

# **Impact of Capital Market Development on the Nigerian Economic Growth**

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## **Abstract**

*This study examined the impact of capital market development on the Nigerian economic growth for the period 1999-2019. Market Capitalization (TMC), All Share Index (ASI) and Total Value of Stocks (TVS) were used as proxies for the capital market development while Real Gross Domestic Product (RGDP) was used as a proxy for economic growth. Data used for the study were obtained from secondary sources, these data were analyzed using the statistical method of multiple regression. A unit root test was conducted using Augmented Dickey Fuller and the result shows stationarity of all the research variables. This research findings show that total market capitalization, all share index and total value of stock are all joint predictors of economic growth provided by RGDP, though insignificantly. The all share index and total value of stock exert insignificant positive influence on RGDP growth rate while the total market capitalization has insignificant negative effect on economic growth. The implication of the result is that an increase in all share index and total value of stock will insignificantly increase economic growth. Hence, the study concludes that capital market development has not significantly impacted on economic growth in Nigeria. The study therefore recommends that there is a need for a diversified investment instruments in the capital market whereby debt and derivative instruments will attain as much prominence as ownership instruments. The research further recommends that Government should do everything possible to provide a safe and conducive investment climate by nipping in the bud, the prevalent activities of terrorists and kidnappers. This will not only encourage the Nigerian investors, but also attract foreign investors into the Nigerian capital market.*

Keywords: Capital market, Economic growth, Financial market, GDP, Stock exchange

## **INTRODUCTION**

The financial market provides a forum where securities are traded both on a long and short term basis. Financial markets play a vital role in facilitating the smooth operation of capitalist economies by allocating resources and creating liquidity for businesses and entrepreneurs. The markets make it easy for buyers and sellers to trade their financial holdings. Financial markets create securities products that provide a return for those who have excess funds (investors/lenders) and make these funds available to those who need additional money (borrowers). The Nigerian capital market deals in long-term securities (Uzoaga, 1981) and is subdivided into primary market and secondary market. The primary market consists of institutions such as merchant banks and stockbrokers, which provide the means for directing savings into new investment outlets. To be eligible to operate in the market, the institutions must be registered members of the Stock Exchange (Odife, 1985). Odife further opined that, secondary market is the medium for liquidating long-term financial claims (i.e. stocks and shares) by the withdrawal of one of the parties. Investors can exchange ownership of stocks and shares to enable firms remain in operation perpetually. The market consists of Stock Exchange which provides trading facilities, and the stockbrokers who buy and sell securities on behalf of the public. There is an interaction between the primary and the secondary markets (Berman, 1979). The Stock Exchange acts as facilitator in both markets, while stockbrokers participate directly in both markets. The growth and development of the capital market in Nigeria can be traced to 1946 with the floating of N600, 000 (more than 300,000 pounds sterling) worth of government stocks. However, an organized market for the secondary trading of issued stocks was lacking. In 1959, following the establishment of the Central Bank of Nigeria (CBN) a year earlier, a N4million (2 million pounds sterling) Federal Government of Nigeria development loan stock was issued in line with its role of fostering economic and financial development. In 1986, Nigeria embraced the International Monetary Fund (IMF) Structural Adjustment Programme (SAP) which influenced the economic policies of the Nigerian government and led to reforms in the late 1980s and early 1990s.

Ariyo and Adelegan (2005) contend that the liberalization of capital market led to the growth of the Nigerian capital market, yet its impact at the macro-economic level was negligible. Again the capital market was instrumental to the initial twenty five Banks that were able to meet the minimum capital requirement of N25 billion during the banking

sector consolidation in 2005. The performance of the Nigerian capital market has been motivated by so many reasons. Majority of the Nigerian banks are investing in the Nigerian capital market so that they can move the money and earn some good profit from the market. The reform introduced by Central Bank of Nigeria (CBN) of minimum capital requirements for the banks have encouraged them to choose the capital markets. The Nigerian capital market is still gaining depth and so that it was a bit risky for the banks to take the decision but they took the risk and the results are very positive. It not only encouraged the individual investors but at the same time provided some good support to the growth of the Nigerian capital market. It is true that the Nigerian capital market is performing well and the country experienced several public offers by the banks like the Access Bank, Zenith Bank, United Bank for Africa, etc. But at the same time, the market requires improved performance, because the Nigerian Stock Exchanges market capitalization is still much lower than the GDP. Economic growth is the increase in production of goods and services. The most widely use measurement of economic growth is the GDP. The GDP is the total monetary or market value of all finished goods and services produce within a country boarder in a specific time period. The hypothesis underlying this study is thus stated as:

**H<sub>0</sub>:** Capital market development does not have a significant impact on the Nigerian economic growth

## **LITERATURE REVIEW**

### **The Financial market**

A financial market provides a platform where companies and governments raise funds to finance working capital challenges as well as for expansion. A financial market is a market in which people trade in financial securities and derivatives and debt instruments.

### **Concept of Money Market**

Money market can be defined as the place of mechanism whereby funds are obtained. For short periods of time (from one to one year) and financial assets representing short term claim are exchanged. As a section of the financial market, it is made up of financial organization and dealers. They as a group quicken the borrowing and lending of short-term money (bank credit and non-bank credit) by bringing less than one umbrella those institutions with surplus funds, which wish to lend on a short-term basis and those wishing to borrow.

### **Concept of Capital Market**

Institute of Chartered Accountants of Nigeria (ICAN, 2009) defines capital markets as markets where long-term finance are raised by companies and Federal, States and Local Governments. ICAN further posits that the capital markets comprise of the primary market – market for new funds and the secondary market – market for existing (second-hand) securities. Lambe (2021) view the capital market as a financial market in which long-term debt or equity-backed securities are bought and sold. According to him, the capital market is a market in which money is provided for periods longer than one year. From the foregoing, it is be summarized that the Capital market is a market where buyers and sellers meet to exchange a unique intrinsic commodity - shares, stocks, bonds- for the purpose of raising long-term capital for the modernization and expansion of projects by companies, governments, and allied parastatals. Stock market is different form stock exchange, which is an entity (a corporation or mutual organization) in the business of bringing buyers and sellers of stock together. Capital market is a financial market for buying and selling equity and debt instruments. It channels savings and investment between suppliers of capital such as retail investors and institutional investors, users of capital like businesses, government and individuals. Capital markets are vital to the functioning of an economy, since capital is critical component for generating economic output. In particular, stock markets can encourage economic growth by providing an avenue for growing companies to raise capital at lower cost. In addition, companies in countries with developed stock markets are less dependent on bank financing, which can reduce the risk of a credit crunch.

### **Development in the Nigerian Capital Market**

The Nigerian Stock Exchange (NSE) came into existence in 1977 from the Lagos Stock Exchange (LSE) established in 1960. In 1961, the NSE/LSE commenced operations with 19 securities listed for trading. As at January, 2020 there were more than 328 listed securities on the Exchange with a total market capitalization of ₦28.26 trillion. The NSE has a head office (Lagos, 1961) and branches established in some of the major commercial cities in Nigeria: Kaduna (1978), Port Harcourt (1980), Kano (1989), Onitsha (1990), Ibadan (1990), Abuja (1999), NES Ilorin (2007) Yola (2002) and Ogun state (2007). Each branch has a trading floor. The development of the Nigeria Capital Market dates back to the late 1950s when the Federal Government through its ministry of industries set up the Barback committee to advise it on ways and means of setting up a stock market. Prior to independence, financial operators in Nigeria comprised mainly of foreign owned commercial banks that provided short-term commercial trade credits for the overseas companies with offices in Nigeria (Nwankwo, 1991). And their capital balances invested abroad in the London stock Exchange. To accelerate economic growth of the Nigerian economy, the government embarked on the development of the capital market. The aim was to provide opportunities for borrowing and lending of long-term capital by the public and private sectors for general business expansion, as well as an opportunity for foreign-based companies to offer their shares to investors and provide avenues for the expatriate companies to invest surplus funds. In ensuring development of the Nigerian capital market, the Central Securities Clearing System (CSCS) was introduced to provide an integrated central depository, clearing transfer of shares from seller to buyer and settlement of payments for bought securities for all stock market transactions. That was to avoid the manual transactions on shares, establish electronic transfer of shares to ensure faster stock market transactions. In 1997, the Nigerian Stock Exchange (NSE) established the Central Securities Clearing System (CSCS) and it is fully automated to capture all verified share certificates forwarded to it by company registrars. However continuous development of the capital market is important for mobilization of savings from numerous economic units, providing adequate liquidity to investors, providing alternative source of funds for government, to encourage more efficient allocation of new investments through the price mechanism, encourage more efficient allocation of a given amount of tangible wealth through changes in the composition and ownership of wealth and promote rapid capital formation for economic growth and development.

### **Concept of Economic Growth**

Balcerowicz (2012), defined economic growth as a process of quantitative, qualitative and structural changes, with a positive impact on the economy and on the population's standard of life, whose tendency follows a continuously ascendant trajectory. Fasanya, Onakoya, and Agboluaje (2013), also have seen economic growth as the process of increasing the sizes of national economies, the macroeconomic indicators, especially the GDP per capita, in an ascendant but not necessarily linear direction, with positive effects on the economic-social sector. Friedman defines economic growth as innovation process leading to the structural transformation of the social system. From the foregoing, it is clear that, economic growth is an increase in the real value of goods and services produced in the country over a period of time. The most widely used measure of economic growth is a percentage increase in real gross domestic product, or real GDP. Growth is usually calculated in real terms, that is, inflation adjusted terms, in order to net out the effect of inflation on the price of the goods and services produced (Okonkwo, Egbunike & Udeh, 2015).

### **Empirical review**

Ubogbo and Aisien (2019), examined the impact of capital market development on economic growth using time series data from Nigeria for the period 1981-2016. The co-integration and error correction model was employed for the empirical analysis and selected variables were found to be co-integrated. The empirical result revealed that capital market development has significant and positive impact on economic growth in Nigeria both in the short run and in the long run. Other significant variables in the empirical result were interest rate, money supply and investment level. The paper, thus, recommended that the government should inject much fund into the capital market and implement appropriate reform policies aimed at ensuring reliable, efficient and stable stock market in Nigeria. Rowland (2016), investigated the capital market-economic growth nexus in Nigeria, Africa's largest economy, during the 1985-2015 periods. Analysis was anchored on relevant multiple regression models whose coefficients were estimated via the ordinary least squares (OLS) techniques. The paper sourced data from relevant publications of

the Securities and Exchange Commission (SEC) and Central Bank of Nigeria (CBN). Economic growth variable was gross domestic product (GDP), while capital market indices were market capitalization (MCAP), Value of transactions (VTS) and All-Shares Index (ASI). Results showed that in specifics, market indices had heterogeneous effects on growth of the economy but on aggregate, capital market development significantly induced growth of the economy during the study period. Thus, the paper concluded that capital market development significantly induce economic growth. Emmanuel and King (2014), studied the effect of capital market development on the economic growth of Ghana. The study employed a multiple linear regression based on quarterly time series data spanning from 1991:1 to 2011:4. Explanatory data analysis was used to ensure that the basic assumptions of regression analysis were verified and resolved. Structural Equation Modeling (SEM) through path analysis (i.e. Layered Regression Technique) was used to identify the possible causal relationship between GDP growth and capital market development, as well as other causal effects in the model. The study shows that the GDP growth is linearly related to the independent variable in the model. There is also a positive bi-directional relationship between economic growth and capital market development. However, the stronger effect is from capital market to economic growth. The study recommends that developing countries should place greater emphasis on financial sector development with specific focus on capital market development to promote economic growth.

Paul (2017), investigates the relationship between capital market activities and economic growth index in emerging market economies using Nigeria as reference point. The analysis covered the period of economic and financial liberalization 1985-2014. Data for the study were obtained from secondary sources and analysed using econometric methods such as correlation, multiple regression, unit root test, co-integration test and Error correction mechanism (ECM). The result revealed positive and statistically significant relationship between capital market activities and economic growth. The results also indicated that there is a long-run relationship between stock market activities and growth index. Based on the findings, it is recommended that the number of listed companies should increase; government should fund its activities through the capital market. There should be transparency; fair trading transactions and dealings in the Nigeria stock exchange. There should be trade policies that will enhance liberalization of the Nigerian capital market. Nosakhare and Samson (2015), analyzed the dynamic responses, causality and interrelationships between capital market development and economic growth in Nigeria. The Vector Error Correction (VEC) granger causality and the Vector Error Correction Mechanism (VECM) were analyzed between the periods of 1981 to 2013. The VEC causality test indicated bidirectional causality between economic growth and capital market development in Nigeria. The Forecast Error Variance Decomposition further indicated that the predominant variations in the innovations of the variables are the shocks of themselves relative to shocks in all other variables in the VEC Model. The VEC estimation revealed that the speed of adjustment of the market relative to the economy is slow and unimpressive, considering the speed of turnover ratio and market liquidity and that the ability of the market to respond to the unexpected changes are weak. The implications of the study were explicitly stated, and we hence recommended an improved macroeconomic environment as well as instituting reform policies that will expand the size, scope and network externalities of the Nigerian capital market both within and outside the country.

Ewah et al (2009), appraise the impact of the capital market efficiency on economic growth of Nigeria using time series data from 1963 to 2004. They found that the capital market in Nigeria has potential of growth-inducing, but it has not contributed meaningfully because of low market capitalization, low absorptive capitalization, illiquidity, misappropriation of funds among others. Okafor and Arowoshegbe (2011), explicitly examined the impact of the Nigeria capital market performance on economic development. They adopted two separate models to perform their analysis and their findings showed that market capitalization, All – Share index and number of listed companies were positively related to and capable of influencing Gross Domestic Product while the second model revealed that volume of transactions and market capitalization were positively related to Gross Fixed Capital Formation. More surprisingly, they pointed out that ‘gross fixed capital formation is not financed significantly by the capital market’. They concluded by supporting the contributory role of the capital market in ensuring socio – economic development in Nigeria. Kolapo and Adaramola (2012), examined the impact of the Nigerian capital market on economic growth from 1990-2010 adopting the Johnson Co integration and Granger Causality test. They found the existence of bi-directional causality between the country’s economic growth and value of stock traded, as well as a unidirectional causation from market capitalization to economic growth and most surprisingly, an independent causation was

revealed between gross domestic product and total new issues as well as GDP and total listed equities and government stock. Considering these findings, they recommended that the impediments to the Nigerian capital market should be reviewed and the regulatory bodies of the capital market should be more active in its surveillance role.

Osinubi and Amaghionyeodiwe (2003), examine the relationship between Nigeria stock market and economic growth during the period 1980 to 2000, using Ordinary least square regression. The results show that there is a positive relationship between the stock market development and economic growth. They therefore suggested that government should pursue policies that are geared toward rapid development of the stock market. Abu (2009), examines whether stock market development raises economic growth in Nigeria, by employing the Error Correction Approach. The econometric results indicate that stock market development raises economic growth. He however encouraged SEC to facilitate the growth of the market, restore the confidence of stock market participants and safeguard the interest of shareholders by checking sharp practices of market operators.

## **Theoretical Review**

### **Efficient Market Hypothesis (EMH)**

EMH is popularly known as the random walk theory developed by Fama (1965) as an academic concept which provides a framework for examining the efficiency of the capital market; it is one of the theoretical exploits of capital market-economic growth relationship. An efficient market is the term used to describe a market where investors cannot outperform their rivals by generating abnormal risk-adjusted returns in a consistent manner. With the intention to maximize their wealth, investors utilize information that is accessible to them as tools in trading available assets in the capital market. The EMH predicts that market prices should incorporate all available information at any point in time, and explains that that current stock prices fully reflect available information about the value of the firm, and there is no way to earn excess profits (more than the market overall), by using this information which has very important implications for investors as well as for financial managers. The relevant test of efficiency is whether prices incorporate all information that is available at the time.

### **Neoclassical Growth Model**

This is another relevant theory developed by Solow (1956). The model posits that diminishing returns would finally cause economic growth to die down. The basic proposition of growth theory is that, in order to sustain a positive growth rate of output per capita in the long run, there must be constant advances in technological knowledge in the form of new goods, new markets, or new processes. In the growth theory, three factors are put forward, namely: labour growth, capital accumulation, and technical progress. The neo-classical growth theory expressed the sources of growth as consisting of the growth of labour force  $g(L)$ , growth of capital stock  $g(K)$ , and growth of productivity or technical progress ( $v$ ). Constant returns are assumed for the growth, since the growth of capital stock also depends on national income.

## **METHODOLOGY**

The research design employed for the purpose of this research is longitudinal research design. The data used for this study are basically time series data covering 1999 to 2019. The choice of the period 1999-2019 was deliberate in order to know how capital market development has impacted on Nigeria's economic growth since the return to democratic rule in 1999. The data were sourced from the central bank of Nigeria statistical bulletin, and annual reports and accounts of the Nigerian stock exchange. In measuring the impact of the capital market development on economic growth, the study adopted the conventional method of using their proxies. Thus, capital market was proxied by the Total Market Capitalization (TMC), All Share Index (ASI) and Total Value of Stock (TVS), while economic growth was proxied by Real Gross Domestic Product (RGDP). In this study, the researcher adopted the statistical method of multiple regression approach in line with that applied by Olawoye (2011) and Ewah et al (2009). Their studies infer that economic growth is significantly influenced by capital market indices.

The study has, however, made some adaptations to suit the study and the functional relation of the model is given as:  
 $RGDP = f(TMC, ASI, TVS)$ .....(i)

The model is specified as follows:

$$RGDP = \beta_0 + \beta_1 TMC + \beta_2 ASI + \beta_3 TVS + \mu \dots \dots \dots (ii)$$

**Where:**

- RGDP= Real Gross Domestic product
- TMC=Total Market Capitalization
- ASI=All Share Index
- TVS=Total value of stock
- $\beta_0, \beta_1, \beta_2$  and  $\beta_3$ = constant parameters and  $\mu$  = the error term

The procedure in the analysis was multiple regression econometric procedure. The study commenced its analysis with Dickey-Fuller test, to verify the stationary of variables so as to avoid spuriousness of empirical result. The Ordinary least Square (OLS) Regression was employed with the help of E-view 10 package to ascertain the significance of each of the constant parameters, while the diagnostic test based on the coefficient of determination ( $R^2$ ) were used to check for the goodness of fit of the model.

**RESULT AND DISCUSSION**

**Table 1: Descriptive Statistics Result**

Sample: 1999-2019

	RGDP	TMC	ASI	TVS
Mean	2373.858	12217.01	368176.3	1321430.
Median	2636.145	9732.500	297085.5	442994.9
Maximum	4756.160	37217.62	845279.7	9485863.
Minimum	-1092.690	472.3000	63170.30	14072.00
Std. Dev.	1426.694	11122.30	229433.9	2454490.
Skewness	-0.693440	0.862419	0.710394	2.544654
Kurtosis	3.106225	2.671039	2.542805	8.248200
Jarque-Bera	1.612267	2.569402	1.856391	44.53721
Probability	0.446581	0.276733	0.395266	0.000000
Sum	47477.15	244340.2	7363526.	26428608
Sum Sq. Dev.	38673646	2.35E+09	1.00E+12	1.14E+14
Observations	20	20	20	20

*Source: Computed by researcher (2021) using Eviews-10*

From Table 1, it is observable that the mean of each respective distribution is not exactly situated at the middle (median) of the distribution. Except for total value of share (TVS), the mean of every other data set is not far away from their respective medians values. This indicates that majority of the individual firms have observations for each respective variable, close to the average observation. This is true as regards to every variable other than total value of share (TVS), whose mean is far above its respective median, suggesting that the majority of the firms have total value of share figures lower than average total value of share (TVS). This presupposes that only few industries carry the large proportion of the total value of share (TVS) in the capital market. It suggests high concentration or dominance of few on the many, thereby making competition difficult for the smaller firms or firms that might have newly enter the industry.

Looking at the standard deviation on the basis of the assertion that 60% of a normally distributed data set falls within the range of  $\pm 1$ , it is evident that the entire variable have standard deviation values out of this range. On the basis of standard deviation therefore, it can be concluded that RGDP, TMC, ASI and TVS are not normally distributed. The skewness indices for all the other data sets seem to be positive, indicating more observations to the left of the normal curve, except for RGDP that seem to be negative. As it is, data outlier is normally associated with negative skewness. With regards to kurtosis, all the variables have extreme peaks that are above normal peak, as their kurtosis figures are above the normal kurtosis of 0 or near 0. On the basis of kurtosis, none of the data sets can be qualified as

normally distributed. In addition to the above, a theory-driven test for normality was also explained using Jarque-Bera. The outcome of the Jarque-Bera test reported probability is the probability that a Jarque-Bera statistic exceeds (in absolute value) the observed value under the null hypothesis - a small probability value leads to the rejection of the null hypothesis of a normal distribution. Thus, if the P- value is significant, the null should be rejected and the data be regarded as not normally distributed. From table, it can be evident that Total Value of Share (TVS) is not normally distributed. The statistic is significant at 5% (i.e.  $p < 0.05$ ). Looking at the remaining variables, RGDP, TMS and ASI which are not significant; all the data sets are hereby statistically qualified as normally distributed except for Total Value of Share (TVS).

**Diagnostic Test**

A test to determine whether the variable under investigation the Augmented Dickey Fuller Test and the results are shown in Table 1 below;

**Table 2. Summary of ADF unit Root Test for the series of RGDP, TMC, ASI and TVS**

VARIABLES	Deterministic Term	Lags	t-statistic	5% critical value	Remarks
RGDP	C	0	-3.103646	-2.975224	Stationary
	C,t	0	-3.307104	-3.602202	Not stationary
TMC	C	0	-8.351772	-2.87225	Stationary
	C,t	0	-8.208022	-3.505501	Stationary
ASI	C	0	-0.382663	-2.886225	Not stationary
	C,t	1	-4.160643	-3.544853	Stationary
TVS	C	0	-2.451165	-2.875224	Not stationary
	C,t	1	-4.227342	-3.512188	stationary

*Source: Researchers Computation (2021) using (E-views 10)*

The Table 1 above shows that the first difference of the natural logarithm of the total market capitalization (TMC) is stationary when deterministic term contains both constant and constant and trend. The first difference of natural logarithm of Real Gross Domestic Product (RGDP) is stationary when deterministic term contains a constant. Also, the natural logarithm of the all share index (ASI) and total value of stock (TVS) are stationary when deterministic term contains constant and trends.

**Model Analysis**

**Table 3: Result of the OLS Regression**

Dependent Variable: RGDP  
 Method: Least Squares  
 Date: 03/24/21 Time: 11:58  
 Sample (adjusted): 1999 2018  
 Included observations: 20 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	2810.691	645.0370	4.357410	0.0005
TMC	-0.070787	0.060824	-1.163803	0.2616
ASI	0.000754	0.003091	0.243984	0.8103
TVS	0.000114	0.000147	0.772045	0.4513
R-squared	0.612446	Mean dependent var		2373.858
Adjusted R-squared	0.583905	S.D. dependent var		1426.694
S.E. of regression	1402.299	Akaike info criterion		17.50647
Sum squared resid	31463097	Schwarz criterion		17.70562
Log likelihood	-171.0647	Hannan-Quinn criter.		17.54535
F-statistic	0.022266	Durbin-Watson stat		1.975920
Prob(F-statistic)	0.033927			

Researcher’s computation (2021) Source: E-views 10

The result in Table 2 above shows that all share index and total value of stock have positive effect on GDP growth rate, while total market capitalization has negative effect on RGDP growth rate, but none of these effects is significant (P-values > 0.05). The coefficient of determination  $R^2$  shows how well the model fits the sample data, and about 61% has been accounted by the model. This value implies that 61% of the variation in economic development is explained by the independent variables. It shows a good fit for the model since greater variation of the dependent variable is accounted for by the variables in the model. The F-test which tests the significance of  $R^2$  and the joint significance of parameters is statistically significant at 5%. This fact confirms the goodness of fit implied by the  $R^2$ ; and shows that all the independent variables put together contribute in influencing economic growth. The Durbin-Watson statistic of 1.97 is within the acceptable range of 1.5 to 2 for a sample of at least 50 observations.

**Discussion of Findings**

The researcher’s findings show that total market capitalization all share index and total value of stock are all joint predictor of economic growth provide by RGDP, though insignificantly. The all share index and total value of stock exert insignificant positive influence on RGDP growth rate while the total market capitalization has insignificant negative effect on economic growth. The implication of the result is that an increase in all share index and total value of stock will insignificantly increase GDP, and this is supported by Nosakhare and Samson (2015), Osinubi and Amaghionyeodiwe (2003), Abu (2009), and Ewah et al (2009), who in their different studies, found that capital market has positive impact on economics growth in Nigeria even though insignificant. Ewah etal (2009) made it abundantly clear that although capital market exerts positive influence on economic growth, it has not contributed meaningfully (significantly) to the growth of the Nigerian economy.

This position, conversely, slightly disagrees with Kolapo and Adaramola (2012) and Ubogbo and Aisien (2019) amongst others who argue that the positive impact of capital market on economic growth is significant. However, the



positive coefficients (0.000754 and 0.000114) shows that all share index and total value of stock respectively if increased, have the capacity to trigger economic growth. Another implication of our result is that the total value of stock exerts an insignificant negative influence on GDP growth rate. Furthermore, the coefficient of determination ( $R^2$ ) of 61% shows that about 61% variation in GDP growth rate are explained by change in capital market variables, while about 39% are accounted for by variables outside our model. Therefore, the model is good fit for the relationship and for economic policy formulation.

The result of the hypothesis shows that the effect of capital market on economic growth, whether negative or positives, is not significant (p-values: 0.2616, 0.8103 and 0.4513 $>\alpha$ ) hence we accept the null hypothesis and therefore conclude that capital market has no significant impact on economic growth in Nigeria.

## **CONCLUSION AND RECOMMENDATIONS**

This study examined the impact of capital market development on the growth of the Nigerian economy. Capital market was proxied by total market capitalization, all share index, and total value of stock, while economic growth was proxied by the real gross domestic product.

The ADF unit root was adopted to test the level of integration of the variables, and all the variables attained stationarity. The method of ordinary least square regression was employed in the analysis, and the results showed the following: all share index and total value of stock have positive effects on RGDP growth rate; and total market capitalization has negative effect on the RGDP growth rate, but none is significant. Hence, the study concludes that capital market development has not significantly impacted on economic growth in Nigeria. Given the foregoing, the following recommendations are being put forward:

- i. Government should restore confidence in the capital market by showing true commitment and sincerity of purpose in the capital market probe. The findings recommendation of the investigation panel should be fully implemented to restore sanity and confidence in the market.
- ii. There is need for a diversified investment instruments in the capital market whereby debt and derivative instruments will assume as much prominence as ownership instruments.
- iii. Government should do everything possible to provide a safe and conducive investment climate by nipping in the bud, the prevalent activities of terrorist and kidnappers. This will not only encourage the Nigerian investors, but also attract foreign investors into the Nigerian capital market.

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