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Leaveraging Foreign Direct Investment In Nigeria Through International Securitization

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Abstract: The quest for economic development and growth cannot be achieved in isolation. There is need for assessing capital for productive uses. Such capital cannot be sourced from domestic markets only, hence the need for the international capital market (ICM). Nigeria particularly has experienced gaps in the desired investment and locally mobilized savings; between foreign exchange requirements and foreign exchange earnings; and between target revenue and locally raised revenue. The major objective of this study is to ascertain the operations of the ICM and its effect on foreign private investment. The objectives could be tested and empirically investigated using the multiple regression model and correlation analysis. Data is gotten through both primary and secondary sources. Information from the Central Bank of Nigeria Statistical Bulletin of various issues secondary data. The paper recommended that government should provide enabling environment for a stable, virile and predictable macroeconomic variables attractive for investment purposes; government should also provide genuine information to foreign investors and enterprises with respect to scope of investment opportunities in the country.
Keywords: Leaveraging; FDI; Securitization; EIM; Correlation Analysis; Investment.

1. Introduction

The global phenomenon and quest for development has taken a variety of concepts and approaches over the years. Some of the concepts include relations among countries with each other in the form of trade, investments, political, socio-cultural and technological transfers, while the approaches include direct, indirect, visible or invisible ownership, control of firms, institutions, or agencies in another country or countries. International financial institutions and markets are institutions designed among other functions, to foster foreign investments among nations.

International capital markets (ICM) according to Adekanye (1993) refers to a series of international markets made of banks and individual investors for medium and long term finance so as to provide channels for the transfer of savings from surplus to deficit countries.

Foreign investment, according to Afolabi (1991), involves the transfer to tangible and intangible assets from one country into another for the purpose of use in that country to generate wealth under the total or partial control of the owners.

Recently, international capital market has become a significant issue which financial investors and researchers pay much attention to. This is due to its antecedence and consequence in investment analysis. It is observed that it has an important influence on improving the economy of the developing nations such as Nigeria.

According to Ajike (2004) international capital market ICM is that financial market or world financial market or world financial centre where shares, bonds debentures, currencies, mutual funds etc. arc purchased and sold. ICM is a group of different countries' capital market. It represents international arrangements for trading in short and long term funds and other financial instruments. Changes (brought about by technology) in the international market resulted in a new era of global market during the late I990"s which were critical to development. This necessitated international capital market to allow investors to diversify their risks and allow borrowers to lower their cost of capital.

The ICM provides medium and long term finance in three discernable ways-issuing of Eurobonds sold internationally outside the jurisdiction of any single national authority; selling of foreign bonds on behalf of non-resident borrowers in national capital markets; issuing of Euro credits by international syndicates of banks.

Noorzoy (1979) observed that while euro credits and euro bonds make up the offshore sector of the 1CM since they are arranged outside the shores of any single country's frontiers, foreign bonds are sold in a domestic capital market on behalf of a non resident borrower under the laws of the country in which they are issued. The buying and selling of these securities are aimed among other reasons, to stimulate foreign investment in the recipient country.

Foreign investment according to Encyclopaedia of Public International Law is the transfer of funds or materials from one country (called the capital exporting country) to another country (the host country) in return for a direct or indirect participation in the earnings of the enterprise. Foreign investment can also be seen as the act of investment and provision of capital from a foreign sovereign state in shares, equities, patents, or the trademarks, or securities which can be in the form of either direct or indirect investment to the host state in other to secure income or profit from its utilization.

Two types of foreign investment are discernable- public foreign investment and private foreign investment. Private investment is further classified into direct and indirect (portfolio or rentier) investment. According to Anyanwu (1993), while direct foreign investment (DPI) implies that the firms of the investing country exercises *de facto* and *de jure* control over the assets created in the capital-importing country by means of that investment, indirect private foreign investment or portfolio or rentier investment consists mainly of the holding of the transferable security (insured or guaranteed by the government of the capital-importing country), shares or the debentures by the nationals of some other country. *De facto* control implies that the firms of the investing country exercises such control that exists over the assets of the capital-importing country as a fact although may not be legally accepted as existing or real, while *de jure* control means that the control is both legal and real.

From the foregoing, the ICM provides finance in form of securities for the foreign investments. Arguably the ICM stimulates the indirect foreign investment, i.e. rentier or portfolio aspect of the overall foreign investment.

In the view of the above, the work is about analyzing the operation of the ICM via provision of these transferable securities and how it has stimulated (favourably and unfavourably), affected (positively or negatively), contributed (significantly or insignificantly), in magnitude and in size, the overall indirect private foreign investment in Nigeria.

1.1. Statement of the problem

The operations of the international capital market is expected to stimulate foreign investment by pooling funds for investment purposes. However, this has not been so.

There has been a wide gap between the ICM operation (through provision of capital) and capital needed for foreign investment in Nigeria. The current payment gap not filled by other international capital has been widened due to macroeconomic shocks and instability. Indirect (or portfolio, or rentier) investment has been significantly low. There is persistent low contributions of the long term capital (provided via ICM operations), to the Gross Domestic Product in Nigeria. There has been a wide gap between ICM provision of capital and current external payment (BOP). Hence insufficient provision of such needed capital.

1.2. Objectives of the study

The broad objective of this study is to critically analyze the pattern to which the International Capital Market through the provision of international securities has contributed to foreign investment in Nigeria.

Specific Objectives:

To identify factors that impedes the operations of the ICM in fostering foreign investment in Nigeria.

- To discern the relationship between ICM and indirect (rentier or portfolio) investment.
- To make recommendation for the way forward.

1.3. Scope of the Study

The ICM is a global concept and market just as its operation. Therefore the operation of the ICM is only limited to Nigeria. The period captured in the study is between 2000 and 2009-a period often years. This is informed to capture most recent and current phenomenon in the operation of the ICM in the economy that is passing through all facets of reforms in recent times.

1.4. Significance of the Study

The study could never have been of immense significance to the national economy at any other time than now. The study is of immense benefits to the economy and its actors, local and foreign investors. The government will be stimulated to attract alternative capital investment and consumption purposes. Also government will be stimulated to boosting its aspiration of gap-filling between the desired capital and the actual. The economy will be invigorated through the enthronement of viable and stable macro economic variables.

2. Review of Related Literature

2.1. Theoretical Review

2.1.1. The Capital Market

Capital markets are markets where people, companies, and governments with more funds than they need (because they save some of their income) transfer those funds to people, companies, or governments who have a shortage of funds (because they spend more than their income). Stock and bond markets are two major capital markets. Capital markets promote economic efficiency by channeling money from those who do not have an immediate productive use for it to those who do.

Capital markets, according to Wikipacdia (internet sources), carry out the desirable economic function of directing capital to productive uses. The savers (governments, businesses, and people who save some portion of their income) invest their money in capital markets such as stocks and bonds. The borrowers (governments, businesses, and people who spend more than income), borrow the savers' investment that been entrusted to the capital markets.

Demirgue and Levin (1996) argued that when savers make investments, they convert cash or savings (risk-free assets) into risky assets with the hope of receiving enhanced benefits in the future. Since all investment are risky the only reason why the saver will put cash at risk is if the returns on the investment are greater than returns on holding risk-free assets. Buying stocks and bonds and investing in real estate are common examples. The savers hope that the stock, bond, or real estate will "appreciate," or grow in value.

According to Bakare (2000) capital markets promote economic efficiency through buying and selling of securities.

The term "securities" according to Ekindeayo (1990) encompass a broad range of investment instruments. Investors have essentially two broad categories of securities available to them: equity securities (which represent ownership of a part of a company) and debt securities (which represent a loan from the investor to a company or government entity). Savers who purchase debt instruments are creditors. Creditors, or debt holders, receive future income on assets in return for their investment. The most common example of a debt instrument is bond. When investors buy bonds, they are lending the issuers of the bonds their money. In return, they will receive interest payments (usually at a fixed rate) for the life of the bond and receive the principle when the bond expires.

National governments, local governments, water districts, global, national, and local companies, and many other types of institutions sell bonds.

Stock according to Weston (2007) is the type of equity security with which most people arc familiar. When investors (savers) buy stock, they become owners of a "share" of a company's assets and earnings. If a company is successful, the price that investors are willing to pay for its stock will often rise and shareholders who bought stock at a lower price then stand to make a profit. If a company does not do well, however, its stock may decrease in value and shareholders can lose money. Stock prices are also subject to both general economic and industry-specific market factors.

2.1.2. International Capital Market (ICM)

According to Illoh and Ani (2009) 1GM is basically a market for the provision of medium and long term securities across political, economic, social, and geographical frontiers of participatory countries. It consists of series of international market comprising of banks and individual investors who engage on medium and long term finance for such purpose as to provide channel for the transfer of funds from surplus units to the deficit countries. Changes in international markets brought about by technology resulted in a new era of global capital market during the late 1990's which were critical development of the market. According to Adebiyi (1991), "an era of global capital in the 1990’s was attributable to the existence of offshore markets, which came into existence decades prior to liberalized domestic markets.

The ICM of the 1990’s comprised of a number of closely integrated markets within international dimension. It is not really a single market but a number of closely integrated markets that includes some type of international component.

Demirgue and Levin (1996), states that international traded bonds and stocks have also been part of international capital market during the 1990's. The major world financial centres include Hong Kong, Singapore, Tokyo, London, New York and Paris etc.

The participants in the ICM are the borrowers and the lenders. Borrowers include-

- Governments.
- Government agencies.
- International organizations such as World Bank (which then re-lend the proceeds to their members’ countries.
- Private business companies.
- The lending sources and a huge part of the short term deposits transformed by banks into international medium term international credit consist of fund deposits by oil exporting and other surplus countries.

Other source is through sale of bonds, mainly to individual investors. Hence, while the liabilities of the ICM consist of funds deposited in Western banks by governments and official agencies of surplus countries, an even larger part of the market's assets consists of money lent to the governments of deficit countries (Anyanwu, 1993).

2.1.3. ICM Securities

Three main ways by which ICM provides medium and long term finance for foreign investment are: Euro bonds, Euro credits, Foreign bonds.

2.1.4. Euro bonds/debentures

Some international groups of banks sell these securities for international borrowers in several markets. The include euro dollar, euro yen, euro deutschemarks, etc. functions of euro bonds/ debentures according to Woepking (2007) are provision of supplementary international capital beyond what is possible through traditional foreign bonds issues on national market; also providing offshore market for international borrowers crowded out of national markets; also providing offshore market for international borrowers at home for capital fee to cross borders. Issuing methods euro bonds follow domestic bond market.

2.1.5. There are four Major Types of Euro Bond

Straight debt euro bonds arc fixed interest securities (in contrast to equities), with the fixed interest on the face value of bond paid at regular intervals (usually annually), until the bonds are redeemed at face value by the borrower on their maturity. It can also permit the borrower to redeem all or part of the bonds before maturity usually offering an agio (a premium over issuing price). The major attraction to this type of bond is that income on them are exempt from withholding for tax at source. The yield curve is measured in relation to short term interest rate and in the case of euro dollar it is London Inter bank offering rate (LIBOU). Convertible Eurobonds according to Balasubramanya *et al.* (1999) are hybrids of fixed interest security and equity allowing the investor the option of converting from a fixed interest securities into the original shares of the borrowing companies at a stipulated price during a stipulated period. The conversion price is fixed at a premium above the market price of the ordinary shares on the rate of the bond issue. The interest rate attached to the fixed interest security is lower than on comparable to straight debt fixed interest bonds because of the anticipation held out to the investors of the profits resulting from a rise in the share price above the conversion price. A variant of euro bonds are those issued with warrants. The warrants give the investors the option of conversion into equities at stipulated price and during a stipulated period as in the case of convertibles. The merit to the borrowing as opined by Borceztem *et al.* (1999) is that it might receive some cash for newly issued shares instead of outstanding fixed interest securities alone, as in the case of ordinary convertibles. *The* shortfall is that a company receives cash less than it would from an ordinary issue of new shares at a time when its share price is high. Currency option bonds are issued in one currency but with an option for the investor to take payment of interest and principal in a second currency. Currency option bond involve an exchange risk for the borrower on a fixed option.

Floating rate note (FRN) are unique in being the only euro bond asset which is not fixed interest security.

Euro bonds can be redeemed before their maturity period except if the offering prospectus stipulates "bullets" that is, bond issues making no provision for form of any early redemption. Three forms of formal arrangements for early redemption include: purchase fund-where the borrower sets aside to repurchase some of his outstanding bonds in open market up to a stipulated amount in any given year of the issue's life sinking fund-a provision which puts the borrower under a legal obligation to buy back a given amount of outstanding bonds during each year of its operation; early redemption provision gives the borrower the option, but does not create any legal obligation to call in the whole of an outstanding issue after as stipulated period.

The merits of euro bonds as observed by Reilly (1989) to borrower include- it provides an alternative source of international capital; choice of currencies is available status conferred on the borrower by market which gives them the opportunity of improving their credit standing in all international market; flexibility is provided by the alternatives of the straight fixed-interest debt, floating convertibles, as well as by the variety of methods by which the bonds may be redeemed before maturity; chance If given to corporate borrowers to obtain a wider spread of International investment in their companies.

The demerits include that foreign exchange risk for borrowing currencies in which the borrower do not match assets or which they have no prospect of earning; the relative shortness of euro bond maturities complicates longer term planning to the borrowers.

The advantages of the euro bond to the investors include- flexibility being provided by the market through a provision of a choice between fixed and floating securities and convertibles issues; it provide an avenue for returns, yields, redemptions and opportunities for tax evasion; in periods of inflation and depressed economy, fixed interest securities of all kinds provide the least unsatisfactory investment, while fixed interest securities in strong currencies (such as promised by euro bonds), provide one of the few genuinely profitable investment opportunities.

Euro credits are medium (5-10 years) and sometimes longer term loans provided by international groups of banks in currencies which need not be those of the lenders or borrowers (Mendelson, 1980). These euro credits lending is the wholesale sector of the ICM. Some of the distinguishing features of euro credit include:- unlike in the retail and where most capital is supplied by individual investors and institutions such as insurance companies etc., banks alone provide finance in the euro credit; and nearly all euro credits are provided at floating rate of interest. Two variants of euro credits are revolving credit and term credit. Euro credit is like an overdraft facility or credit line made available for a given period, either as standby for use in the case of need or else to meet temporary but recurring but financial needs, and may be drawn up or down as the need arises - such that interest is paid on the amounts actually drawn while a commitment or facility fee is charged on the indrawn part. The repayment is not by a schedule but by a progressive reduction of the credit line. Term credit on the other hand, provides a schedule of drawings at the beginning, a schedule of repayments towards the end, and an intervening period of grace (3 years) during which the full amount is available to the borrower, no repayment being needed during that time.

Advantages of euro credits to the borrower include - availability of international capital in large amounts and to wider range of borrowers than in the international fixed income bond markets; capital is available more quickly, with fewer formalities, and often with fewer conditions about its use, it provides resources to fill official aid gap, balance of payments financial, financing of foreign exchange etc.; greater flexibility is provided by some agreements allowing for cancellation by the borrower without delay. Disadvantages to the borrowers is that - there is uncertainties and great burden; they are more expensive than official aid and hence drive the total cost of a fixed element in the balance of payments and hence the burden of the debt.

Advantages of euro credit to lenders according to Nunnenkamp (2003) are - help to bring other businesses and deposits from the borrowers and help banks diversify their operations globally; contribute immensely to the yearnings of the Western banks. Conversely, there is the probability of defaults in payments and debt servicing especially during periods of economic downturn; fixed lending margins arc eroded during inflationary periods.

2.1.6. Foreign Bonds (or Classical or Traditional Foreign Bonds)

They are used for a non - resident borrower in the domestic capital market of another country in which they are issued. Such issues are arranged by syndicates consisting exclusively or at least predominantly of banks registered in the country where the issue is being made, international investment in foreign bonds is encouraged hence there is seldom any hitches to their international distribution.

Internationalization of the ICM took place in the 1990's and we composed of a number of closely integrated markets that include some type of international components, (Wikipaedia).

The foreign exchange market (FHM) was a very important part of the ICM during the 1990's. Internationally trade stocks and bonds have also been part of the ICM. The ICM since the 1990's has been characterized and influenced by technology. Since the late 1990's sophisticated communication systems have allowed people all over the world to conduct business from wherever they are. Over 80 per cent of new stocks in international bond market were in euro bonds. The basic reason for the popularity of euro bond was because they could be repaid in any of the several predetermined currencies since the issuing company could choose the currency it preferred.

The major benefits of the internationalization of capital market is the diversification of risk. Individual investors, major corporations and individual countries, all usually try to diversify the risks of their portfolios. The reason is that investors are risk averse; they would rather get returns on investments that have wider fluctuations over the period. Higher risk investments generally have the potential to yield higher returns, but there is much more variability when an investor or company invests in many assets.

2.1.7. Foreign (Offshore) Investment

According to Sornarajah (2007), foreign investment involves the transfer of tangible or intangible assets from one country into another for the purpose of use in that country to generate wealth under the total or partial control of the assets. Akinlo (2004) refers it as the acquisition by institutions or individuals in one country of the assets in another. Foreign investment consists of external resources including capital, technological, managerial and marketing expertise.

On the face of it, traditional investment is as old as mankind itself. On the global context according to Wikipedia, the historical development of foreign investment has to a large extent been dependent on remarkable changes and expansion in direct foreign investments, this in effect has a significant impact on both individual enterprise and the national economic of investing and host countries. Prior lo the First World War, about 90% of the international capital movements were in portfolio investment. This was through the acquisition of securities by individuals and institutions issued by foreign institutions without any control over participation in their management. This form of foreign investment naturally developed from international trade which has been with mankind since the inception of interstate relation.

Alfaro *et al.* (2006) two types of foreign investment are discernable - private and public foreign investment. Private foreign investment is divided into direct and indirect (portfolio or rentier) investment.

Private Foreign Investment according to Maurice (2008) refers to the investment of private funds in the economy of a developing nation, usually in the form of import substituting industries by multinational companies (MNCs). Direct private foreign investment entails the investing firm exercising *de facto or de jure* control over the assets created in the capital importing country by means of such investment. It has four variants. Export oriented foreign investment entails that the investing foreign enterprise seek for new sources of materials including sources of finished goods that can be sold in other markets when investors have subsidiary corporations. In Nigeria, this form of investment is mostly in the petroleum industry when foreign based MNCs extract crude oil which is sold to their parent corporations. The market development foreign investment is characterized by production mainly for the host country's market. Indirect, "portfolio", or "rentier", investment consists mainly of the holding of transferable securities (insured or guaranteed by the government of the, capital importing country), shares or debentures by the nationals of some other country. Such holdings of securities bonds, shares according to Nwillima (2008), do not mean a outright control of the company. Example is the multilateral indirect investment whereas nationals of a country- buy the bonds of the World Bank floated for financing a particular project in a recipient country, mostly the less developed countries (LDCs). This entails lower cost in terms of interest payment, while local entrepreneurs possess greater control over its use.

2.2. Empirical Review

2.2.1. ICM and Foreign investments of Nigeria

Scores of theoretical and empirical literature exist on the operations of the international capital market on influencing foreign investment in Nigeria and other countries - developed or developing. According to Lipsey and Chrystal (2003) foreign direct investment generates some higher paying jobs (employment creation and generation), than might otherwise be available to local citizens.

They further stressed that it generates investment that may not be possible with the local resource only. It links the recipient economy into the world economy in manners that would be hard to achieve by new forms of a purely local origin.

Otepola (2002) examines the importance of foreign direct investment in Nigeria. The study empirically examined the impact of foreign direct investment (FDI) on growth. He concludes that FDI contributes significantly to growth especially through exports.

Alile and Alao (1990) suggest that capital market is an integral part of the financial system that provides an efficient delivery mechanism for mobilization and allocation management and distribution of long term funds. It facilitates the flow of funds from surplus economic countries to the deficit economic countries for economy endeavors.

Sule and Momoh (2009) noted that the capital market is the medium through which funds are mobilized and channeled efficiently from lender to the users of funds. Apart from judicious mobilization of idle saving into productive use, the capital market creates an avenue for foreign investment and the influx of foreign capital for developing projects that increase welfare of citizens.

Anyanwu (1996) observed that ICM is significant in that it provides the needed capital to finance the current external payments deficits or for bridging greatly enlarged current payment gaps not filled by other international capital, while expanding the business and profits of Western Banks and aiding investors in terms of bonds sold.

Reuber (1973) found out that under the government- initiated foreign investment, the host country is the prime mover through the provision of generous incentives in the form of subsidies to the foreign investors.

Conversely, Ojo (1997) in his paper "Rationale for stock market promotion for African's development" found out that stock market plays insignificant role as source of business finance.

World Bank (1997) observed that both national and international structure forces were driving private investment for developing countries through the ICM. Competition and rising cost in domestic market and other costs has encouraged firms to look for opportunities to increase efficiency and return by producing abroad.

Apart from the creation of enabling environment for foreign investment of Nigeria, Feildstein (2000) argues that international capital market has stimulated foreign investment via, allowing for the transfer of technology, particularly in the form of a new varieties of capital import, generating corporate revenue in Nigeria.

Recently, Nicholas Cans, expressed concern about the poor implementation of international financial report standards (IFRS) in Nigeria The situation he said has proved a great disincentive for potential foreign counterparts. The report expressed worries over principles are not globally recognized. He stressed that this will continue to pose huge threats to foreign investment as investors that might want to assess the true financial status of Nigeria firms to get a true and fair result.

Uncertainly also results in instability of domestic (Nigeria) capital market and other macroeconomic indicators.

According to Agbokor (2005) no country can attract reasonable foreign investment in the face of unstable, undeveloped domestic market, and other socio-economic necessities. Successive government have been half hearted in addressing inadequacies in security, power supply, infrastructure etc.

Hence United Nation Conference on Trade And Development UNCTAD - Estimate (2002) asserts that over the years foreign investment in Nigeria has witnessed tremendous changes positively and negatively due to the activities of the international capital market

The Nigeria capital market has been witnessing buoyancy that was previously unknown, Henry (2001) posits that it is considered to offer one of the best dividends yields in the world.

Levine and Zervos (1998) observed that prior to 1995 non-Nigerians were prevented from investing directly in any sector of the Nigerian economy until the promulgation of the Nigerian Investment Promotion Commission Decree 16 (now Act). In addition to the Nigeria Investment Promotion Commission decree, the foreign exchange (monitoring and miscellaneous provision) decree both of 1995, also aim at fostering foreign investment in Nigeria Restriction in respect of the limit in the foreign shareholding in Nigeria registered/domiciled enterprises has been abolished. The only enterprise which are still exempted from free and unrestrained foreign participation are those involved in production of arms and ammunitions, production of and dealing in narcotic drugs and psychotropic substances.

2.3. Theoretical Framework of Analysis

The study is predicated on the capital market efficiency theory as opined by William Sharpe. According to the theory, capital market is efficient if it facilitates optimal allocation of scarce capital funds and investors. At the international level, capital market efficiency implies unlimited access to capital funds at prevailing rates of interest. Thus, the operation of the ICM should be geared towards fostering investment and or consumption patterns by filling the capital gap between the desired capital fund and the locally-generated capital. According to the theory, the attributes of the capital market efficiency are similar to those of efficiency in both the factor and product markets.

2.3.1. Assumptions of the theory

There is no monopoly or monopsony pressures, there is the existence of effective competition among participants, also there is the absence of any restraining influences on the price setting mechanism. Hence the security hence there is no external intervention by the government or other authorities. Furthermore, there is unrestricted access to all relevant information about securities, investment opportunities etc for market participants. The theory further assumes the absence of, or at least , minimal transactionary cost so as not to jeopardize investment activities that should arise from slight shifts in market opportunities, also there is continuity in market transactions in the sense that investors are able to execute, buy or sell securities with minimal delay. . Investors are risk-averse. Finally, investors have homogenous expectation about the present and future trends in the worth of every security.

3. Methodology

3.1. Strategies for Accomplishing Stated Objectives

Data will be collected using both primary and secondary data. Personal observations depict primary data while data collected for the CBN statistical bulletin of various issues, CBN statement of accounts of various issues depicts the secondary data. The following tools are to be used to test the hypothesis and objectives. They are- the multiple regression analysis, coefficient of estimates, test of significance, correlation coefficient, Durbin Watson statistic.

3.2. Discussion of Theoretical Frame Work

In a famous article entitled ‘Capital Asset Prices: A theory of market equilibrium under conditions of risk' 1964 pp425-442, William E. Sharpe considered the relationship between the portfolio theory and the determination of prices for financial assets. Capital market theory describes the relationship that will result in equilibrium if investors behave according to portfolio theory, i.e. risk-averse, identical time horizon, identical borrowing and lending rate, no transaction costs. Capital market is efficient if it facilitates optimal allocation of funds from the surplus nations to the deficit nations for consumption or investment purposes.

Based on the objectives of the study, majority of the theoretical and empirical evidence confirms that the ICM is supposed to boost foreign investment in developing countries including Nigeria.

3.3. Validity/ Realism of the Theory

The value of a model/theory lies in its predictive power and the model cannot be judged by the realism of its underlying assumptions. This point has been expressed with great clarity and persuasiveness by Milton Friedman in a famous essay. The relevant question to ask about the assumptions of a theory is not whether they are descriptively 'realistic' for they never are, but whether they are sufficiently good.

The value of a model/theory lies in its predictive power and the model cannot be judged by the realism of its underlying assumptions. This point has been expressed with great clarity and persuasiveness by Milton Friedman in a famous essay. The relevant question to ask about the assumptions of a theory is not whether they are descriptively 'realistic' for they never are, but whether they are sufficiently good approximations for the purpose in hand. These questions can be answered only by seeing whether the theory works, which means whether it yields sufficiently accurate predictions.

Suffice, to state that the capital market efficiency model is valid and real in an ideal perfect market condition. This condition is not prevalent in the Nigeria economy.

3.4. Theory Implication

The ICM is expected to stimulate foreign investment. Hence, ICM is an intermediary between the lenders and users of funds which cannot be domestically sourced. The theory assumes full flow of funds between the lenders and the borrowers.

However, cognizance should be taken that the developed economies to a large extent has manipulated the ICM to the harm of the developing nations. Also most developing nations are beclouded with unpredictable macroeconomics indicators such as political instability, insecurity, bribery and corruption, high inflation rate, soaring domestic prices, deficit balance of payment, fluctuating exchange rate, unfavourable terms of trade etc. these militate against the operation of the ICM and hitherto impede foreign investment.

3.5. Criticisms of the Theory

The theory is criticized because it can only be applicable in a perfect and ideal situation; this is not feasible in the real world situation in general. Generally, its assumptions are not obtainable in the real economic situation.

3.6. Discussion of Reviewed Literature

International investment includes all activities engaged to increase, improve or maintain the productive quality of the existing stock of capital between two or more countries. It involves a transfer of tangible and intangible assets from one country to another for the purpose of use in that country to generate wealth under the total or partial control of the owners. This involves a high initial capital outlay which cannot be fully sourced from the domestic market only.

Hence the need for an international provision of funds for such investment purpose. According to Ajike (2004), international capital market is that financial market or world financial market or world financial centre where shares, bonds, debentures, currencies, mutual funds and other financial instruments are purchased and sold.

Sule and Momoh (2009), noted that capital market is the medium through which funds are mobilized and channeled efficiently from lenders to the users of funds.

3.7. Gaps in Literature

The extent of which ICM operation has stimulated foreign investment in Nigeria leaves some doubt. There has been soaring BOP disequilibrium, unemployment exchange rate fluctuation, etc. hence there disparity between the expected ICM operations and the achieved foreign investment in Nigeria.

4. Conclusion

There is no gainsaying the fact that the International Capital Market has the potentials of contributing to the filling the resource gap between defined investment and locally mobilized savings. Also the International Capital Market promises the filling of foreign exchange gap (difference between foreign exchange resources and foreign exchange earnings). The filling of budgetary gaps between target revenue and internally generated revenue (IGRs). The International Capital Market also is significant in that it provides the needed capital to finance the current external payment objectives or filling the above mentioned gaps or filling the other international capital, while is changing the business and profit of the western banks and my investor in terms of bond sold. However these functions have not been fully achieved over the years because of some bottlenecks and problems. It is expected that when the problems are forestalled, the significance of the International Capital Market in stimulating foreign investment will be fully harnessed and exploited in Nigeria.

5. Recommendation

The following recommendations are proffered government should provide enabling environment for the stable, predictable and attracting microeconomics variables. Such variables as inflation, exchange rate, employment, interest rate etc, should be favourable exchange to invest in the country political stability and internal security must exist and assured and should not be compromised.

There is need for government to provide genuine information to foreign enterprises with respect to the scope of investment opportunity.

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