Chapter 20
Business Investment and the Nigerian Investible Capital Haemorrhage in Financial Crises

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ABSTRACT
The global financial crises that happened between 2007 and 2010 had deleterious effects on countries across the world including Nigeria with regard to their respective levels of globalisation. This was evidenced with sudden outflows of capital emanating from the capital market that impacted negatively on the banking system. The chapter has adopted a number of variables among which are investment and net portfolio investments and external reserves. The main technique used is the regression (both single and two-stage) the results of which indicate that the investment was not negatively impacted by the portfolio investment but had significantly negative effect on the external reserve and the saving of the country. The chapter recommends a better control of the capital out flows and improvement in the business environment to reduce the capital haemorrhage faced by the Nigerian economy.

INTRODUCTION
Capital is scarce commodity that responds to two basic stimuli: the return and the risk quotients. Holders and owners of capital weigh options available through simple and complicated processes of appraisals before committing this scarce resource wherever they choose. While financial theory has been resplendent on risk and returns issues and while private capital is more susceptible to financial market reactions, public capital is insufficient and less frequently or freely available to influence the market. The flows of capital between a country and the rest of the world are determined by domestic attractions and external repellents: the pull and the push factors. The domestic attractions to (long-term) investment of capital are inherent in the economic environment. The impacts of foreign capital on the domestic investment of the country can also be determined from the environment. While economists over the years have concentrated on foreign capital inflows, their concern about the domestic capital outflows have been treated with more of political motives than
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economic. Questions of colonialism and the like have been raised to support the reasons why capital often flow out of developing countries more often than it should to developed and mature financial markets (Ndukumana & Boyce, 2003).

Capital outflows or flight out of any economy indicates the unsuitability of the economic environment to host and engage such capital domestically. This has been dealt with by many studies among which are Kindleberger (1987), Ajayi (1992) Collier, Hoefler & Pattilo (2001). The causes of capital flight or continuous outflows are more than many studies have covered. Prominent among these are the portfolio choices theorem, exchange rate misalignment, and globalisation of finance as it concerns Nigeria (Adetiloye 2011), war and other disruptive events, coups and so many others. Issues such as financial globalisation have been raised if it significantly causes or increases capital outflows in developing countries. The dialectics of capital flight or flows are important when the economy involved is developing and in dire need of capital for development purposes. Adetiloye (2012) attempts a division between capital flows and flight on one hand and legal capital flight and an illegal one on the other. The matter at issue is the leakage of development fund or capital that can be productively and profitably engaged domestically for the development of the economy.

Financial theory postulates that risks determine the level of investment capital that can be engaged in any economy while it also establishes the threshold of the return possible. The fact that risks within the business environment can determine the flow of resources into a domestic economy is not in doubt. Throughout the world the flows of capital between low income and high income have followed an alternate boom and bust cycles (Lane & Milesi-Ferretti, 2010) is well known. While capital flows within the developed markets is of little significance, attention has been focused more on the flows of capital between emerging economies of the world and the developed financial markets. This is presumably on the basis of the fact that flows are more significant within this sector. A good case is Nigeria where many studies have been done on flight capital and yet more capital flight is still manifesting. It is either the policymakers are not concerned, intransigent or they lacked powers to make some changes. The belief of the study about this situation is that there is a laissez-faire attitude on the part of the Nigerian policymakers who appear and act helpless in the face of serious problems that can erode the base of the economy. Thus the economy has become an economy that thrives on continuous exploitation of resources, the net of which feeds other economies.

OBJECTIVE OF THE CHAPTER

The objective of this paper is to discuss financing investment within the business environment in the Nigerian economy and the impact of disruptive financial flows on investment in the economy. Specifically the chapter looks at the impact of hot flows as represented by the portfolio investment on the external reserves which represent the resources available externally to fund investment in the economy. The paper is divided into six major sections. Following after the introduction is the literature review on the business and investment environment and risks to business. Methodology adopted to explain the issues followed is followed by results and discussions. Section five is on the Nigerian crises and implication for confidence. The final section is on recommendations and conclusions.

LITERATURE REVIEW

Sources of Business Capital

Theoretically, all sources of funds for business endeavours have come from principally two main sources: debt and equity, especially the micro and