the causal link between foreign capital inflows and the growth of Nigerian stock market and observed that there was no symmetric causal correlation between stock market growth and FPI but a one-way symmetric causality between stock market growth and FDI. Olokoyo et al. (2020) looked at how foreign capital flows affected Nigeria's stock market capitalization and found that stock market performance was enhanced by foreign capital flows.

Shahbaz et al. (2013) also reported, among other things, a substantial positive connection between FDI and stock market growth in Pakistan over a long-term. In a similar vein, Jaganath, et al. (2016) also looked at how FDI affected the progress of the financial market and found that FDI had a big impact. Raza et al. (2012) analyzed the influence of FDI on stock market expansion in Pakistan and discovered a favorable correlation between FDI and stock market expansion. The connection between FDI and stock market development in less developed nations was studied by Claessens et al. (2001) who found a positive correlation between growth in the stock market and FDI.

Karthik (2011) investigated how FDI affected the development of the Indian stock exchange. They discovered a positive and statistically significant correlation between FDI and capitalization, indicating FDI's supportive position in the growth of stock markets in India. Tsagkanos et al. (2019) studied the nexus between FDI and the expansion of the stock market in Greece and reported a statistically significant long-term link in the developing period, but in the developed period, the relationship was statistically insignificant. A study on the connection between FDI and stock market expansion in developing nations was carried out by Soumaré and Tchana (2011). Their findings demonstrated the existence of a two-way causal relationship between FDI and stock market development. Ramirez (2018) conducted a cross-country study to explore the effects of FDI on capitalization and liquidity of fourteen developing countries' stock markets between 2007 and 2016. The results showed that while foreign direct investment inflows did not substantially affect the capitalization and liquidity of stock markets, they have a significant but negative baseline effect on key market performance indicators.

Adam and Tweneboah (2008) used quarterly data to investigate the impact of FDI on stock market development in Ghana. Their results demonstrated a long-term association between FDI and stock market growth in Ghana. This ran counter to earlier research' findings, which indicated a negative relationship. Wang et al. (2019) observed the influence of FDI on the stock market growth in Ghana. The stock market development was observed to be adversely affected by foreign direct investment over an extended period, but in the short-term, foreign direct investment had a notable positive influence. Tweneboah and Adam (2009) explored the influence of FDI on stock market capitalization in Ghana. They found a significant and positive nexus between FDI and stock market capitalization in Ghana. In a 2017 study, Wanjiru discovered a significant and positive correlation between FDI and the expansion of stock market in Kenya. Tsaurai (2014) investigated the connection between FDI and stock market growth in Zimbabwe. The study found a long-term correlation between FDI and stock market growth. Njane (2017) examined the impact of FDI on stock market development in Kenya and found that the development of the equity market was not significantly affected by FDI.

Comparably, an extensive collection of research from Nigeria have been done; For instance, Abubakar and Danladi (2018) studied the impact of FDI on the expansion of the Nigerian stock market and found a positive but insignificant relationship between FDI and stock market growth. Ifeakachukwu (2015) observed that the expansion of the stock market has little bearing on FDI in Nigeria. Furthermore, Ezeoha et al. (2009) evaluated the relationship between the expansion of the equity market and the volume of investment flow from 1970 to 2006 and found that there existed a significant and positive relationship between equity market development and FDI. Musa and Ibrahim (2014) examined the relationships between macroeconomic stability, stock market development, FDI and in Nigeria. The study confirmed that the variables have a long-term association. The analysis goes on to demonstrate that FDI positively and statistically but insignificantly influences stock market development. Umar et al. (2015) assessed the effect of stock market growth on foreign direct investment in the presence of structural breaks in Nigeria. According to the findings, FDI significantly raises the rate of the entire stock deal over the long term, but it significantly decreases the speed of stock returns. FDI and market capitalization do not, however, have a significant relationship. Idenyi et al. (2016) probed the effect of FDI on the growth of the Nigerian stock market. The outcome demonstrated the presence of a long-term equilibrium connection between foreign direct investments, imports and exports, and stock market growth. The results

provided no proof that FDI and stock market expansion are causally related. However, Arikpo and Ogar (2018) found a positive link between FDI and stock market performance for the years 1972–2016 which is not consistent with Adaramola and Obisesan (2015).

Haider et al. (2017) examined the effects of inflation and stock market performance on FPI in China and found that while inflation is found to be negatively correlated with FPI, stock market performance had a significant and positive impact on the FPI. Similarly, Fayyaz et al. (2015) found that gross domestic product growth, market efficiency, market size, and higher expected returns are the main factors influencing FPI and that they are crucial in determining how the foreign portfolio investment moves. Ekeocha et al. (2012) explored the long-term factors influencing FPI in Nigeria from 1981 to 2010 and discovered a positive long-term correlation between FPI and stock market capitalization and trade openness. Similarly, Eniekezimene (2013) examined the effect of FPI on capital market growth and discovered that FPI positively affects capital market growth. Nzenwata (2017) studied the impact of FPI on stock market performance in the Nigerian stock exchange between 1986 and 2015 and found that FPI ensures better performance of the stock market, particularly through increased liquidity. It also proves to be positively and statistically significant.

Raza and Jawaid (2014) examined how remittances affected the growth of the stock markets in eighteen Asian nations. The results showed that foreign remittance had a big influence on the growth of stock markets. A bi-directional causal relationship was revealed by the Toda Yamamoto causality test. Githaiga and Kabiru (2014) looked at how remittances affected the growth of the financial sector. 31 nations were included in the study, which ran from 1980 to 2012. According to the study, remittances had a statistically negligible impact on bank deposits and a negative influence on domestic private sector credit and considered how remittances affected stock market development. Njoroge (2014) in a research effort to ascertain the impact of remittances on the performance of stock markets observed that there was a substantial positive effect of foreign remittances on stock market performance.

Choong et al. (2010) investigated how various debt kinds affected Malaysia's economic expansion from 1970 to 2006 and found all aspects of loan to have a detrimental impact on long-term economic development. They however, found a short-run causal relationship between all debt measures and economic growth using data from 1960 to 2004. Boopen te.al (2007) examined the relationships between Mauritius's foreign debt stock and economic expansion and found that foreign loan had a negative influence on economic development. Malik et al. (2010) investigated the connection between Pakistan's economic development and foreign debt and found a significant but negative correlation between foreign loan and economic development. The data points to a drop in economic expansion because of rising foreign debt. A previous study on Pakistan by Hameed et al. (2008) examined the connection between economic expansion and foreign debt and concluded that having a large debt service burden reduces capital and labor productivity, which in turn has an adverse impact on economic development. Karogol (2002) investigated the connection between economic development and the servicing of Turkey's foreign debt over the period of 1956 to 1996, found a long-term negative connection between debt service and economic growth. Economic development and loan service were discovered to be causally related in a unidirectional manner by the causality test.

Abdelmawla and Mohammed (2005) investigated how Sudan's external debt affected the country's economic expansion between 1978 and 2001. The study's results indicated that export revenue significantly boosts Sudan's economic growth, but inflation and external debt have the opposite effect. Ayadi and Ayadi (2008) looked at how the massive foreign loan and its servicing obligations affected the economic development of South Africa and Nigeria's economies from 1970 to 2010 and found a detrimental effects of debt and the need to service it on the countries' economic development. Adepoju et al. (2007) examined the effect of managing Nigeria's external debt on the country's economic expansion and concluded that Nigeria's economic growth was negatively impacted by the buildup of external debt. Adesola (2009) investigated on how Nigeria's economic growth was impacted by its foreign debt service payment practices. They found that while external debt payment showed a significant but negative correlation to one of the creditors, it was positive to the other creditors. Audu (2004) looked at how Nigeria's foreign debt affected public investment and economic expansion between 1970 and 2002 and found that the problem of external debt servicing in the nation has seriously hampered economic development and that historical debt buildup has a negative impact on investment. Ogunmuyiwa (2011) investigated whether foreign debt fosters economic expansion in Nigeria and found no causal link between Nigeria's foreign debt and economic expansion.

METHODOLGY

Data and Model Variables
Ex post facto research designs were used in this study. The 29 exchanges in Africa make up the study's population, and a sample size of 17 countries was purposively chosen, as follows: Zimbabwe, Zambia, Egypt, Sudan, Tanzania, Tunisia, South Africa, Nigeria, Namibia, Botswana, Ghana, Eswatini, Ivory Coast, Mauritius, Kenya, Malawi and Morocco. These are countries whose markets are well developed and have data on our

variables of discourse from our base year. The panel ARDL model and the pooled mean group estimators were used to examine the hypotheses of the study. The study's variables were foreign inflows and stock market performance nexus. The data sets are panel and cross-country in nature with emphasis on selected African countries with its flows and volume differences. The variables of the study are FDI [GDPFDI], FPI [GDPFPI], Remittances [GDPFR], and Debt [GDPFDT]) for foreign inflows; Market Capitalization [GDPMC] and Market Liquidity [GDPML for Stock Market Performance. The panel datasets are annual times series extracted from the World Bank's development indicators from 1998-2022, (25) year period. Our baseline equations under investigation are as specified below:

$$MC_{it} = \alpha_i + \beta_1 FDIgr_{it} + \beta_2 FPI_{it} + \beta_3 FR_{it} + \beta_4 FDT_{it} + \varepsilon_{it} - - - - - - - - - - (1)$$

$$ML_{it} = \alpha_i + \beta_1 FDIgr_{it} + \beta_2 FPI_{it} + \beta_3 FR_{it} + \beta_4 FDT_{it} + \varepsilon_{it} - - - - - - - - - - (2)$$

Where all variables are as discussed above.
β_1- β_4 = coefficient of the parameters,
ε_{it} = the error term, the subscript.
it = country and time, respectively.

The Estimation Approach
The panel datasets were subjected to pre-estimation tests which included panel descriptive statistics, panel correlational analyses and unit root tests. The descriptive statistics helped in understanding the statistical trends of the respective variables and the correlational analysis helped to show the degree and direction of correlation of the series. The unit root tests based on five different criteria were employed to determine stationarity and order of integration of the panel series. The outcome of the panel unit root tests provided justification for the use of the Panel ARDL. The Panel ARDL regression technique is the main model which was unbundled into Mean Group and Pooled Mean Group estimators. The Hausman test was used to determine the best and appropriate model between the two. We further applied Panel Bound tests to determine long run cointegration. EViews 13 was used as the estimation software while inferences were based on the 0.05 level of significance.

The Panel-ARDL models are represented below:

$$MC_{it} = \sum_{j=1}^{p-1} \lambda_j \Delta ML_{it-j} + \sum_{j=0}^{q-1} \delta_j \Delta FDI_{it-j} + \sum_{j=0}^{q-1} \delta_j \Delta FPI_{it-j} + \sum_{j=0}^{q-1} \delta_j \Delta FR_{it-j} + \sum_{j=0}^{q-1} \delta_j \Delta FDT_{it-j} + \beta_1 MC_{it-1} + \beta_2 FDI_{it-1}$$
$$+ \beta_3 FPI_{it-1} + \beta_4 FR_{it-1} + \beta_5 FDT_{it-1} + \varepsilon_{it-1} - - - - - - - - - - - - - - - - - - - (3)$$

$$ML_{it} = \sum_{j=1}^{p-1} \lambda_j \Delta MC_{it-j} + \sum_{j=0}^{q-1} \delta_j \Delta FDI_{it-j} + \sum_{j=0}^{q-1} \delta_j \Delta FPI_{it-j} + \sum_{j=0}^{q-1} \delta_j \Delta FR_{it-j} + \sum_{j=0}^{q-1} \delta_j \Delta FDT_{it-j} + \beta_1 ML_{it-1} + \beta_2 FDI_{it-1}$$
$$+ \beta_3 FPI_{it-1} + \beta_4 FR_{it-1} + \beta_5 FDT_{it-1} + \varepsilon_{it-1} - - - - - - - - - - - - - - - - - - - (4)$$

Where *it* refers to country and time-period respectively, and

MC = market capitalization as ratio of GDP.
ML = market liquidity a ratio of GDP
FDI = foreign direct investment as ratio of GDP
FPI = foreign portfolio investment as ratio of GDP
FR = foreign remittances as ratio of GDP
FDT = foreign debt as ratio of GDP
β_1- β_4 = coefficient of the parameters
q; p = lag lengths
εit = error term
it = country and time, respectively.

Table 1: Description of Model Variables

Variable	Description	Measure	Designation	Source
MC	Market Capitalization ratio	% of GDP	Dependent Variable	World Development Indicators (2022)
ML	Market liquidity	% of GDP	Dependent Variable	World Development Indicators (2022)

FDI	Foreign Direct Investment	% of GDP	Independent Variable	World Development Indicators (2022)
FPI	Foreign Portfolio Investment	% of GDP	Independent Variable	World Development Indicators (2022)
FR	Foreign Remittances	% of GDP	Independent Variable	World Development Indicators (2022)
FDT	Foreign Debt	% of GDP	Independent Variable	World Development Indicators (2022)

Source: Author, 2023

Table 1 explains our variables, their descriptions, how they are measured and sources. The variables used in the model shall be described under dependent, explanatory and control variables as seen below:

RESULTS AND DISCUSSION OF FINDINGS

Result of Findings

The dataset for this study follows the form presented in the description of model variables as shown in chapter three. The necessary proxies for the variables were gathered and the relevant data transformation processes followed. The full dataset for all estimation is contained in Appendix 1 and that cover the following variables:

MC = Market Capitalization
FDT = Total Foreign Debt
FPI = Foreign Portfolio Investment
FR = Foreign Remittance
FDI = Foreign Direct Investment
ML = Market Liquidity
All the series are of longitudinal in nature (covers 17 African countries), log linearized and cover the period 1998 to 2022.

Histograms of the explanatory variables against the two outcome variables are shown as figure 1 and figure 2 respectively.
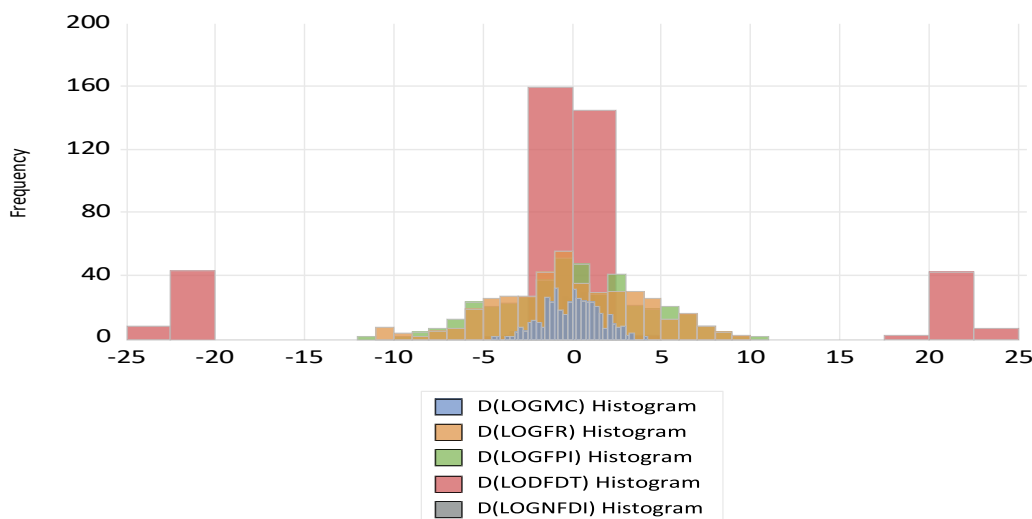

Figure 1 – A histogram of Market Capitalization and the studied foreign inflow variables
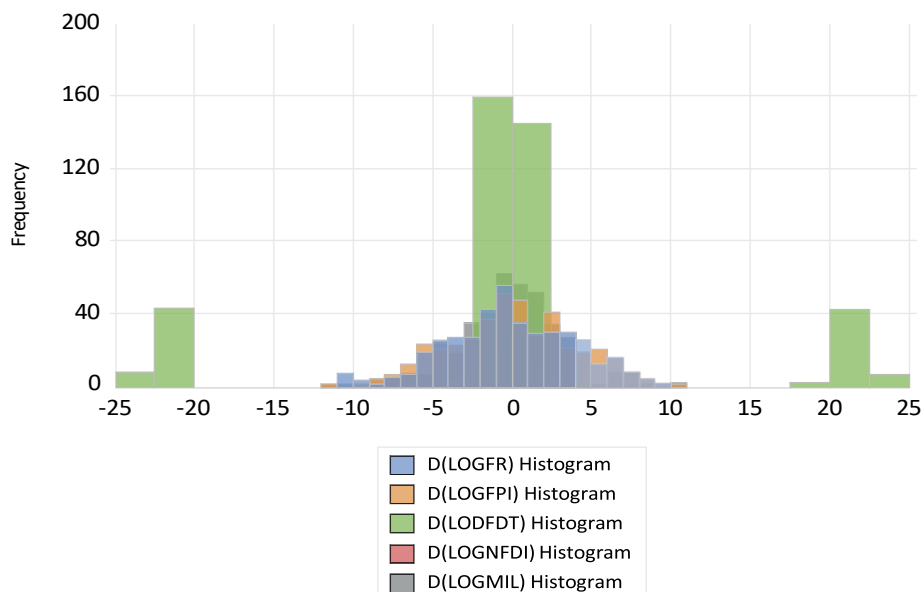
Figure 2 – A histogram of Market Liquidity and the studied foreign inflow variables

The two histograms show a reasonable degree of close knitting of the series. This distributional feature suggests that the variable made a good combination in the estimated model.

Basic Descriptive Statistics and Preliminary (Diagnostic) Tests
The statistical properties of the datasets are shown in this section before the full estimation reports. This follows the form of basic descriptive statistics and correlation analyses. Table 2 contains a summary of measures of central tendency, dispersion, and test for normality of the panel series.

Table 2: Summary of Basic Descriptive Statistics

Variables	Mean	Median	Maximum	Minimum	Std. Dev	Coeff of Variation	Skewness	Kurtosis
LOGMC	3.33	3.13	5.78	1.08	1.06	0.318	0.50	2.57
LODFDT	6.51	3.713	25.61	1.60	7.56	0.256	2.03	5.19
LOGFPI	18.54	17.85	23.38	11.29	2.76	0.149	-0.05	2.19
LOGFR	19.70	19.74	24.11	13.16	2.94	0.149	-0.50	2.76
LOGNFDI	0.43	0.42	2.27	-3.20	1.00	2.326	-0.54	3.38
LOGMIL	0.50	0.57	4.82	-6.97	2.32	4.640	-0.63	4.12

Source: Author's Computation (2023)

Foreign remittance (FR) has the highest mean value with Foreign Direct Investment posting the least aggregative average of 0.43. The other averages to measure dispersion such as standard deviation was also reported with particular interest on the relative standard deviation or the coefficient of variation. All the averages proved to be less dispersed as they all posted coefficient of variation less than one (1). This is apart from foreign direct investment and market liquidity with relative standard deviations greater than one. The indicators of normality which are kurtosis and skewness indicate that the series are not normally dispersed. This is consistent with the features of series in social and management sciences.

Next, the result of the evaluation of the degree and direction of correlation of the panel series is reported in table 3. This is both directionless and bivariate and follows the product moment correlation outlook given that the variables are numeric and cardinal values.

Table 3: Summary of Correlational Analyses

	LOGMC	LODFDT	LOGFPI	LOGFR	LOGNFDI	LOGMIL
LOGMC	1.000000	0.757209	0.024322	-0.038741	-0.101477	0.806071
LODFDT	0.757209	1.000000	0.014022	0.085157	-0.116731	0.641362
LOGFPI	0.024322	0.014022	1.000000	0.010551	0.036135	-0.012494
LOGFR	-0.038741	0.085157	0.010551	1.000000	0.078554	0.247534
LOGNFDI	-0.101477	-0.116731	0.036135	0.078554	1.000000	-0.104604
LOGMIL	0.806071	0.641362	-0.012494	0.247534	-0.104604	1.000000

Source: Author's Computation (2023) (See Appendix 3)

A preponderance of positive linear association among the investigated series is observed. This is not the same with such series as foreign direct investment which showed negative correlation with the performance of stock market indicators. This is not unconnected with the fact that FDI represents physical investment and has a trade-off with investment in financial assets which the stock market represents.

To show the stationarity properties of the panel series and find sufficient basis for the choice of a proper estimation technique, a set of root tests of panel units with regards for cross-section independence respectively were used and the results shown in table 4. Levin, Lee, and Chu, Breitung, Im, Pesaran and Shin, Philip Peron Fisher and the Augmented Dickey Fuller Fisher were the used root tests of panel units.

Table 4: Summary of Panel Unit Root Test Results

Variables	LOGMC		LOGFDT		LOGFPI		LOGFR		LOGNFDI		LOGMIL	
	Test Stat	Infer ence	Test Stat	Infer ence	Test Stat	Infer ence	Test Stat	Infer ence	Test Stat	Infer ence	Test Stat	Infer ence
LLC	-6.31(0.00)	I (0)	-5.51(0.00)	I (0)	-7.84(0.00)	I (0)	-6.49(0.00)	I (0)	-6.53(0.00)	114.958	-5.19(0.00)	I (0)
Breit ung	-5.39(0.00)	I (0)	-2.57(0.00)	I (0)	-5.65(0.00)	I (0)	-5.31(0.00)	I (0)	-4.26(0.00)	114.958	-6.22(0.00)	I (0)
IPS	-7.05(0.00)	I (0)	-5.52(0.00)	I (0)	-8.05(0.00)	I (0)	-7.49(0.00)	I (0)	-7.19(0.00)	114.958	-6.18(0.00)	I (0)
ADF - Fish er	109.73(0.00)	I (0)	96.42(0.00)	I (0)	124.81 (0.00)	I (0)	118.12(0.00)	I (0)	114.96(0.00)	114.958	98.30(0.00)	I (0)
PP- Fish er	249.65 (0.00)	I (0)	211.49 (0.00)	I (0)	255.14 (0.00)	I (0)	454.86 (0.00)	I (0)	259.93 (0.00)	114.958	440.50 (0.00)	I (0)

Source: Author's Computation (2023) (See Appendix 4)

All the series were found to be stationary at I (0) and I (1) without any I (2) series. The results of the panel unit root test provided justification for the use of Panel ARDL.

First, the summary of the Panel ARDL result is presented in the form presented in model 1,

Table 5: Summary of Panel ARDL Results for Model One

MODEL ONE								
Variables	Pooled Mean Group (PMG)				Mean Group (MG)			
	Coefficient	Std. Error	t-Statistic	Prob.	Coeff	Std Error	Z	P-stat
Summary Mean Group (MG) Result								
LOGFDT	0.16	0.01	12.57	0.0000	0.05	0.04	1.27	0.2049
LOGFPI	-0.12	0.03	-3.51	0.0005	0.05	0.03	1.68	0.0938
LOGNFDI	-0.32	0.11	-2.83	0.0049	0.11	0.09	1.31	0.1919
LOGFR	0.10	0.03	3.22	0.0014	0.09	0.03	3.18	0.0016
Haussmann Test for MG and PMG								
$X^2(5) = (b - B)'[(V_b - V\_B)^{(-1)}] (b - B) = 6.04$ $P - Value\ of\ X^2(5) = 3.5228$								
PMG is preferred and more efficient than MG.								

The result is presented with the Haussman test result evidently showing that the preferred model is the PMG model. The null hypotheses which cannot be rejected is in favor of PMG as the more efficient of the two estimators.

Also, a long run co-integration connection is established by the result of the Panel Bound tests for all the cross-sections (countries). The result of the panel bound test is shown in table 6 with the bound test critical value at the lower rung of the table.

Table 6: Summary of the Cross-Sectional Bound Test Results

Cross-Section	Obs.	F-Stat.
Botswana	21	18.43985
Egypt	23	26.31153
Eswatini	21	18.13627
Ghana	24	16.36377

Ivory Coast	23	11.78025
Kenya	24	15.13541
Malawi	24	17.71887
Mauritius	24	5.523094
Morocco	22	21.08847
Namibia	24	9.512217
Nigeria	23	14.56525
South Africa	24	37.98351
Sudan	24	9.841795
Tunisia	24	17.69711
Tanzania	24	16.71841
Zambia	24	17.15280
Zimbabwe	23	20.30672
COINTEQ	-0.24	5.3666(0.0000)

BOUNDS TESTS CRITICAL VALUE						
	10%		5%		1%	
Sample Size	I (0)	I (1)	I (0)	I (1)	I (0)	I (1)
30	2.525	3.560	3.058	4.223	4.280	5.840
Asymptotic	2.200	3.090	2.560	3.490	3.290	4.370
* I (0) and I (1) are respectively the stationary and non-stationary bounds.						

Source: Author's Estimation Result (2023)

Across all the countries we found a long run cointegrating association between market liquidity and the investigated international financial flow variables. In all the countries, the F-stat as reported in table 6 is greater than the upper and lower bounds at all the levels of significance (1%, 5% and 10%). Also, the existence of long run joint relationship is confirmed by the error correction representation that entered with the correct sign. The negative but statistically significant error correction term of -0.24 shows that market liquidity shows a certain return to long run stability from short run deviations triggered by international financial flows in the investigated countries. It further means that it takes about 4years for such deviations to be fully restored. The error correction representation is validly predictable because not only is it less than unity (1), but it is also rightly signed and statistically significant.

Next, we present the joint panel properties of the second model with market capitalization as the response variable. The results of the panel and the long run cross sectional elasticities are shown, respectively, in tables 7 and 8.

Table 7: Summary of Panel ARDL Results for Model 2

MODEL 2								
Variables	Pooled Mean Group (PMG)				Mean Group (MG)			
	Coefficient	Std. Error	t-Statistic	Prob.	Coeff	Std Error	Z	P-stat
Summary Mean Group (MG) Result								
LODFDT	0.06	0.01	6.30	0.0000	0.08	0.02	4.28	0.0000
LOGFPI	0.12	0.02	5.23	0.0000	-0.05	0.02	-2.22	0.0273
LOGNFDI	0.05	0.02	2.24	0.0256	-0.02	0.02	-0.88	0.3784
LOGFR	-0.33	0.09	-3.76	0.0002	0.10	0.06	1.57	0.1169
Haussmann Test for MG and PMG								
$X^2(5) = (b - B)'[(V_b - V\_B)^{(-1)}] (b - B) = 6.04$ $$P - Value\ of\ X^2(5) = 3.1029$$								
PMG is preferred and more efficient than MG.								

Source: Author's Estimation Result (2023)

The mean and pooled mean group form of the result is presented with the Haussman test result indicating that the preferred model is the PMG model. The null hypotheses which cannot be rejected favors PMG as the more efficient of the two estimators. Also, a long run co-integration connection is established by the result of the Panel Bound tests for all the cross-sections (countries).
The result of the panel bound test is shown in table 8 with the bound test critical value at the lower rung of the table

Table 8: Summary of the Cross-Sectional Bound Test Results

Cross-Section	Obs.	F-Stat.
Botswana	15	7.112345
Egypt	20	7.476568
Eswatini	16	0.275881
Ghana	23	0.556066
Ivory Coast	22	0.662613
Kenya	23	1.131069
Malawi	23	4.898232
Mauritius	23	1.043229
Morocco	17	0.851329
Namibia	23	0.962943
Nigeria	20	0.111372
South Africa	23	0.794453
Sudan	23	3.105113
Tunisia	23	0.778560
Tanzania	23	4.302869
Zambia	23	1.123581
Zimbabwe	20	3.561922
COINTEQ	-0.77	-7.169 (0.0000)

BOUNDS TESTS CRITICAL VALUE						
	10%		5%		1%	
Sample Size	I (0)	I (1)	I (0)	I (1)	I (0)	I (1)
30	2.525	3.560	3.058	4.223	4.280	5.840
Asymptotic	2.200	3.090	2.560	3.490	3.290	4.370
* I(0) and I(1) are respectively the stationary and non-stationary bounds.						

Source: Author's Estimation Result (2023)

We found a long-term association between market capitalization and the investigated international financial flow variables in 5 of the investigated countries. In these countries, the F-stat as reported in table 8 is higher than the upper and lower bounds at the 5% levels of significance. Also, the presence of long run joint relationship is backed by the error correction representation that entered with the correct sign. The negative but statistically significant error correction term of -0.77 shows that market capitalization shows a certain return to long run stability from short run deviations triggered by international financial flows in the investigated countries. It further means that it takes about a year and half for such deviations to be fully restored. The error correction representation is validly predictable because not only is it less than unity (1), but it is also rightly signed and statistically significant.

Discussion of Findings

FDI significantly but negatively impacted on market capitalization in the investigated countries over the sample period (β=-0.32;t=2.83). This implied that foreign direct investment, though the coefficient is negative, still significantly impacted on market capitalization. This agrees with studies conducted by Ifeakachukwu (2015) and Umar et al. (2015) and Ramirez (2018) who discovered that FDI had a significant but negative impact on market capitalization. In contrast, studies conducted by Tweneboah and Adam (2009), Karthik (2011) and Arcabic, Globan and Raguz (2012), Chauhan (2013), Omorokunwa Olokoyo et al. (2020), and Mbaka (2021) showed a positive and significant association between FDI and market capitalization. These conflicting results could be due to data inconsistencies, mutation, or irrelevancies. FDI positively and significantly impacted on market liquidity in the investigated countries over the sample period (β=0.05;t=2.24). This implied that FDI had a positive and significant impact on market liquidity. This agrees with the studies conducted by Claessens, Klingebiel, and Schmukler (2001), Adam and Tweneboah (2008), Ezeoha et al. (2009), Soumaré and Tchana (2011), Raza et al. (2012), Abdul and Amjad (2013), Shahbaz et al. (2013), Tsaurai (2014), Adaramola and Obisesan (2015), Wanjiru (2017), Arikpo and Ogar (2018). In contrast, studies conducted by Idenyi et al. (2016), Njane (2017) and Wang et al. (2019) found no proof of a positive and significant impact of FDI on market liquidity. This may be attributed to methodological deficiencies or flawed conclusions.

Foreign portfolio investment negatively and significantly impacted on market capitalization in the investigated countries over the sample period (β=-0.05;t=2.24). This implied that foreign portfolio investment though the coefficient is negative still significantly impacted on market capitalization. This agrees with studies conducted

by Loice (2017) but in conflict with studies conducted by Ekeocha et al. (2012), Eniekezimene (2013) who discovered that FPI positively affects capital market growth. FPI positively and significantly impacted on liquidity in the investigated nations over the sample period (β=0.12;t=5.23). This implied that FPI had positively and significantly impacted on liquidity. This agrees with studies conducted by Fayyaz et al. (2015), Nzenwata (2017), Haider et al. (2017) and contradicts studies conducted by Nwiado and Deekor (2013) and Adebisi and Arikpo (2017) who found that market's liquidity was not enhanced by foreign portfolio investments, defying the conventional wisdom that suggests foreign involvement boosts market liquidity.

Foreign remittance had a positive and significant impact on market capitalization in the investigated countries over the sample period (β=0.10;t=3.22). This implied that foreign remittance had positively significantly impacted on market capitalization. This agrees with studies conducted by Mandaci et. al., (2013), Njoroge (2014), Raza and Jawaid (2014), Githaiga and Kabiru (2014) discovered a substantial and favorable correlation between foreign remittances and market capitalization and supports prior findings by researchers that remittances is a major source of foreign inflows into Africa. Foreign remittance positively and significantly impacted on liquidity in the investigated nations over the sample period (β=-0.33;t=3.76). This implied that foreign remittance had negatively significantly impacted on market liquidity. This agrees with studies conducted by Mandaci et. al., (2013), Njoroge (2014), Raza and Jawaid (2014), Githaiga and Kabiru (2014) who found a positive and significant association between foreign remittances and market liquidity and supports prior findings by researchers that remittances is the main source of inflow into Africa.

Foreign debt positively and significantly impacted on market capitalization in the investigated countries over the sample period (β=0.16;t=12.57). The implied that foreign debt had positively and significantly impacted on market capitalization. Foreign debt positively and significantly impacted on liquidity in the investigated regions over the sample period (β=0.06;t=6.30). This implied that foreign debt had positively and significantly impacted on market liquidity. This finding is not in agreement with studies conducted by Boopen et al. (2007), Adepoju et al. (2007), Ayadi and Ayadi (2008), Hameed et al. (2008), Choong et al. (2010), Malik et al. (2010), and Ogunmuyiwa (2011) who found a detrimental impact of foreign debt on both market capitalization and liquidity. These findings may not be unconnected to persistent challenges with foreign debts.

CONCLUSION AND RECOMMENDATION

In recent times, the responsiveness of stock market performance to foreign inflows has continued to generate empirical questions. Most of the studies that attempted to provide the answers were mostly country-specific studies especially in the African context. Moreover, few country-wide studies that examined the subject often analyses a specific foreign inflow vis-à-vis an aspect of market performance indicators. It is against this backdrop that we explored the impact of foreign inflows on stock market performance in seventeen selected African countries, between 1998 and 2022. Two key stock market performance variables examined were market capitalization and market liquidity relative to GDP. The foreign inflow variables of interest included FDI, FPI, remittances, and debt. From the findings of this study, we concluded that the impact of foreign inflows on stock market performance varied relatively, in both direction and magnitude, over the two measures of stock market performance. All the observed influence was positive and significant except FDI, FPI and remittance which had negative but significant impact on market capitalization and market liquidity, respectively. However, there is strong evidence that all the regressors in our respective models were all important in explaining the stock market's performance over the study period in the chosen African nations.

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