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## Impact of Capital Market Activities on the Nigerian Economy

Ikeobi, Nneka Rosemary

Department of Actuarial Science,

Faculty of Management Sciences, University of Jos, Jos, Nigeria.

Email: [nikeobi2002@yahoo.com](mailto:nikeobi2002@yahoo.com)

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### ABSTRACT

This paper assesses the impact of capital market activities on the Nigerian economy by examining relationships between capital market indicators and economic growth using a multiple regression model. Gross domestic product (GDP) was used as proxy for economic growth while market capitalization (MCAP), number of deals (NODL), value of deals (VALD) and all-share index (ASI) were used as proxies for capital market activities. Money supply (MS) and credit to private sector (CPS) were included in the model as control variables. The results revealed that market capitalization and value of deals had positive but insignificant impact on the economy, while number of deals and all-share index had negative and insignificant impact. These findings indicate that the Nigerian capital market has not impacted significantly on the Nigerian economy by efficiently channeling funds for real sector investment. The negative relationship between economic growth and number of deals and all-share index is indicative that the Nigeria capital market is generally illiquid and points to its inefficiency in its ability to channel funds to the real sector of the economy for productive investment. The implication of these findings is that capital market regulators should intensify efforts aimed at removing all identified impediments to capital market operations to make it more attractive and accessible to firms seeking long-term funds.

**Keywords:** Capital Market, Capital Mobilization, Capital Allocation, Finance, Economic Growth, Nigeria

### INTRODUCTION

The capital market provides the mechanism for financial intermediation over the long term between financial surplus units and financial deficit units. In other words, it is that arm of the financial system that ensures that long-term growth and development funds are pooled from individuals and institutions with money to invest and subsequently channeled to those in need of investment funds, such as firms for their operations and expansion and also to the government to fund infrastructure. By this they form the channel for the flow of long-term financial resources among the economic sectors. The capital market has

been described as the institution which contributes to the socio-economic growth and development of developed and emerging countries (Donwa & Odi, 2010). The financial intermediation role of capital markets involves the mobilization and allocation of capital. Capital mobilization refers to obtaining and pooling of funds from savers or surplus units such as individuals, households and business firms and making these funds available to users or deficit units who are mainly businesses and government. Capital allocation refers to the channeling of the mobilized funds to those areas where the best returns can be realized. The degree to which the capital market is able to achieve this depends on how efficient the market is, which in turn depends on the level of development of the market as well as the savings habit of the populace. Gurley and Shaw (1955) identified one of the major differences between developed countries and the less developed ones as the attainment of a higher level of financial system development in developed countries. The real sector of an economy is that part saddled with the responsibility of producing goods and services for the well-being of the citizens. Its activities cut across agriculture, manufacturing, construction, mining, water resources, and technology, among others. The activities in these various sub-sectors bring about increases in the value and quantity of goods and services and eventually result in economic growth. When economic growth is sustained, it leads to economic development and eventually to poverty reduction.

Economic growth is triggered and/or enhanced when there is continuous flow of funds, particularly long-term funds in large volumes, which can best be provided by a virile capital market. Well-functioning capital markets apart from promoting real sector growth through faster capital mobilization have also been reported to improve economic efficiency by way of better resource allocation. As pointed out by Bhattia and Khatkhate (1975), it is the uses to which the mobilized resources are put by the financial institutions that is crucial in determining the appropriateness of these institutions as a link between savings and investment activities. Similarly, Beck, Levine and Loayza (2010) stressed that it is through resource allocation and fostering productivity growth



rather than through pure capital accumulation that finance has a more important impact on growth. Clearly, the critical function of financial intermediation is not just intermediating society's savings, but also allocating them to their best uses to ensure economic growth. This means that it is not just the volume or quantity of funds that is important, but rather where these funds are deployed to and whether the funds have been efficiently and effectively utilized. Thus, the development of capital markets is necessary to achieve full efficiency of capital allocation as capital markets can finance large, risky, productive and innovative investment projects.

Capital markets play a crucial role in the financial and economic development of a country by acting as conduits through which funds from surplus sectors of the economy are channeled to the deficit sectors for investment purposes. This fundamental role dictates the benchmark by which the market efficiency is measured. Consequently, the performance indicators of the capital market include the trend in the number of listed companies, listed securities, market capitalization and the all-share index (Masha, Essien, Musa, Akpan & Abeng, 2004). Another benchmark for evaluating the performance of the market is the accessibility, cost and quality of information available to players in the system. In the pricing of new issues, information availability strengthens the bargaining power of both issuers and investors. Efficient and developed capital markets are able to carry out seamless transmission of information in the market. Stock market liquidity has been used to measure allocation efficiency which is an indication of information availability. Conventionally, the size of a country's capital market, measured by the value of listed shares is used to proxy directly for funds mobilized and supplied to firms (Giannetti, Guiso, Japelli & Pagano, 2002). The larger the supply of funds, the more the number of investment projects that can be funded and the higher the growth rate of the economy. The stock market capitalization does not measure how much firms have invested, but it gives an indication of the potential to raise funds for investment in the capital market.

In addition to size measures, some efficiency measures have been used to proxy for market development. High capital market capitalization may be coupled with low levels of activity. This lack of liquidity will increase the risk premium firms will have to pay as investors will want to be compensated for holding illiquid assets. Measures of capital market activity are correlated with the information produced about the stock market, since high turnover generally implies that more market participants produce information about the prospects of quoted companies and trade on the basis of such information. Therefore the turnover ratio, the all-share index and other activity measures have been used to measure capital market liquidity and allocation efficiency. The all-share index shows the changing average value of the share prices of all companies on a stock exchange, and is used as a measure of how well a market is performing. Turnover ratio is the ratio of the value of total shares traded to stock market capitalization. Other measures like number of transactions and value of transactions have also been used to measure stock market liquidity. The importance of capital market development in the growth process of the developed countries of the world has been highlighted in a number of empirical studies. These studies (Atje & Jovanovic, 1993; Levine & Zervos, 1998; Rousseau & Wachtel, 2000; Beck & Levine, 2002) which focused on the finance-growth link show that industries and firms located in economies with well-developed capital markets have grown faster than those located in economies with weak capital markets. Wurgler (2000) explored international differences in the efficiency of real capital allocation and found that financial markets are behind a considerable proportion of these differences and that relative to financially undeveloped countries financially developed countries invest more in growing industries and cut it more in declining industries. This, he found is because although financially developed countries may not invest at a higher level, they tend to allocate their investment better. He also found that the elasticity of industry value-added is several times higher in the United States, the United Kingdom, Germany and Japan than in financially less developed countries like Bangladesh, Panama, Turkey and India. From this result, it appears that capital market development enables a country to take better advantage of its investment



opportunities and therefore contribute to a fundamental allocation function. It follows therefore, that a developing country that aspires to achieve an advanced economy must of necessity establish a viable capital market. Capital markets ensure that idle funds are properly channeled to investment activities which bring about economic growth and development of a nation.

The Nigerian capital market has witnessed growth over the years in terms of market capitalization, but the same cannot be said in terms of growth in the number of securities listed on the Nigerian Stock Exchange. Trading commenced at the Nigerian Stock Exchange in 1961 with 9 securities listed. In 2007 less than 1% of the registered companies in Nigeria were quoted on the Nigerian Stock Exchange, with only 214 equities listed. By 2016 the number of listed companies and listed equities stood at 184 and 190 respectively. At 31<sup>st</sup> December 2019, the number of listed securities rose to 307 from 286 at 31<sup>st</sup> December 2018, while the number of listed companies fell to 160 from 164 at end-December 2018. The number of listed bonds rose appreciably to 132 from 108 recorded at the end of 2018. The number of listed equities in contrast, fell to 165 from 169 at the end of 2018 (CBN, 2019). As at December 31<sup>st</sup> 2020, the number of listed securities remained at 307, but the number of listed companies had fallen further to 156, while number of listed bonds had risen to 134 (Nigerian Stock Exchange, 2020). The decrease in the number of companies listed on country's stock exchange from 215 enterprises in 2010 to 156 in 2020 is an indication that the Nigerian capital market has not been able to generate adequate levels of financial securities which would bring about fund mobilization for investment. This apparent inability of the Nigerian capital market to adequately mobilize capital and channel it efficiently to the producing sectors has serious implications for the growth and development of the economy. It follows that if the economy is to achieve meaningful and sustainable growth and development, then the capital market must be able to carry out its role of mobilizing and channeling funds to the producing sectors of the economy efficiently and effectively. The contribution of the Nigerian capital market has been a subject of a number of studies, with

mixed and divergent positions of the various authors. While some authors (Kolapo & Adaramola, 2012; Okoye & Nwisienyi, 2013; Idris, 2020) reported that the Nigerian capital market has made positive and significant contributions to the economy, others (Josiah, Adediran & Akpeti, 2012; Ikeobi, Msheliza & Bulus, 2016; Akpokerere & Okoroyibo, 2020; Eneisik et al., 2021) are of the opinion that the Nigerian capital market has not been able to significantly mobilize and effectively channel adequate funds to the real sector of the economy.

Studies have shown that most Nigerian businesses and firms lack adequate finance. For instance, Onuoha (2013) identified inadequate finance as one of the major problems of the manufacturing sector. Since the growth process of the Nigerian economy depends to a large extent on the development of the real sector because of its potential to provide goods, services and employment to its citizens, its financing deserves more than a cursory attention. The Nigerian capital market which was established to be a source of long-term funding for the real sector can therefore be assessed in terms of how it has impacted the economy through its financial intermediation role which involves mobilization of savings and also channeling or allocation of such funds to the productive sectors where they can result to economic growth. In assessing the role of the capital market, it follows that its activities be investigated to assess the extent to which it has been able to perform these functions. The question is to what extent has the Nigerian capital market been able to impact the economy? The specific objectives are to determine the impact of capital market activities on economic growth. The findings would be beneficial for capital market development policy in Nigeria.

## REVIEW OF RELATED LITERATURE

### Theoretical Literature

The rate of growth of an economy is determined by the accumulation of physical and human capital, the efficiency of resource use and the ability to acquire and apply modern technology (Odoko, Okafor & Kama, 2004). Consequently, finance has been adjudged to be an important determinant of investment and therefore of growth as the acquisition of



all these resources depend on the availability of financial capital. Since finance is critical to investment and growth, financial institutions must be able to pool savings and direct them to viable investments. The primary functions of financial institutions are to aggregate savings of investors and allocate these funds to investment projects. This pooling or aggregation of savings is imperative considering that many investments require funds that cannot be provided by any single investor. Financial intermediaries mediate between the providers and users of funds, by pooling the savings of many investors and by so doing enable the undertaking of large-scale projects.

The theory of financial intermediation became formalized following the works of Goldsmith (1969), Mckinnon (1973) and Shaw (1973). They saw financial markets as playing a crucial role in economic development, attributing the differences in economic growth across countries to the quantity and quality of services provided by financial institutions. Goldsmith (1969) reported a significant association between the level of financial development and economic growth. He attributed this positive correlation to the positive effect that financial development has on encouraging more efficient use of capital stock. In their work on financial intermediation, Mckinnon (1973) and Shaw (1973) attributed the differences in economic growth across countries to the quantity and quality of services provided by financial institutions and argued that policies leading to the repression of financial markets reduce the incentive to save. This view is in contrast with Robinson (1952) who argued that the general tendency is for the supply of finance to move with the demand for it. He explained that when a strong impulse to invest is hampered by lack of finance, devices are invented to release it, and then institutions are developed. The Robinson view is that as the economy grows, there is a natural tendency for the financial sector to expand. This means that economic growth will lead to the expansion of the financial sector. Going with the Robinson school of thought, Goldsmith (1969) attributed the positive correlation between financial development and the level of real per capita Gross National Product (GNP) to the positive effect that financial development has on encouraging more efficient use

of the capital stock and also to the feedback effects that growth has on financial markets by creating incentives for additional financial development.

Financial intermediaries are necessary because there are imperfections which come from incomplete information and transaction costs. Financial intermediaries therefore came up to connect those with surplus funds (savers) with users of these funds. According to the theory of financial intermediation, financial intermediaries exist because imperfections in the market prevent savers and users of funds from transacting directly with each other in an optimal way. Furthermore the theory explains that financial intermediaries can improve the efficiency of capital allocation in the economy by increasing the level of funds that are pooled from investors and channeled to user firms due to their capacity to lower transaction costs, effectively acquire and process information about the firms and also provide liquidity. Capital markets can do this because of the financial intermediation capacity to link surplus sectors (savers/investors) with the deficit sectors (user firms) of the economy. Capital markets specialize in collecting information, monitoring firms' performance and risk sharing. Thus when there are changes to the information structure and to variables which may be used to achieve capital allocation such as share price and returns on investment, these will in turn cause the nature and degree of capital allocation to alter. However, as pointed out by Andries (2009), financial institutions that are not sufficiently developed will fail to perform financial intermediation efficiently. This is because they may either fall short of receiving all potential savings in the economy or divert most of the savings away from productive investments. Therefore, by increasing the proportion of resources society saves and/or by improving the ways in which these savings are allocated, intermediaries can promote economic growth.

### **Empirical Literature**

Initial studies on capital markets and the economy were cross-country studies focused on the relationship between capital market development and economic growth. Many scholars employing different analytical





methods came up with varying and sometimes conflicting results, but many of which had evidence to support a positive relationship between capital market development and economic growth, particularly in developed countries. A number of these studies adopted the growth regression framework in which the average growth rate in per capita output is regressed on a set of variables, controlling for initial conditions and country characteristics as well as measures of financial market development. Levine and Zervos (1996) working with data from 14 countries for the years 1976 to 1993, defined capital market development in terms of a composite index that combined volume, liquidity and diversification indicators. The economic growth indicator used was the real growth rate in per capita gross domestic product (GDP). They reported a very strong positive correlation between capital market development and economic growth. Levine and Zervos (1998) examined the link between capital market development and economic growth. Employing data from 47 countries from 1976 to 1993, they used stock market liquidity (measured as turnover of shares and value traded), size (market capitalization), volatility (twelve months rolling standard deviation), integration with world markets and bank credit for private sector (bank credit to the private sector to GDP) as predictors of economic growth. They found that stock market liquidity is strongly correlated to the rate of economic growth but that capital market size, volatility and international integration are not robustly linked with growth.

Other scholars examined the relationship between capital market and growth in specific countries. Arestis, Demetriades and Luintel (2001) analyzed data for Germany, the United States, Japan, France, and the United Kingdom covering a period of 25 years. Similarly, Vazakidis and Adamopoulos (2009) analyzed data for France for the period 1965 to 2007. These results indicated that these countries have been able to mobilize capital effectively for the development of their economies. In some less developed countries, capital markets have been shown to mobilize domestic savings and allocate funds efficiently. In Asia, Shabaz, Ahmed and Ali (2008), using time series data from 1971 to 2006,

showed that Pakistan has been able to mobilize capital for real sector investment. Mishra, Mishra, Mishra and Mishra (2010) examined the impact of capital market development on the economic growth of India using time series data on market capitalization, total market turnover and stock price index over the period spanning from the first quarter of 1991 to the first quarter of 2010. Their study revealed that there is a linkage between capital market and economic growth in India and that this linkage is established through high rate of market capitalization and total market turnover. The large size capital market as measured by greater market capitalization is positively correlated with the ability to mobilize capital and diversify risk on an economy wide basis. A number of studies have also been carried out in Africa. Yartey and Adjasi (2007) examined the economic importance of capital markets in certain African countries, specifically, South Africa, Ghana, Zimbabwe and Mauritius. They used 3 capital market indicators- market capitalization relative to GDP, value of shares traded relative to GDP and turnover ratio (value traded/ market capitalization). They found out that capital markets have contributed to the financing of large corporations in these countries. Their analysis failed to show conclusive evidence on the impact of capital markets on growth, even though market value traded seemed to be positively and significantly associated with growth.

Adoms, Yua, Okaro and Ogbonna (2020) carried out a comparative study on capital market and economic development of three sub-Saharan African emerging economies, namely, Kenya, South Africa and Nigeria. They used stock market capitalization (SMC), value of stock traded (VST) and stock market turnover ratio (TR) as independent variables and Human Development Index (HDI) as the dependent variable for the period covering 1990 to 2018. They employed Autoregressive Distributed Lag (ARDL) regression, Granger causality and ordinary least squares (OLS) for the comparative single country regression analysis. They found that capital market has significant relationship with economic growth in South Africa and Nigeria, but not in Kenya. A number of scholars in Nigeria have undertaken empirical studies and have also recorded positive relationship. Kolapo and Adaramola (2012) examined



the impact of capital market on the economy from 1990 to 2010. They used market capitalization, total new issues, value of transactions, total listed equities and government stocks as capital market proxies and GDP as economic growth proxy. Applying Johansen co-integration and Granger causality tests, results revealed bidirectional causation between the GDP and the value of transactions and a unidirectional causality from market capitalization to GDP. They concluded that the capital market has a positive impact on the economic growth of Nigeria. Owolabi and Adegbite (2012) examined the effect of capital market operations on the Nigerian economy from 1990 to 2010. They used All Share Index, market turnover, market capitalization and market volume as capital market proxies, while GDP was used as proxy for economic growth. Findings revealed positive significant relationship between market capitalization and GDP. All Share Index, market turnover and market volume all had negative but insignificant relationship with GDP. They concluded that capital market operations had significant effects on the economy in terms of capital mobilization.

Edame and Okoro (2013) examined the impact of capital market on economic growth in Nigeria from 1980 to 2010. They used capital market variables, namely, market capitalization, number of deals and value of transactions as explanatory variables and GDP as dependent variable. Findings revealed positive relationship between value of transactions and economic growth. They also found positive relationship between market capitalization and economic growth. Similarly, number of deals showed positive relationship with economic growth in Nigeria. They concluded that capital market has positive and significant impact on economic growth in Nigeria. Okoye and Nwisienyi (2013) investigated the impact of the Nigerian capital market on the Nigerian economy for the period 2000 to 2010. They adopted GDP as proxy for economic growth and All Share Index, market value, and market capitalization as capital market proxies. The results showed that capital market significantly impacted the economy for the period under study. Okonkwo, Ogwuru and Ajudua (2014) examined the impact of the capital market on the Nigerian economy from 1981 to 2012. They employed market

capitalization ratio, total value traded ratio, market turnover ratio and number of listed companies to proxy capital market activities and real GDP to proxy economic growth. They found no causal relationship between capital market and economic growth. They however found negative impact of total value traded on GDP, an indication that investors were divesting from the capital market resulting in reduced investment in the market.

More recent studies have been carried out in Nigeria. Esian and Ebipre (2020) investigated the impact of capital market on economic growth in Nigeria from 1981 to 2016. They employed market capitalization (MCAP), volume of shares traded (VST), government capital expenditure on health (GCEH) and government capital expenditure on education (GCEE) as explanatory variables and real GDP (RGDP) as dependent variable. Johansen co-integration test showed the existence of long-run relationship among the variables. Regression results revealed that market capitalization impacted positively on Nigeria's economic growth in the long-run, but showed no significant impact in the short run. Volume of shares traded (VST) had positive and significant impact on the economy in the short run, but a negative impact in the long run. They concluded that capital market has the potential to contribute to the economic growth of Nigeria. Idris (2020) examined the impact of capital market development on economic growth in Nigeria covering the period from 1981 to 2019. Using Johansen co-integration test, Granger causality test and OLS technique, they established the existence of positive and long-run relationship between capital market development and economic growth in Nigeria. They further reported the presence of unidirectional causality running from capital market to economic growth for the period under consideration. Ubesie, Nwanekpe and Ejilibe (2020) investigated the impact of capital market on economic growth in Nigeria from 1990 to 2018. They used stock market capitalization as capital market variable. They also included gross fixed capital formation, savings accumulation and labour force as independent variables, while real GDP was used as dependent variable. Employing multiple regression analysis to test the research hypotheses, they found that capital market had significant



positive impact on the economic growth of Nigeria. Akpokerere and Okoroyibo (2020) examined capital market performance as a panacea for economic growth in Nigeria. The study period was from 1986 to 2019. They employed volume and value of stock traded usually associated with capital market liquidity as measures of capital market performance. They used OLS regression technique and found that value of stock traded ratio had negative but insignificant relationship with economic growth, while volume of stock traded ratio had positive but insignificant relationship with economic growth. They concluded that capital market has not impacted the Nigerian economy positively.

Eneisik et al. (2021) investigated the relationship between capital market indicators and economic growth in Nigeria from 1989 to 2019. Market capitalization, All Share Index and total value of transactions traded were proxies for capital market indicators, while real GDP was proxy for economic growth. Using co-integration test, Granger causality test and OLS regression technique, they found that market capitalization had positive and significant impact on real GDP in Nigeria. Results also showed that both All Share Index and total value of transactions had positive but insignificant impact on economic growth. Results further revealed bi-directional relationship between capital market indicators and economic growth in Nigeria. They also found long-run relationship between capital market indicators and economic growth and concluded that the capital market stimulates economic growth in Nigeria.

## METHODOLOGY

### Data

This study aims at providing empirical evidence on the impact of the capital market on the Nigerian economy. Secondary data used for the analysis were obtained from Central Bank of Nigeria Statistical Bulletin. The secondary data included gross domestic product (GDP) which was proxy for economic growth and capital market data for the period 2006–2020. The capital market data are total market capitalization (MCAP), number of deals (NODL), value of deals (VALD) and All-share index (ASI) which proxy for capital market activities. Money supply (MS) and

credit to private sector (CPS) were included as explanatory variables. The study employed a multiple regression model and analyzed with the ordinary least squares technique.

### Model Specification

The model adopted for this study was specified using gross domestic product (GDP) as dependent variable while market capitalization (MCAP), number of deals (NODL), value of deals (VALD) and all-share index (ASI) were used as explanatory (independent) variables. Thus, economic growth is expressed as a function of capital market activities. MCAP was proxy for funds mobilized while NODL, VALD and ASI were proxies for allocation efficiency. Money supply (MS) and credit to private sector (CPS) were included as control variables. In principle, we expect a positive relationship between economic growth and the various proxies of capital market performance if indeed the capital market has been mobilizing and channeling funds to stimulate economic activities.

The general form of our model is as follows:

$$\text{Economic Growth} = F(\text{Capital Market Activities}) \dots\dots\dots (1)$$

Specifically, when the above model is adopted and control variables included, equation 2 can be written as

$$GDP = F(MCAP, NODL, VALD, ASI, MS, CPS) \dots\dots\dots(2)$$

The model is specified as equation 3 as follows.

$$GDP_t = \beta_0 + \beta_1 MCAP_t + \beta_2 NODL_t + \beta_3 VALD_t + \beta_4 ASI_t + \beta_5 MS_t + \beta_6 CPS_t + \varepsilon \dots (3)$$

Where:

*GDP* = Gross Domestic Product.

*MCAP* = Market Capitalization

*NODL* = Number of Deals

*ASI* = All-Share Index

*VALD* = Value of Deals

*MS* = Money Supply

*CPS* = Credit to private sector.

$\varepsilon$  = Composite error term

$\beta_0$  = Constant term (intercept)

$\beta_1, \beta_2, \beta_3, \beta_4, \beta_5$  and  $\beta_6$  are the coefficients to be estimated.



From theoretical expositions and conventions, each model parameter estimate is expected to have a positive sign. Thus, a priori expectations from the model were as follows:  $\beta_1, \beta_2, \beta_3, \beta_4, \beta_5$  and  $\beta_6 > 0$ . The model specified was estimated using the statistical software SPSS. The model was used to test the following hypotheses at the 5% level of significance;

**Hypothesis 1:** Market capitalization has no significant impact on economic growth in Nigeria.

**Hypothesis 2:** Number of deals has no significant impact on economic growth in Nigeria.

**Hypothesis 3:** Value of deals has no significant impact on economic growth in Nigeria.

**Hypothesis 4:** All-Share Index has no significant impact on economic growth in Nigeria.

## RESULTS AND DISCUSSIONS

The result from the multiple regression analysis is presented in Appendix and summarized in Table 1

**Table 1: Summary of Regression Result**

	Coefficient	Standard Error	T-Statistic	P-value
MCAP	.793	.359	2.205	.059
NODL	-.003	.003	-.953	.369
VALD	.605	4.997	.121	.907
ASI	-.143	.151	-.946	.372
MS	4.104	.732	5.606	.001**
CPS	-1.260	.847	-1.488	.175
Constant	22180.736	6067.337	3.656	.006
R Square	.996			
Adjusted R Square	.993			
F Statistic	344.832			.000**

Dependent Variable: GDP. Note: \*\* show significance at 5%

Source: SPSS 22 OUTPUT

From the regression result, the relationship between economic growth (GDP) and the explanatory variables can be determined by the equation:

$$GDP_t = 22180.736 + 0.793MCAP - 0.003NODL + 0.605VALD - 0.143ASI + 4.104MS - 1.260CPS$$

The coefficient of determination, adjusted  $R^2$  is .993. This means that 99.3% change (variance) in the dependent variable can be explained by the independent variables in the model. From the empirical results MCAP and VALD have positive but insignificant impact while NODL and ASI showed negative and insignificant impact on economic growth. For the control variables, while money supply (MS) has significant positive impact (p-values less than 0.05) on the economy, credit to private sector (CPS) has negative insignificant impact on the Nigerian economy. For hypothesis 1 at 5% significance level, the coefficient for total market capitalization (MCAP) is positive but insignificant (p-value more than 0.05). Thus, we fail to reject the hypothesis that market capitalization has no significant impact on the Nigerian economy. The positive and insignificant relationship between MCAP (which is proxy for funds mobilized) and economic growth indicates that the capital market was inefficient in mobilizing funds from the populace during the period under study. This result agrees with that of Esian and Ebipre (2020) who also found positive but insignificant impact of market capitalization on economic growth and disagrees with those of Ubesie et al. (2020) and Enesik et al. (2021) who found significant positive impact.

In the second hypothesis the relationship between number of deals (NODL) and the economy is negative and insignificant (p-value more than 0.05). We fail to reject the null hypothesis that there is no significant relationship between the number of deals and the economy. The negative and insignificant impact on the economy indicates that the capital market was illiquid and therefore inefficient in allocating funds to business enterprises. The result disagrees with that of Edame and Okoro (2013) who found significant positive relationship between number of deals and economic growth. The contrasting results may be due to the time period covered by the studies. In the third hypothesis the relationship between value of deals (VALD) and economic growth is positive but insignificant (p-value more than 0.05). We fail to reject the





null hypothesis that there is no significant relationship between the value of deals and the economy. This also indicates that the Nigerian capital market was not efficient in allocating funds to firm. The result agrees with Eneisik et al (2021) who reported positive and insignificant impact of value of transactions on the economy and disagrees with Edame and Okoro (2013) who found positive and significant relationship. It also disagrees with Okonkwo et al. (2014) and Akpokerere and Okoroyibo (2020) who reported negative and significant impact of value of stocks traded on economic growth. The conflicting results may be due to the time period covered by the various studies. For hypothesis four, the relationship between All-Share Index and the economy is negative and insignificant (p-value more than 0.05). We fail to reject the null hypothesis that there is no significant relationship between the All-Share Index and the economy. The result agrees with that of Owolabi and Adegbite (2012), but disagrees with that of Eneisik et al. (2021) who reported positive relationship between the ASI and economic growth.

These findings from the four hypotheses have shown that although the Nigerian capital market has the potential to mobilize funds from the economy it did not significantly impact the Nigerian economy during the period under study. The positive and significant impact of money supply on the economy and the insignificant impact of market capitalization show that the capital market was not efficient in mobilizing funds from the economy for long-term investment. Similarly the negative impact of CPS is an indication that the banking sector did not channel adequate funds in form of credit for investment in the economy.

## CONCLUSION /RECOMMENDATIONS

This study examined the impact of capital market on the Nigerian economy. The finding from the first hypothesis of this research work has provided empirical evidence that although the Nigerian capital market demonstrated the potential to mobilize funds from the economy and channel same for investment; we conclude that the Nigerian capital market has not impacted significantly on the Nigerian economy by efficiently mobilizing funds for productive investment. The low level of

development of the Nigerian capital market is also indicated by the low level of liquidity. Findings from hypotheses 2, 3 and 4 have shown the low level of liquidity in the market which is indicative of inefficiency in capital allocation in the economy. Based on the findings of the study, the following recommendations have been made towards improving the role of the Nigerian capital market in the provision of funds to the real sector:

1. In order to improve access to the capital market by firms seeking long term funds there is need to remove all impediments that may be preventing firms from seeking funds from the capital market in order to encourage more firms to source for funds from the capital market. There is therefore the need for capital market authorities and policy makers to critically look into the activities and operations of the market to identify any restrictions or constraints hindering entrepreneurs and firms from approaching the market to source for funds. To achieve this, the listing requirements of the Nigerian Exchange Group such as the cost of listing should be revisited with a view to relaxing the stringent areas. This will go a long way to enable more firms to source for long term funds from the capital market.
2. The Securities and Exchange Commission (SEC) and the Nigerian Exchange Group should embark on more awareness creation on the opportunities available in the capital market to take advantage of the untapped potential for sourcing funds for investment from the Nigerian capital market. This will help to attract new listings and new investors into the market.
3. To accelerate level of development in the Nigerian capital market as indicated by the low level of liquidity, there is need to improve on information provision in the market by the operators and regulators. Securities and Exchange Commission (SEC) as the apex market regulator should ensure greater transparency and corporate governance in quoted firms by being more vigilant in their supervisory and monitoring roles. They can do this by sanctioning quoted firms that fail to submit their periodic financial results on a timely basis so that investors can have adequate information that will enable them to make informed decisions on where to channel their funds.



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## APPENDIX REGRESSION RESULT

### Variables Entered/Removed<sup>a</sup>

Model	Variables Entered	Variables Removed	Method
1	CPS, ASI, VADL, NODL, MCAP, MSP <sup>b</sup>	.	Enter

a. Dependent Variable: GDP

b. All requested variables entered.

### Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.998 <sup>a</sup>	.996	.993	3290.11130

a. Predictors: (Constant), CPS, ASI, VADL, NODL, MCAP, MSP

### ANOVA<sup>a</sup>

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	22396519042.947	6	3732753173.825	344.832	.000 <sup>b</sup>
	Residual	86598658.984	8	10824832.373		
	Total	22483117701.931	14			

a. Dependent Variable: GDP

b. Predictors: (Constant), CPS, ASI, VADL, NODL, MCAP, MSP



### Coefficients<sup>a</sup>

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	22180.736	6067.337		3.656	.006
MCAP	.793	.359	.167	2.205	.059
NODL	-.003	.003	-.067	-.953	.369
VADL	.605	4.997	.007	.121	.907
ASI	-.143	.151	-.034	-.946	.372
MS	4.104	.732	1.058	5.606	.001
CPS	-1.260	.847	-.252	-1.488	.175

a. Dependent Variable: GDP

Source: SPSS 22 Output