Effects of Non-macroeconomic Variables on Investor Protection in Africa

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***Abstract*—This paper examined the effect of non-macroeconomic variables on investor protection in Africa whiles controlling for, efficacy of corporate boards, ethical behavior of firms, efficiency of legal framework in settling disputes, efficiency of legal framework in challenging regulations and credit rating of countries. The study employs panel data covering the period from 2009 to 2013. It considered political stability, regulatory quality, voice and accountability, control of corruption, property rights and rule of law, as non-macroeconomic variables. The variables are based on their relative relevance from existing literature. The overall results show that non-macroeconomic variables are positively related to investor protection in African countries..**

***Index Terms*—Non-macroeconomic variables, investor protection, investor environment, African countries, new institutional economics.**

I. Introduction

Investor protection is a major concern for investors and host countries of investment across the world. This concern is relevant irrespective of whether the host country, region or continent is democratic or not. In discussing factors influencing investor protection, earlier researchers focused on macroeconomic variables, though a few concentrate on the effects of non-macroeconomic variables on investor protection. A decade ago,[1]argued that studies relating to exploratory power of non-macroeconomic variables in predicting investor protection were uncommon even though some non-macroeconomic factors had more significant impact on investor protection than macroeconomic factors.

Most of the studies in relation to investor protection are skewed in favour of Europe or North America (see [2], [3]) with little emphasis on developing countries particularly, African countries. Due to massive development in the Asian market leading to huge investment flow, research interest has significantly shifted to Asian economies [1]. African economies have received improved investment in the past two decades though the region still lags behind in terms of sound investor environment, and this imposes heavy threats on these economies as they try to restructure the investor environment to motivate investors into their economies with the hope that they would be able to safeguard investors' rights and enhance the level of their confidence.

African countries have put in place structures to attract investors by establishing institutions that help to foster strong investor protection in their economies by strengthening the non-macroeconomic variables. It is in place to study the impact of non-macroeconomic variables on investor protection to establish an empirical conclusion. An empirical position provides the bases to assess whether the attempt to protecting investors through the strengthening of structures are in reality enhancing investor protection or not. The above, motivates the current study, as it examines how non-macroeconomic variables influence investor protection. This will help contribute to filling the research gap on how non-macroeconomic variables influence investor protection in Africa.

The paper now considers in the next section, the review of related literature and the development of hypotheses followed by the methodology of the study. The discussion of the empirical results, then conclusion, recommendation, limitations and areas for further studies are presented.

II. Review of Literature and Hypotheses Formulation

The study is anchored in the New Institutional Economics thinking.

A. The New Institutional Economics (NIE)

The New Institutional Economics (NIE) theory provides a multidisciplinary thinking that comprises aspects of history, sociology, political science, economics, business organization and law to explain the entire environment for investors "The Nature of the Firm" which was discussed in the well-known essay "The Problem of Social Cost" in the 1960s, started what many, comprising [4], reflected to be a revolution in economics. This new direction of economics deliberates that the cost of transacting is determined by institutions and institutional arrangements are key to economic performance. It was then argued that the institutions of a country such as its political, legal, and social systems determine its economic performance, and it is this, that gave the new institutional economics its importance for economists.

The old institutional school opined that institutions were a key factor in explaining and influencing economic behavior, but there was little logical rigor and no theoretical framework in this school of thought. It functioned outside neo-classical economics and there was no quantitative theory from which reliable generalization could be derived or sound policy choices made. Neo-classical economics, on the other side, ignored the role of institutions; economic agents were assumed to operate almost in a vacuum. The "New

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Institutional Economics" recognizes the important role of institutions, but argues that one can analyze institutions within the framework of neoclassical economics. However, under the "New Institutional Economics" , some of the unrealistic assumptions of neo-classical economics (such as perfect information, zero transaction costs, full rationality) make self-seeking individuals to maximize an objective function subject to constraints.

B. Non-macroeconomic Variables

It is argued that non-macroeconomic variables (such as rule of law, property rights) tend to impose specific preferences of governance features, which ultimately may explain why a company in a particular country has specific governance structures [5]. Thus, the kind of non-macroeconomic factors determine unique governance structures that affect investor protection. It is also clear that macroeconomic factors are limited in ensuring investor protection [6], [2], because economies where non-macroeconomic framework is properly instituted, it helps create an enabling environment that demotivate corporate managers from being overly self-centered and opportunistic with the overall result of mitigating the risk of mismanagement, to foster investor protection [7], [8]. This implies in an environment insulated by good non-macroeconomic structures, corporate managers are guided by external disciplinary measures enshrined in corporate governance as well as the broader legal regime that may boost investor protection.

According to [9], companies situated in developing countries are largely characterized by weak institutional and governance structures and make raising of capital difficult. This indicates that strong structures serve as signals to individuals, the private sector and institutional investors about the seriousness attached to governance reforms by governments which provide confidence and protection. An economy with strong structures in place tend to decreases agency cost and promotes effective and efficient monitoring of corporate managers, which in the long run ensures the scaling up of investor protection [10]. In the findings of [11], weak institutional structures can deter potential foreign investors from taking risk in investing in what could otherwise be attractive firms. It is therefore; contended that the issues of investor protection remain relevant in economies.

C. Hypotheses Formulation

The level and approach to dealing with corruption in a particular country can sometimes discourage potential investors' from investing in that economy. A study conducted by the World Bank provides reflective evidence that economies with perceived high levels of corruption are losing out on potential foreign investment, which in turn is deterring their economic growth and development [12]. The study affirms that corruption is negatively related with both growth and investment [12]. Even in a situation where foreign multinationals have decided to take a risk of investing in an economy which is characterized by high level of corruption, investors can become so peeved by the current demands for bribes by government officials and that they will successively withdraw their investments. It is notable that in recent times some foreign investors are themselves corrupt and may want to use corruption to improve profit levels, hence corruption may be imported. It implies that corruption is considered as a sort of taxation; it does not only decrease the level of investor protection, but also the sort of investors in an economy [13]. It is therefore, hypothesize that:

There is no significant relationship between control of corruption and investor protection

Political stability inspires the strength investors' protection; there are inseparable interconnections between political stability and investor protection [14] . Investors group their investments plans into long–term, medium-term and short term, this is characterized by their ability to have a notion of what future holds and so they invest with that future expectation in focus. However, if they cannot predict what the future has in store for them they will hold back their investments until there is adequate information to share their investment ideas [15]. There is a fatal route to what they can possibly do when faced with political volatility and unpredictability; take their money elsewhere. It is contended that there is a positive correlation between political predictability and investors' protection which translate into investment and growth of the economies. The protection of investors is dependent on an acceptable amount of certainty that is promising and the stability of the political environment. Both local and foreign investors are unlikely to inject capital into economies where risk of investment and protection of their interests are high as a result of political instability [16], [5]. Political stability can be maintained, when economies can promote economic growth by persuading investors to inject capital into their economies as well as promising them that their investments and interests are safeguarded, which ultimately discourages capital flight [17]. This means that the prospect of political instability is more likely to undermine investor protection, which will ultimately minimize investment.

Studies on the association between political instability and investor protection have revealed inconclusive results. Also, some studies have argued that while instability in the political terrain will probably happen, this will perhaps not be adequate to represent political risk [18].

Therefore there is a need for further examination of the relationship between political instability and investor protection. It is therefore hypothesize that:

There is no significant relationship between political stability and investor protection

Political stability is a term that embodies all outcomes in an economy that does not pose a threat to the continuity of peaceful democratic governance and management. The performance of any economy depends on investment in the various sectors of the country. In developing economies, investment opportunities are mainly in the primary industries, particularly the extractive industry (mining) and agriculture. One of the key drivers of investment is a sound and clear policy on property rights. Property rights promote and attract private sector investment which is the engine for economic growth.

It is replete in literature that where property rights are relatively strong, firms reinvest their profits; where they are relatively weak, firms do not want to invest from retained earnings. Property rights are important: investors will not

invest if they expect to be unable to keep the fruits of their investment. Country-level studies constantly show that less secure property rights are correlated with lower aggregate investment and slower economic growth [19],[20]. The microeconomic evidence is more limited, but [21] for example, found in Ghana a significant link between property rights and investor protection. Hence the study predicts that:

There is no significant relationship between property rights and investor protection

Regulatory quality is about "regulations that are efficient in terms of cost, effective in terms of having a clear regulation and policy purpose, transparent and accountable outcomes" [7]. It also includes proactive, professional and independent execution of regulatory programmes to protect investors and the economic environment

Regulations can help businesses and investors by setting market structures in which transactions concerning commercial activities can take place in an efficient environment. Poor regulations can result in slow investor responsiveness, diversion of both public and private resources away from productive ventures, decrease the creation of jobs and ultimately, lower the level of investor protection in an economy. Regulatory failure perhaps create regulator credibility gap and contributes more to investor distrust about regulation which eventually weakens investor protection. This indicates that quality regulations in an economy help protect investors. A study conducted by OECD [7] documents a positive relationship between regulatory quality and investor protection across a sample of countries. On the other hand, [22] contends that sometimes the regulatory institutions in economies are considered not independent of the government and subject to political interference, and thus investors may be discouraged from committing huge sums into such economies. Thus, all other things held constant, quality regulations matter for the level of investor protection in economies. Hence, it is hypothesized that:

There is no significant relationship between regulatory quality and investor protection

It was argued [23] that, whilst favorable economic conditions can help attract investors and enhance investor protection in economies, rule of law as a non-macroeconomic variable has been considered as a powerful drive that aid and foster investor protection and protect rights of shareholders in economies [24] . It was further argued that if rule of law is not ensured in economies, even positive monetary and fiscal performance cannot deal decisively with declining investor protection [24]. Rule of law thus so many other things including safeguarding investors by bestowing on them disciplinary rights to discipline corporate insiders as well as executing contracts crafted to mitigate insiders' private control gains [25]. Put in another perspective, the existence of rule of law in a country safeguards outside investors by minimizing insiders' need to hide their operations [26]. Hence, the study hypothesized that:

There is no significant relationship between rule of law and investor protection

Voice and accountability measures the extent of participation of an economy's citizens in the choice of government, lack of restrictions in expression, freedom of association and independence of the media. It is another important element of good governance, which ensures the strengthening of investor protection in an economy. Lack of voice and accountability reduces the level of investor confidence in economies [27].

The presence of voice and accountability in an economy provides free investor environment, which prevents violations of the rights of investors. It was argued in [6] that enhancing rules regarding corporate governance and the quality of accounting and auditing standards strengthen the level of investor protection. Some empirical studies have established a positive relationship between voice and accountability, and investor protection in economies. Also, [28] in their paper, document a significant positive relationship between voice and accountability and investor confidence in the Algerian economy. Thus, we hypothesize that:

There is no significant relationship between voice and accountability and investor protection

III. Methodology

The study used panel least square estimation technique to estimate the model. The sample for the study is based on thirty-nine (39) African countries, which have the relevant available data to test the hypotheses. The sample covers a period of five years, 2009 to 2013 and includes 194 observations. The paper obtained five (5) of the six (6) examined non-macroeconomic variables from the broadest of country-level governance ratings by the World Bank. The study gathered data on investor protection and property rights from the Global competitiveness report by the World Economic Forum. The endogenous variable in the study is investor protection, and the exogenous variables that are expected to influence our dependent variable are cautiously selected, based on literature and availability of data for the sample period. The exogenous variables in the estimation are property rights, control of corruption, rule of law, political stability, voice and accountability and regulatory quality.

To establish the relationship between investor protection and the chosen non-macroeconomic variables, we controlled for four variables that could possibly have influence on investor protection in an economy. There are; ethical behavior of firms and efficacy of corporate boards as proxies for corporate governance. In addition, efficiency of legal framework in an economy serves as an inducement mechanism for investors to seek redress when they find out that their rights are undermined by corporate authorities. With this, investors are also empowered to challenge some regulations in economies when they consider them (regulations) as irrelevant in serving their interests and protecting their rights. The study therefore, incorporated two variables to capture the efficiency of legal framework in an economy, namely; efficiency of legal framework in settling disputes and efficiency of legal framework in challenging regulations.

A. Description of Variables and Sources

This is presented in Table I below.

TABLE I: DESCRIPTION OF VARIABLES AND SOURCES

Variable	Description	How it is measured	Source
Rule of law	Reflects perceptions of the extent to which agents have confidence in and abide by the rules of society, and in particular the quality of contract enforcement, property rights, the police, and the courts, as well as the likelihood of crime and violence.	Measured as perceptions of the extent to which agents have confidence in and abide by the rules of the society.	**The World Bank Governance indicators (2009-2013)**
Regulatory quality	Reflects perceptions of the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development.	Measured as the perceptions of the quality of government to formulate and implement sound policies and regulations	**The World Bank Governance indicators (2009-2013)**
Control of Corruption	Reflects perceptions of the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as "capture" of the state by elites and private interests.	Measured as perceptions of the extent to which public power is exercised for private gains	**The World Bank Governance indicators (2009-2013)**
Property rights	Is an exclusive authority possessed by an owner of property, to consume, sell, rent, mortgage, transfer and exchange their property	Measured as the authority possessed by an owner of property	**The World Bank Governance indicators (2009-2013)**
Political stability	It describes the perceptions of the likelihood of political instability and/or politically-motivated violence, including terrorism.	Measured as perceptions of the likelihood of political instability in the country	**The World Bank Governance indicators (2009-2013)**
Efficiency of legal framework in settling disputes	It shows how efficient is the legal framework for private businesses in settling disputes	Measured with the scale 1-7 (1 = extremely inefficient; 7 = extremely efficient)	Global competitiveness report (2009-2013)
Efficiency of legal framework in challenging regulations	It shows how easy it is for private businesses to challenge government actions and/or regulations through the legal system	Measured with the scale **1-7** (1 = extremely difficult; 7 = extremely easy)	Global competitiveness report (2009-2013)
Ethical behaviour of firms	It rates how the corporate ethics of companies (ethical behavior in interactions with public officials, politicians, and other firms)	Measured with the scale (1 = extremely poor—among the worst in the world; 7 = excellent—among the best in the world)	Global competitiveness report (2009-2013)
Efficacy of corporate boards	It describes how corporate governance is characterized by investors and board of directors	Measured as (1 = management has little accountability to investors and boards; 7 = management is highly accountable to investors and boards)	Global competitiveness report (2009-2013)

B. The Model

The basic model to test our hypotheses is shown below. All the variables in the model are logged and transformed.

$$IP = \beta_0 + \beta_1 (CC)_{it} + \beta_2 (PS)_{it} + \beta_3 (PR)_{it} + \beta_4 (RQ)_{it} + \beta_5 (ROL)_{it} + \beta_6 (VOA)_{it} + \beta_7 (CV)_{it} + \varepsilon_{it}$$

where:

IP denotes investor protection

CC denotes Control of Corruption

PS denotes Political Stability

PR denotes property rights

RQ denotes Regulatory quality

ROL denotes Rule of Law

VOA denotes Voice and Accountability

CV. denotes Control Variables (efficiency of legal framework in settling disputes, efficiency of legal framework in challenging regulations, ethical behaviour of firms, efficacy of corporate boards and country credit ratings)

^{2}is a vector of coefficients, and

$_{it}$ represents the disturbance term (which refers to the innumerable of other influences on investor protection, assumed to be well behaved).

IV. OLS (Multivariate) Regression Analysis

This section presents results of the OLS regression model. The hypotheses were tested by estimating a regression model in which investor protection is the endogenous variable. Besides the variables of interests, the study controlled for ethical behavior of firms, efficacy of corporate boards, efficiency of legal framework in settling disputes and efficiency of legal framework in challenging regulations. Since the study applied OLS estimation technique, OLS assumptions of autocorrelation, normality, homoscedasticity multicollinearity, and linearity were tested before the model was estimated. The results from the tests do not show any serious violation of these assumptions..

The Table II, below depicts descriptive statistics for the full sample of the study. The mean, median, minimum, maximum, standard deviation and number of observations of the variables of interests are presented. It is revealed that on average, 5.67% investor protection was observed in the 39 African economies during the period under review. Control of corruption and property rights, the average economy recorded 38% and 3.84% respectively. Rule of law of the median economy was about 35.70%. With respect to Voice and Accountability of the average economy was 34.62%. In regards to regulatory quality in these economies, the weakest country scored 0.50%, whilst the strongest country recorded 69.10%. Lastly, the median country among the 39 economies recorded 35.45% on political stability during the period under review. Regulatory quality recorded the highest mean of 38.94% followed by Control of corruption, 38%.

Table III presents the results of the models in which investor protection is used as the endogenous variable to test our hypothesis as formulated.

TABLE II: Descriptive Statistics

Variabs	Median	Mean	Minimum	Maximum	Std. deviation	No. of observations
Investor Protection	5.00	5.67	2.00	8.00	1.32	194
Control of corruption	34.20	38.00	1.44	29.10	35.06	194
Political stability	35.45	36.61	2.80	88.20	22.79	194
Property rights	3.80	3.84	2.20	8.30	0.87	194
Regulatory quality	15.30	38.94	0.50	69.10	71.21	194
Rule of Law	35.70	35.36	0.90	79.60	19.37	194
Voice and Accountability	33.40	34.62	7.10	76.50	18.61	194

Notes: This table presents descriptive statistics and for the sample used in the analysis. This sample includes 39 African countries for the period 2009-2013. These are Ghana, Guinea, Gambia, Guinea- Bissau, Benin, Burkina Faso, Cape Verde, Cote D'ivoire, Liberia, Mali, Mauritania, Nigeria, Senegal, Sierra Leone, South Africa, Botswana, Lesotho, Namibia, Swaziland, Kenya, Tanzania, Rwanda, Uganda, Burundi, Zimbabwe, Ethiopia, Mauritius, Mozambique, Madagascar, Malawi, Zambia, Seychelles, Cameroon, Angola, Chad, Gabon, Algeria, Morocco, Egypt and Tunisia.

TABLE III: OLS Regression Relating Investor Protection to Non-Macroeconomic Variables and the Control Variables

	Endogenous variable = investor protection					
Variables	(1)	(2)	(3)	(4)	(5)	(6)
CC	0.0174***	0.0174***	0.0179***	0.0116***	0.0195***	0.0210***
	[3.13]	[2.12]	[3.98]	[2.39]	[2.59]	[2.47]
PR		0.059***	0.037*	0.0064*	0.055***	0.0057***
		[2.017]	[1.95]	[1.92]	[4.780]	[4.90]
PS			0.011*	0.0112*	0.0183***	0.0172***
			[1.78]	[1.74]	[3.06]	[2.62]
RQ				0.004	0.030	0.0293
				[1.03]	[0.33]	[0.08]
VOA					0.567***	0.567***
					[6.09]	[6.08]
ROL						0.0271***
						[2.42]
EBF	-0.033***	-0.033***	-0.034***	-0.031***	-0.0254***	-0.0254***
	[-2.94]	[-2.80]	[-3.00]	[-2.66]	[-2.34]	[-2.34]

ECB	0.442***	0.427***	0.442 ***	0.443***	0.439***	0.564***
	[6.50]	[5.93]	[7.85]	[8.31]	[8.60]	[9.50]
ELFSD	0.525***	0.517***	0.517***	0.515***	0.505***	0.524***
ELFCR	[4.82]	[5.69]	[6.57]	[5.54]	[4.29]	[3.72]
	0.0412***	0.562***	0.509*	0.834*	0.432***	0.342***
	[2.34]	[2.78]	[1.76]	[1.97]	[5.87]	[3.67]
CCR	0.07***	0.07***	0.068***	0.069***	0.0359***	0.0356***
	[9.03]	[8.01]	[8.11]	[7.19]	[4.80]	[3.73]
R-Squared	0.55	0.55	0.56	0.56	0.63	0.64
Adjusted R-Squared	0.54	0.54	0.54	0.54	0.62	0.62
F-statistic	46.36	34.54	33.76	29.78	35.76	32.06
Prob(F-Stat)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Durbin-Watson	1.98	2.4	1.99	2.7	1.96	2.04
Observations	194	194	194	194	194	194

Note: The table reports the OLS estimates. T-values are reported in parentheses. Significance at the 10%, 5%, and 1% levels is indicated by *, **, and ***, respectively.

Model (1) consists of control of corruption and the control variables; model (2) comprises the variables in the first model and property rights. The third model (3) contains the variables in the model two (2) and political stability. Regulatory quality is added to model three (3) to form model four (4). The fifth model incorporates the variables in model four and voice and accountability. Lastly, model six (6) includes the variables in model five and rule of law.

Models (1), (2) (3) (4), (5) and (6) depicts that there is significant a positive association between *control of corruption and investor protection.* Also, the study rejects the *hypothesis* that there is no significant relationship between control of corruption and investor protection. This is an indicative that control of corruption had significant influence on investor protection in African economies for the period, 2009 to 2013. The positive coefficients on control of corruption unequivocally show that as African economies put some implementable measures in place to control the level of corruption in their economies, there is a possibility that investors will have confidence in their economies.

With respect to the hypothesis that relates *property rights to investor protection,* the results in models (2) (3) (4), (5) and (6) indicate that there is a significant positive association between property rights and investor protection in Africa economies at 1%, 10% and 5% significant levels respectively over the period. This clearly shows that a 1% increase in property rights will cause investor protection to rise by 59%, 37%, 64%, 55% and 57% respectively in the models. Consequently, the study's *hypothesis that* states there is no significant relationship between property rights and investor protection is rejected. This result gives credence to the assertion that property rights help in protection of investors in an economy [4] by creating a system through which individuals can reorganize their assets into more useful combinations [29]. This result is in line with the findings by [19] that insecure property rights can directly influence growth of economies through the choice of production process and efficiency with which production is carried out, which eventually reduces the threats on investors.

Additionally, models (3) (4), (5) and (6) document a significantly positive relationship between *political stability* and *investor protection* in African economies. Hence, the hypothesis that *there is no significant relationship between political stability and investor protection* is rejected. This finding unequivocally suggests that by maintaining political stability, economies can therefore promote economic growth by inducing investors to inject capital into their economies as well as assuring them that their investments are secured [17], [5] This result is consistent with the findings of [29]) that political stability plays a significant role in inducing investors to inject their capital in the Ugandan economy with the hope that their investments are safeguarded. In addition, our result reinforces a study by [29] on developing countries, which demonstrates positive significant relationship between political stability and investor protection.

Models (4), (5) and (6) document a positive relationship between regulatory quality and investor protection. However, this relationship is insignificant in all the models. This implies that the study fails to reject the *hypothesis* that states that there is no significant relationship between regulatory quality and investor protection in African economies under the period in review. Therefore, the study concludes that under the period in review, regulatory quality had no significant influence on investor protection in African economies. This result could be as a result of frequent interference of most African countries' governments into the affairs of regulatory bodies in that, in economies where regulatory bodies are considered not to be independent of the state and are always susceptible to political interference, investors may be deterred from investing in such economies [22].

It is inferred from models (5) and (6) that there is a positive significant relationship between voice and accountability and investor protection in Africa economies under the period in review. The implication is that a 1% rise in voice and accountability results in a 56.6% and 56.7% respectively in African economies during the period in review. Hence, the study's *hypothesis,* which states that there is no significant relationship between voice and accountability and investor protection is rejected. This finding supports the argument by [6], that enhancing corporate governance rules (in terms of voice and accountability) and the quality of accounting standards leads to greater investor confidence. These results

are consistent with a study by [23] who found a strong positive significant relationship between voice and accountability and investor protection in some African countries. In sum, investors felt confident that institutions of voice and accountability in African economies under the period were credible.

The result in model (6) indicates that there is a significant positive relationship between rule of law and investor protection in African economies under the period in review. This implies that a percentage change in rule of law leads to an increase in investor protection by 27.1% in African economies under the period in review. Therefore, the study's hypothesis that there is no significant relationship between rule of law and investor protection is rejected, implying that there is a significant positive relationship between rule of law and investor protection. This result supports the assertion that whilst favorable economic conditions can help attract investors and enhance investor protection in economies [23] rule of law as non-macroeconomic variable is considered a powerful drive that aid bolsters investor protection [29].

With respect to the control variables, our results in all the models establish a significant negative relationship between ethical behavior of firms and investor protection in African economies. This indicates that a rise in ethical behavior of firms discourages investment; makes investors less willing to take out risky investments in because ethically they not protected in African economies. In addition, our results show a significant positive association between efficacy of corporate board and investor protection.

There is a strong positive significant relationship between efficiency of legal framework in settling disputes and investor protection. This implies that a 1% increase in efficiency of legal framework in settling disputes leads to 5.25%, 5.17%, 5.17%, 5.15%, 5.05% and 5.24% rise in investor protection in African economies from 2009 to 2013. The findings of the results also documented a positive relationship between efficiency of legal framework in challenging regulations and investor protection. This implies that efficiency of legal framework in challenging regulations had significant influence on investor protection in African economies for the period, 2009-2013. Lastly, our results also indicate a significantly positive association between country credit rating and investor protection in African countries.

V. Conclusions and Policy Implications

Over the past two decades, many African economies have prioritized action plans to ensure sound regulatory framework to strengthen non-macroeconomic structures, promote better business practices, and improve the quality of their legal environment and protection of investors. The surest strategy is to implement effective and transparent enforcement of laws to stimulate compliance in a specifically clear-cut manner. It is contended that economic reform measures that are prioritized to attract investors are likely to be a mere cosmetic in economies with weak structures [8]. This is because investor protection does not only depend on economic measures but their effectiveness is determined by the soundness of these non-macroeconomic factors.

The study employed control of corruption, political stability, property right, rule of law, regulatory quality and voice and accountability as the non-macroeconomic variables. The findings suggest that in addition to the long-term goal of promoting economic reforms, a corresponding long-term goal of strengthening non-macroeconomic structures in economies should be considered. Governments in African should strengthen their non-macroeconomic structures concurrently with the macroeconomic environment.

The main observable limitation of the study is the use of thirty-nine (39) African countries and generalizing the findings to the entire African economies. In addition, the study focused on non-macroeconomic variables but macroeconomic variables such as inflation, interest rate, Real GDP growth are undoubtedly equally important in African economies. Further study should expand our model by using both non-macroeconomic and macroeconomic variables in examining how these structures interact to influence the investor protection in African economies.

The findings suggest that non-macroeconomic variables (control of corruption, political stability, property rights, rule of law, voice and accountability) are positively related to investor protection in African countries and that the relationship is moderated by some variables such as ethical behavior of firms, efficacy of corporate boards, efficiency of legal framework in settling disputes, efficiency of legal framework in challenging regulations and country's credit ratings.

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