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Globalization and stock market performance in emerging economies: A study of market trends and dynamics in Nigeria

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A B S T R A C T

The study investigates the impact of globalisation on stock market performance in Nigeria. We gathered secondary data from the Nigerian Exchange Group for the years 2016–2024 using an ex post-facto research design. Results show that market capitalisation, stock turnover ratio, and daily stock trading volume in Nigeria are significantly positively impacted by globalisation as measured by foreign direct investment (FDI). The study has several implications including that globalisation can enhance economic growth, promote trade and augment economic efficiency. We recommend that; policy makers and market regulators should facilitate increased participation in international financial markets by implementing policies that attract FDI and portfolio investments.

1. Introduction

The advent of globalisation has revolutionised the world economy, fostering increased interconnectedness among nations, and intensifying the flow of goods, services and capital across borders. Developing economies, in particular, have become integral participants in the globalised landscape, navigating both opportunities and challenges presented by this phenomenon. As developing markets integrate into this global market, their stock markets have become crucial indicators of national economic performance and attract significant attention from investors worldwide. Globalisation is a process of global economic, political and cultural integration. It has made the world become a small village; as borders between countries have been broken down.

Globalisation as a concept is characterized by several key trends, including trade liberalisation, foreign direct investment (FDI) inflows, technological advancement, and emergence of multinational companies (MNCs). These trends, according to Yorulmaz and Yaşar (2025), have reshaped economic policies and financial markets in developing nations. Foreign direct investment for instance, has brought in capital, technology, and management expertise. Technological advancement, on its part, has facilitated the rapid transmission of information and enabled the development of new financial investments. However, the dynamics of globalisation in a developing economy like Nigeria are multifaceted and complex. While studies such as (Andabai, 2024; Anderu, 2020; Orji et al., 2025; Oladunni, & Omobosola, 2023; Olusegun & Ajao, 2024) have argued that globalization has lifted many out of poverty, created new business and employment opportunities, research by Ben Flah (2025) contend that it has led to increased income inequality, environmental degradation, and cultural homogenization in African countries. Logogye et al. (2024) state further that developing economies are vulnerable to external shocks such as global economic meltdown, fluctuations in commodity prices, and changes in international trade policies. The Nigerian stock market, which is a vital component of its economy, reflects this trend, and faces various performance issues that can be attributed to globalisation. For instance, market capitalisation, a measure of the total value of listed companies on the Nigerian Stock Exchange (NSE), serves as an indicator of the stock market's health. However,

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the NSE's market capitalisation has not grown as significantly as those of similar emerging economies, indicating a lack of depth and diversification in the Nigerian market (Afolabi & Mabinuori, 2021). The absence of diversified industries and companies on the NSE have reduced resilience against external economic shocks brought on by globalisation, such as the impacts of global recessions or shifts in commodity prices (Idris & Asare, 2022). Low market capitalisation limits the capacity of the NSE to attract international investors, further hampering its role in enhancing economic growth.

Also, Nigeria's stock turnover ratio, another stock market performance indicator, compared to other emerging markets of the world remains low. The stock turnover ratio measures trading activity and liquidity in the stock market. This low nature can be attributed to low investor confidence and inadequate technological infrastructure (Ogundipe & Ayodele, 2023). Low turnover ratio results in limited liquidity, which discourages both domestic and international investors, as it hinders efficient price discovery and increases transaction costs. This lack of liquidity makes the NSE less competitive on a global scale, thereby serving as a barrier to Nigeria's integration into the international capital market. In addition, the daily stock trading volume, which reflects the level of activity on the NSE, has shown limited and inconsistent growth over a period from 2015 to 2023. The fluctuations in trading volume are largely influenced by global economic conditions, exchange rate volatility, and domestic economic instability, all occasioned by Nigeria's limited integration into global financial markets. Global financial trends, such as the US dollar's strength or global oil price changes, often lead to sudden capital outflows from the Nigerian stock market, destabilising the trading volume (Eze & Akpan, 2023). This volatility impacts investor confidence, with daily trading volumes often falling short of what is needed to sustain long-term growth.

This research is significant for several reasons. First, it will contribute to the existing literature on globalisation and stock market performance in emerging economies particularly in Nigeria. Second, findings of this study will offer critical insights for policymakers aiming to develop strategies that enhance the Nigerian stock market's resilience and competitiveness within the globalised financial environment. With Nigeria often facing fluctuating levels of foreign investment due to political and economic instability, findings from this research will inform policies that attract and retain foreign investors, which is vital for market liquidity and growth. By identifying specific areas where globalisation exerts both positive and negative impacts, policymakers can tailor regulatory frameworks to minimize vulnerabilities while capitalising on opportunities presented by global capital flows. Finally, for market participants, including investors, financial analysts, and corporate entities, this study will provide actionable insights into how globalization trends affect stock market dynamics in Nigeria. By identifying the factors that contribute to Nigeria's relatively low market capitalisation, turnover ratios, and trading volumes, the study can help investors make more informed decisions, particularly regarding portfolio diversification and risk assessment within the Nigerian market.

The remainder of the paper is organised as follows: Section two focuses on the literature review and empirical framework. Section three addresses the methodology with emphasis on model specification and theoretical framework. Section four presents the estimation result and discussion of findings. Section five concludes.

2. Literature Review and Hypotheses Development

2.1 Stock Market

The stock market is a well-organised marketplace that offers both individual investors and the government the ability to obtain long-term loans to fund their expenses as well as the growth and modernisation of enterprises. Additionally, it provides a platform for capital providers to swiftly and simply replenish their liquidity. The nation's capital resources are mobilised and distributed among competing alternative purposes through the stock market. It supplies firms with fixed and working capital and finance medium term and long term borrowings of the federal, states and local governments (Ben Flah et al., 2025). As a result, the stock market includes the organisations and systems that combine medium- and long-term capital and make them accessible to governments and corporations. According to Ifarajimi (2018), stock markets are those that deal with capital, both short- and long-term, and where businesses sell stocks to raise money that may be invested in their lucrative ventures.

2.2 Stock Market Performance Variables

The stock market provides a venue for financial stock transactions and the development of long-term capital, as posited by Ngigi and Njuguna (2025). Stock or security markets are typically seen as instruments of operations for domestic or local financial institutions as a whole. The importance of developing measuring metrics that can be used to evaluate stock market performance is emphasised by Simiyu (2022). However, there is not a single, universal metric for assessing the performance of the securities market, but most academics support the use of the weighted securities market index as a reliable indicator because it helps evaluate the performance of the securities market over time and displays the stock capitalisation of securities. Stock market performance generally reflects the overall efficiency, growth, and stability of a financial market, gauged through metrics like market capitalization, stock turnover, and trading volume. Market capitalisation, a crucial performance indicator, refers to the total value of a market's listed securities, representing the combined economic worth of all traded entities within a market (Fang et al., 2020). It is commonly used to assess stock market size, which impacts liquidity and investment appeal. High market capitalisation generally indicates a more developed and robust stock market

that can absorb economic shocks, whereas markets with lower capitalisation tend to be less resilient to external factors, often struggling to attract consistent foreign investment. In addition to market capitalisation, stock turnover ratio is an essential measure of liquidity, showing how frequently shares are traded relative to market size (Oyinmba et al., 2019; Umar, 2022; Kotilainen & Kaitila, 2022). Higher turnover ratios often signal greater market liquidity, which is critical for stock markets to function smoothly and attract foreign portfolio investment. In emerging markets, however, low stock turnover ratios are frequent due to limited investor participation and high transaction costs, which restrict liquidity and impair market stability. This restriction can discourage investors who require liquid assets, as low liquidity makes it challenging to buy and sell stocks quickly without impacting prices. Consequently, liquidity is a critical component of stock market performance that impacts investor confidence and trading volumes, especially in markets like Nigeria, where economic and political volatility may further depress investor activity.

Daily trading volume, another fundamental performance indicator, reflects the number of shares traded within a given period and is widely used to assess market activity and investor sentiment (Yakubu, 2023). High trading volumes suggest active investor participation and strong market sentiment, while low volumes may indicate a lack of confidence or market interest. For emerging economies, daily trading volume is often volatile, with trading volumes affected by both domestic events and global economic shifts, underscoring the impact of globalisation on stock market performance (Bekaert et al., 2007). Nigeria's stock market, for instance, has experienced fluctuations in daily trading volumes due to factors like oil price volatility and foreign investor behaviour, both of which are influenced by the global economic environment.

2.3 Globalisation

The UN Trade and Development (UNCTAD, 2025) views globalisation as a concept that encapsulates the growth of connections between people on a planetary scale; it involves the reduction of barriers to trans-world contacts. In a single, integrated global market, it entails the expansion and intensification of international trade, financial, and information flows. In other words, globalisation is defined as the process by which boundaries vanish, distances get smaller, and time becomes shorter, transforming the world into a global village. It manifests itself in the growing flow of people across borders, frequently through migration, and the flow of products and services, such as through trade and investment. Individual economic actors—businesses, banks, and individuals—drive globalisation by their activities, typically motivated by the desire for profit and frequently sparked by competitive pressures. The World Economic Forum (WEF, 2024) posited that "globalisation is changing the nature of nation's state as power becomes more diffused and borders more porous. The WEF emphasized that technological changes are reducing the power and capacity of the government to control its domestic economy free from external influence". According to Sovbetov (2025), the rapid advancements in technology and telecommunication have reduced the cost associated with foreign portfolio and direct investment. With the help of telecommunication facilities, a foreign investor might deploy funds globally without having to relocate. The economies that saw the outflow frequently suffered from the ease with which capital could be re-deployed to benefit from higher returns. A favourable environment for more capital mobility has been created by deregulating the financial markets, opening capital accounts, lowering transportation and communication expenses, and privatising state-owned businesses (Fischer, 2018; Otuya et al., 2024).

Many proxies have been used to operationalise globalisation, such as trade openness, which is defined as the ratio of trade (import and export) to GDP, portfolio investment, which is defined as the flow of stocks and bonds into the nation, and foreign direct investment, which is defined as the inflow and outflow of FDI over a specific time period. This research adopted FDI as a proxy for globalisation. The justification is borne out of the fact that FDI is a quantifiable and measurable financial indicator which can be measured in terms of inflows, outflows and stocks of direct investments by foreigners providing a clear picture of an economy's globalisation.

2.4 Globalization and Stock Market Performance

The relationship between globalisation and stock market performance has been widely discussed in financial literature, with numerous studies highlighting both positive and negative impacts on emerging markets. It has introduced new opportunities for emerging markets to access foreign investment, while simultaneously exposing these markets to global financial risks and volatility (Dzomonda & Ngwakwe, 2020; Haruna et al., 2023; Khatri et al., 2023). In the context of Nigeria, the extent to which globalisation has influenced its stock market performance, particularly in terms of market capitalisation, stock turnover ratios, and daily trading volume still remains unclear. From the theoretical and policy perspective, a significant aspect of globalisation is the integration of emerging markets into global financial systems, which has led to an increase in foreign direct investment (FDI) and portfolio investment in the Nigerian stock market. Several studies have shown that globalisation leads to greater foreign participation in stock markets, driving up market capitalisation and liquidity (Akporien & Umoffiong, 2020; Ifarajimi, 2018; Sovbetov, 2025). However, this increased integration can also result in greater volatility, as evidenced by Nigeria's experience with the 2008 global financial crisis. The crisis exposed the vulnerabilities of Nigerian financial markets to external shocks, as capital inflows significantly decreased, leading to a sharp decline in stock market performance. This phenomenon underscores the dual-edged nature of globalisation, where foreign capital can boost market size but also contribute to heightened susceptibility to global market swings. From the empirical perspective, studies on the impact of globalisation on stock market performance have provided interesting insights. For example, a study

conducted by Haruna et al. (2023) examined the direct and conditional effects of foreign direct investment (FDI) on stock market performance in five sub-Saharan African nations (South Africa, Namibia, Ghana, Mauritius, and Nigeria) between 1996 and 2020. Regulatory quality acted as a mediator in the relationship between stock market performance and foreign direct investment (FDI). The study's conclusions indicate that there is a substantial and long-term positive correlation between stock market performance and foreign direct investment (FDI). Using global and regional panel analyses, Sovbetov (2025) conducted another cross-country study that looked at the macroeconomic effects of economic freedom on foreign direct investment inflows in 156 countries between 1995 and 2016. Sub-Saharan, Oceanian, Post-Soviet, and fragile and conflict-affected states were among the often-overlooked nations included in the study. Under the fixed-effects model, the study indicated that economic freedom has a positive influence on foreign direct investment (FDI) in the global case, with FDI inflows scaling up to 1.15 units for every unit change in economic freedom. More precisely, every one of the nine locations mentions the favourable and noteworthy influence that economic freedom has on foreign direct investment. European nations experience the most influence, whereas states afflicted by fragile conflicts, the Sub-Saharan region, and Oceanian nations experience the lowest.

Research from South Asian countries by Kumar and Singh (2022), and Khan and Ahmed (2020) also showed that globalisation through FDI impacted positively on stock market performance which was reported to boost investors' confidence and overall market expansion by fostering optimism about the economies' future. However, results of a research by Khatri et al. (2023) which focused on Nepal suggest that FDI plays a significant positive role in the stock market development in the long-run but inversely affects in the short-run. According to the study, there is long-term unidirectional causality and short-term bidirectionality between FDI and stock market development. Some studies in Nigeria also showed some mixed results. For instance, Dzomonda and Ngwakwe (2020) found that the stock market performance (measured by all share index) Granger cause FDI, but FDI did not prove to Granger because all share index while similar research by Akporien and Umoffiong (2020) revealed that trade openness and volume of stock market transactions have a significant positive association with foreign direct investment. The study also found a weak but favourable correlation between foreign direct investment and the share price index. The study also revealed a significant negative correlation between foreign direct investment and market capitalisation. Ajayi and Musyimi (2022) also examined the impact of globalisation on Nigerian financial development with particular reference to foreign direct investment, trade openness, exchange rate, government expenditure, interest rate and inflation. The study's main conclusions demonstrate that government spending, trade openness, and foreign direct investment all significantly and favourably affect the growth of the Nigerian stock market. In a different study on foreign investment flows and stock market performance in Nigeria, Andabai (2024) found that while FDI inflows had little impact on market capitalization, FDI outflows have a significant impact. In addition, Akinwale and Adekunle (2019) also investigated the effect of globalisation on the capital market in Nigeria and found that both trade openness and market capitalisation were positively correlated and concluded that globalisation had a significant effect on the stock market development through openness and the inflow of foreign capital.

Against the backdrop of the foregoing, the following research hypotheses were formulated in the null form for this study:

$H0_1$: *Globalisation has no significant impact on market capitalisation in Nigeria.*
$H0_2$: *Globalisation has no significant impact on stock turnover ratio in Nigeria.*
$H0_3$: *Globalisation has no significant impact on daily stock trading volume in Nigeria.*

3. Methodology

3.1 Design and Data

Given the nature of this study, which aims to assess the impact of globalisation on stock market performance in emerging economies with a focus on market trends and dynamics in Nigeria —a cause and effect analysis using non-manipulatable data—the ex-post facto research design is deemed suitable. The data was collected from the Central Bank of Nigeria (CBN) Statistical Bulletin, National Bureau of Statistics (NBS) and Nigerian Exchange Group (NGXGROUP). These data sources provide information on the study variables which cover from 2016-2024.

3.2 Theoretical Framework and Model Specification

The current study is anchored on the financial liberation theory and market integration theory. First, the financial liberation theory was propounded by Hicks in 1969, aiming to explore the relationship between financial markets and economic development in a globalised world. The theory primarily posits that financial markets, when freed from governmental restrictions and controls, lead to increased market efficiency and economic growth. The theory is relevant to understanding the impact of globalisation on stock market performance in Nigeria in the sense that as globalisation has accelerated, financial markets in developing countries like Nigeria have become increasingly interconnected with global capital markets. The liberalisation of Nigeria's financial sector has allowed for increased capital inflows, improved liquidity, and a more dynamic stock market. Global financial integration has enhanced stock market performance by making Nigerian stocks more accessible to international investors and providing domestic investors with greater access to foreign capital. Moreover, financial liberalisation in Nigeria, in alignment with globalisation, has led to greater competition within the stock market,

fostering better transparency and more efficient pricing mechanisms. As a result, the Nigerian stock market has experienced increased volatility and rapid growth in market capitalisation, driven by both domestic and foreign investors seeking to take advantage of the opportunities presented by global financial integration. Second, the market integration theory, proposed by Eugene Fama in 1970, focuses on the efficiency of financial markets and how the integration of markets across borders can lead to a more interconnected and competitive global economic environment. According to this theory, markets integrate over time, and the prices of financial assets, such as stocks, are determined by the forces of supply and demand across the integrated markets. In its basic premise, market integration suggests that as markets become more interconnected, capital can flow more freely across borders, leading to better allocation of resources, improved liquidity, and more efficient pricing of assets.

The relevance of market integration theory to this study can be seen through the increasing global interconnectivity of financial markets. As Nigeria's stock market becomes more integrated with global financial markets, the effects of global economic conditions, such as foreign capital flows, international stock trends, and exchange rate fluctuations, significantly influence the performance of Nigerian stocks. Globalisation facilitates capital inflows, which can improve liquidity and market capitalisation in Nigeria, and can also contribute to better information dissemination, increasing market efficiency. Moreover, the impact of international shocks and crises, such as the global financial crisis of 2008 or fluctuations in oil prices, often reverberates through integrated stock markets, affecting stock returns, volatility, and trading volume in Nigeria's market Against the backdrop of the above theoretical framework, we express a functional relationship as:

$$FDIV = f(MCAP, STRR, ASTV) \quad (1)$$

The OLS linear regression equation based on the above functional relation is econometrically stated as;

$$FDIV = \beta_0 + \beta_1 MCAP + \beta_2 STRR + \beta_3 ASTV + U_t \quad (2)$$

where;

FDIV	=	Foreign Direct Investment
MCAP	=	Market Capitalization
STRR	=	Stock Turnover Ratio
ASTV	=	Average Daily Stock Trading Volume
β_0	=	autonomous intercept
$\beta_1, \beta_2, \beta_3,$	=	Coefficients to be estimated
U_t	=	Disturbance term

Based on the a priori expectation, globalisation proxied as (FDIV) is expected to enhance market capitalisation by expanding listed firms and introducing capital, increase stock trading ratio by stimulating trading activity and market liquidity, and boost average daily stock trading volume by driving higher trading volumes through heightened investor participation. To facilitate estimation using the ordinary least squares approach, which assumes a linear relationship between variables, the model is represented in natural log.

Therefore, β_1, β_2, and $\beta_3 > 0$ is the symbolic expression for the a priori expectation.

4. Presentation of Results and Discussion

4.1 Descriptive Statistics

Table 1
Descriptive Statistics

	FDIV	MCAP	STRR	ASTV
Mean	2.828889	34666.87	5.110000	418863.7
Maximum	7.940000	75197.00	8.200000	628291.0
Minimum	-0.190000	16185.70	1.210000	325515.3
Std. Dev.	2.256742	19474.70	2.357912	87543.52
Skewness	1.124388	0.997218	-0.199371	1.635099
Kurtosis	4.247691	2.975777	2.109955	4.830352
Jarque-Bera	2.480148	1.491886	0.356690	5.266641

Source: Researcher's compilation (2025)

The results of the descriptive statistics show that there were nine observations in total in the table above. The table displayed the dependent and independent variables' mean, standard deviation, minimum, maximum, skewness, and kurtosis values. The study's mean value of foreign direct investment (FDIV) was 2.8%, with a standard deviation of 2.3%, according to the results. With a standard deviation of ₦19474, the study's mean Market Capitalisation (MCAP) is ₦3466.87. ASTV has a mean of ₦418863.7 and a standard deviation of ₦87543.52, while the Stock Turnover Ratio (STRR) has a mean of 5.1% and a standard deviation of 2.4%. Furthermore, as all of the skewness values in the accompanying table lie between -2 and

2, the data set can be categorised as normally distributed. Since most of the variables deviated from zero, the Kurtosis value also indicates that the data set is comparatively peaked compared to normal.

4.2 Ordinary Least Square (OLS) Result

Table 2 below displays the Ordinary Least Square (OLS) results for the research variables that were produced using the E-views 10 computer programme.

Table 2
Ordinary Least Square Result

Variable	Coefficient	Std. Error	t-Statistic	Prob.
MCAP	0.247715	0.000110	0.242399	0.0041
STRR	0.170092	0.525150	0.323111	0.0217
ASTV	0.279903	1.971205	0.617148	0.0294
C	14.45733	5.073436	0.800886	0.0014
R-squared	0.887099	Mean dependent var	2.828889	
Adjusted R-squared	0.819358	S.D. dependent var	2.256742	
S.E. of regression	2.234792	Akaike info criterion	4.747276	
Sum squared resid	24.97148	Schwarz criterion	4.834931	
Log likelihood	-17.36274	Hannan-Quinn criterion	4.558116	
F-statistic	13.05242	Durbin-Watson stat	1.703573	
Prob(F-statistic)	0.046333			

Source: Researcher's compilation (2025)

The results of the multiple linear regression estimation were shown in Table 5. With a probability of 0.0041 and a coefficient value of 0.247715, the results showed a positive correlation between market capitalisation and foreign direct investment (globalisation). The stock turnover ratio and foreign direct investment (globalisation) have a positive correlation, with a probability value of 0.0217 and a coefficient value of 0.170092. The average daily stock trading volume and foreign direct investment (globalisation) have a positive correlation, with a probability value of 0.0294 and a coefficient value of 0.279903. The outcome is consistent with the previously stated Apriori expectations. The regression equation so becomes the following based on the OLS result:

$$FDIV = 14.45733 + 0.247715MCAP + 0.170092STRR + 0.279903ASTV$$

Additionally, the coefficient of determination, or R^2, was 0.887099, as shown in table 2. The aforementioned result implies that the explanatory variables (MCAP, STRR, and ASTV) in the model accounted for approximately 88.7% of the total variance seen in the dependent variable (FDIV), with 11.3% of the variation remaining unexplained. On the other hand, the adjusted R^2 value of 0.819358 showed that the model still fit well even after the modification. With a P-value of 0.0463, the F-statistic, which quantified the combined statistical impact of the explanatory factors in explaining the dependent variable, was 13.05242. At the 5% level of significance, this confirmed that the explanatory factors had a statistically significant impact. With a value of 1.703573, the Durbin Watson (DW) test results indicated that there was no positive serial correlation. Consequently, the result is reliable.

4.3 Discussions

The study examines the impact of globalisation on stock market performance in emerging economies with a focus on Nigeria's market trends and dynamics. Proxy of globalisation used in the study was Foreign Direct Investment (FDIV) while proxies for stock market performance are Market Capitalization (MCAP), Stock Turnover Ratio (STRR) and Average Daily Stock Trading Volume (ASTV). Taken together, our results offer strong support for a significant positive relationship between Market Capitalization (MCAP), Stock Turnover Ratio (STRR), Average Daily Stock Trading Volume (ASTV)., and Foreign Direct Investment (FDIV). We now discuss the implications of these effects on theory and for practical implications.

First, our results showed that Nigeria's market capitalisation is significantly impacted by globalisation. It follows that FDI inflows may result in higher market capitalisation, which would suggest that listed companies' market value is rising. It also connotes economist growth, improved market efficiency, competitive advantage, and improved investors' confidence. This finding is in line with Andabai (2024) who noted that liberalised financial markets in developing countries attract foreign investors due to diversification benefits and the potential for high returns. The finding also resonates with Akinwale and Adekunle (2019) that reported a positive influence of globalisation on market performance in developing economies. In Nigeria, globalisation-driven initiatives such as the removal of trade barriers and the establishment of the Nigerian Investment Promotion Commission have contributed to increased foreign investments, directly enhancing market capitalisation on the Nigerian Exchange Group (NXG).

Second, our research showed that Nigeria's stock turnover ratio is significantly improved by globalisation. This result meets our a priori expectation and corroborates the research of Nnwankwo et al. (2013), and Ibrahim (2022), who reported in their

separate studies that foreign investments introduce substantial trading activity, driven by global market integration and the removal of capital flow restrictions. Alajekwu and Achugamonu (2018) opined that in Nigeria, liberalisation policies from the 1980s aimed at attracting foreign direct investments (FDIs) and portfolio investments have enhanced stock market liquidity. Similarly, Logogye et al. (2024) observed that automation of trading processes, driven by global technological trends, contributes to higher turnover ratios by reducing transaction times and costs. The adoption of electronic trading platforms by the Nigerian Stock Exchange in the early 2000s reflects this global trend, correlating with increased trading activities.

Finally, finding revealed that globalisation has a significant positive impact on daily stock trading volume in Nigeria. In line with this finding, Bekaert et al. (2007) observed that as markets become more integrated due to globalisation, investors from diverse geographic regions gain access to Nigerian financial markets. The increased participation of foreign investors typically leads to higher trading volumes as capital flows into the Nigerian stock market. Similarly, Haruna et al. (2023) noted that countries experiencing greater market integration, driven by globalisation, tend to observe increased stock market liquidity, which is closely related to higher daily trading volumes. Also, Otuya et al. (2024) found that the advent of internet-based trading platforms and adoption of FinTech, a product of globalisation, significantly increased daily trading volumes on the Nigerian Stock Exchange (NSE).

5. Conclusion and Implications

Examining how globalisation affects stock market performance in developing nations, with a focus on Nigerian market characteristics and trends, was the goal of this study. We adopted three constructs namely: Market Capitalization (MCAP), Stock Turnover Ratio (STRR) and Average Daily Stock Trading Volume (ASTV) which we hypothesize as variables that may be influenced by Foreign Direct Investment (FDI) used as proxy for globalisation. Indeed, our study offers evidence of significant positive impact of foreign direct investment on market capitalization, stock turnover ratio, and average daily stock trading volume, and has been supported in existing literature. Overall, the empirical result showed that globalisation has a significant positive relationship with stock market performance in Nigeria as shown from the regression estimates. The findings of this study have several implications. First, globalisation can encourage improved foreign direct inflows which will enhance economic growth, promote trade and augment economic efficiency. However, globalization can also expose the stock market to external shocks leading to increased volatility and uncertainty. As a result, we recommend investing across a variety of asset classes and geographical areas to avoid becoming overly dependent on any one market trend or economic event. To predict shifts and modify investments appropriately, policymakers need also monitor economic indices like GDP, inflation rates, and interest rates.

Additionally, by enacting laws that encourage portfolio investments and foreign direct investment (FDI), we advise policymakers and market regulators to promote greater involvement in global financial markets. This entails promoting bilateral and international trade agreements as well as easing market entry requirements for foreign investors. By promoting foreign direct investment in the market, they should also guarantee an increase in market capitalisation. Nevertheless, this study is limited and offers opportunities for future research. First, the study is limited in terms of time and sectoral scope. Therefore, care should be taken when generalising the findings of the study to the economy as a whole. Future studies can investigate the impact of globalisation on specific sectors such as agriculture, manufacturing, or SMEs of the Nigerian economy with a longer time scope. Second, the results of the study did not take the government regulatory framework into consideration, making it hard to make strong inferences about the mediating effect of regulatory institutions. Future research may attempt to explore the extent to which regulatory frameworks moderate the relationship between globalisation and stock market performance in a developing economy like Nigeria.

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