

Stock Market Liquidity As A Catalyst For Economic Growth In Nigeria.

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Abstract

This study examined stock market liquidity and economic growth in Nigeria (1981-2019). Gross Domestic Product was used as the dependent variable while the explanatory variables were market capitalization. The research adopted the Ordinary Least Square (OLS) regression method to estimate the model of the study. The result from the estimated model above, shows that there is a positive relationship between market capitalization and the Gross Domestic Product of Nigeria (0.707759) though statistically not significant at 5% level of significance. A unit increase in the market capitalization results in an increase in Gross Domestic Product by 70%. The implication of this is that the economy responds favorably to measures taken to increase the total market value of companies quoted on the Nigerian stock exchange. The market capitalization shows the level of capitalization on the stock market and this is the investors' perception of the market, it is affected among others by trading volume and the total value of amount traded on the stock market. There has been a rapid rise in the amount of stock market capitalization over the years and this indicates that the populace has grown interests in the securities listed on the stock market, so more securities were sold which means more profit for Nigerian stock exchange, firms that sold these securities and for Nigeria as a country and this led to the positive effect on the GDP of Nigeria. Also, the overall market size is positively correlated with the ability to mobilize capital and diversify risk on economy-wide basis.

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I. Introduction

The term liquidity is used to signify the ease with which an asset can be converted at its full value into money. To this end, money itself is obviously the most liquid of all assets and is held because of its liquidity with money, one can readily purchase goods and services in the present and in the future. The term catalyst on the other hand is variously defined by various authors, from a chemical point of view, a catalyst is a substance that speeds up the rate of biochemical reaction. Economic growth is generally referring to an increase in wealth over an extended period of time or it is the continuing increase in the volume of production in a country. On juxtaposition of the keywords from the topic as variously defined above, it is obviously clear that the more liquidity the stock market has, the more improvement in economic growth should be looking critically from the above explanation it connotes that there is a strong correlation between stock market liquidity and economic growth.

The whole purpose of a capital market liquidity is that it enables government, banks and other large financial institutions to sell short-term securities to funnel their short-term cash flow needs in deficits. In the institution of an emerging economic like Nigeria, Okere-Onyiah (2004) in Ajaja O.B (2022) states that the capital market liquidity remains the cheapest and most flexible source of financing of the government and companies and remains a critical element in sustainable development of a nation.

Statement of The Problem

Recently there has been a growing concern on the role of stock market liquidity on economic growth and Vice Versa Hon H.W. Siang E.C (2008). The stock market provides a medium for capital market activities and it is often cited as the barometer of business direction. Looking critically to the happening in Nigeria today, thus an increase in market liquidity ever gives rise to economic growth? Is there any relationship in increase in stock market liquidity and economic growth in Nigeria? What are the necessary conditions that need to be put in place for stock market liquidity to contribute significantly to economic growth and development in Nigeria? These and many more questions prompt this researcher to embark on the paper just to find out if there is any relationship between economic growth and stock market liquidity by taking into consideration Nigeria's situation.

Objective of the Study

The objectives of this research was to examine stock market liquidity and economic growth in Nigeria.

The specific objectives of this research **are to:**

1. Empirically examine the trend of stock market liquidity in the Nigerian stock market
2. determine whether or not stock market liquidity is a statistically significant determinant of economic growth in Nigeria
3. investigate the impact of the Nigerian stock market liquidity on the growth of the economy.

Research Questions

To be able to accomplish the aim and objective of the study, the following research questions shall be answered:

- (1) what are the trend of stock market liquidity in the Nigerian stock market?
- (2) whether or not stock market liquidity is a statistically significant determinant of economic growth in Nigeria
- (3) What are the impact of the Nigerian stock market liquidity on the growth of the economy?

Research Hypotheses

The following research hypotheses were formulated to guide the study:

H01: Stock market liquidity has no significant on economic growth in Nigeria

H02: Stock market liquidity is a statistically significant determinant of economic growth in Nigeria

Ho3: Nigeria stock market liquidity has significant impact on economic growth in Nigeria

Significance of the study

The study will help in promoting a positive relationship between efficient stock markets and economic growth, both in short run and long run and there will be evidence of an indirect transmission mechanism through the effect of stock market development on investment.

The finding will also help in providing a service that boosts economic growth in Nigeria.

Furthermore, stock liquid markets will help the private investors and government to improve the allocation of capital and enhance prospects for long term economic growth through the facilitation of longer term, and more profitable investments.

Moreover, stock market liquidity will help to provoke the establishment of more investment by making investment less risky and more profitable.

Finally, liquidity of stock markets will also facilitate profitable interactions between the stock market and the money market. In this way, shares will become easily acceptable as collateral for bank lending, thereby boosting credit and investment

The Trend of Stock Market Liquidity in the Nigeria

This study examined the impact of stock market liquidity on economic growth of Nigeria between the years 1980 and 2012. With the use of views 5.0 econometric software tests for stationarity using the augmented Dickey-Fuller approach was carried out while the ordinary least square (OLS) techniques was employed to estimate the basic model specified for the study. The result of the analysis of data revealed that variables were stationary at their first differences while Johansen co-integrating relationship at the 5 percent level of significance. The study found, surprising that stock market liquidity was not a statistically significant variable explaining economic growth in Nigeria for the period under study.

The stock market had been defined in different ways by various research over the years. Generally, however the stock market is an economic institution which is expect to promote efficiency in capital formation and allocation. A unique benefit of stock market to corporate entities is the provision of long-term, non-debt financial capital. Through the provision of equity capital, the market enable companies to avoid over reliance on debt financing, this improving corporate debt-to-equity ratio Yartey and adjasim(2007). Furthermore, the stock market is an integral part of the financial system that is equipped with efficient delivery mechanism for mobilization and allocation, management and distribution of long term funds Alile and Anao(1986), Pauder(2005) cited in Shabaz et al (2008).

Market liquidity according to Investopedia (2013), is defined as an assets ability to be sold without causing a significant movement in the price and within minimum loss of value. Apparently, it is widely known that money or cash in hand is the most liquid asset which can used immediately to perform economic actions like buying, selling or paying debts, meeting immediate needs and wants etc. a liquid market is one whose assets are easily and rapidly sole with minimum loss of value, at any time within market hours. Trend analysis examine the trend of stock market liquidity in the Nigerian stock exchange over the period under study.

Empirical Studies

In Nigeria, Liquidity-Growth empirical literature are brimming with differing views: those in favor of a positive or a negative liquidity-growth relationship and those who neither argue in favor of a positive relationship nor argue in disfavor of the same for instance, Nzotta (2002) literature measured stock market liquidity by the total value of shares traded as a share of GDP. He pointed out a link between stock market liquidity and economic growth asserting that this ratio varies with the relative ease of trading the conclusion from the study showed that the ease in trading activities of the stock market culminated into growth-led investment in the country. A study by Ohiomu and Enabulu (2011) also revealed a positive relationship between the value of shares traded and GDP in Nigeria.

Other recent empirical studies on liquidity growth nexus which support the positive impact argument include those of Josiah et al. (2012) which involved time series analysis with data collected from the central bank statistical bulletin from the period of 1992-2007, employing the ordinary least square and Cochrane-Orcutt iterative methods. Using value of transactions and number of deals to measure stock market liquidity. The study found that both variables were positively correlated to GDP. The implications of the finding were that the volume of transaction in the capital market has contributed positively to the development of the Nigerian economy and that the deals in the capital market have positive impact on the GDP.

Further, recent studies by Alajekwu and Achugbu (2012) agree with the proponents of negative relations in the liquidity-growth nexus. The study used a 15-year time series data from 1994 - 2008 to analyze the relationship between stock market liquidity (value traded ratio and turnover ratio) and economic growth in Nigeria, using the OLS technique of estimation. The results showed that value traded ratios had very weak negative correlation with economic growth in Nigeria formulated by using regression analysis. The test is conducted at 5% level of significance. The period under study as earlier stated is between 1980 and 2012. Additionally, in demonstrating the application of the O.L.S method, the linear regression analysis is used with the growth rate of real per capita GDP (averaged over the period under study, that is, 1980 to 2012) as the dependent variable. Further in the study, we employ a co-integration analysis to determine the long run equilibrium relationship between stock market liquidity variables. The Error Correction Mechanism (ECM) test is finally carried out to examine the percentage of error in the short run which has been corrected in the long run, that is, the speed of convergence. Secondary data is used in this study. The relevant data used is sourced from the publications of the Nigerian Stock Exchange, the Central Bank of Nigeria Statistical Bulletin, the International Monetary Fund (IMF), and the World Bank data. Some of the publications include: the Nigerian Stock Exchange fact book, CBN's statistical reports, CBN's annual reports and statement of accounts for the years under review.

Ifeoluwa I. & Motilewa (2015) conducted a research study on Stock market liquidity and economic growth in Nigeria (1980 to 2012). This study examined the impact of stock market liquidity on economic growth of Nigeria between the years 1980 and 2012. With the use of E-Views 5.0 econometric software, tests for stationarity using the Augmented Dickey-Fuller approach was carried out while the ordinary least square (OLS) technique was employed to estimate the basic model specified for the study. The result of the analysis of data revealed that variables were stationary at their first difference while the Johansen co-integration approach confirmed the existence of co-integrating relationship at the 5 percent level of significance. The study found, surprisingly, that stock market liquidity was not a statistically significant variable explaining economic growth in Nigeria for the periods under study.

Another study by Igbinosa & Uhunmwangho (2019) carry out a research on Macroeconomic Aggregates and Stock Market Liquidity: Evidence from African Stock Markets. Activities in macro-economic environment determines Stock market liquidity. This study aimed to examine macro-economic aggregates (variables) and stock market liquidity in African markets. The selected countries are Nigeria, South Africa, Egypt, Mauritius and Morocco, chosen because of the size of the exchanges in the continent and to expand the scope of the study. Cross-sectional research design was used and data were sourced from World Bank data based for the period 2006 to 2016. Fixed effect panel least squares regression technique was employed in the analysis owing to the fact that it tolerates unbalanced panel data, time constant unobserved heterogeneity as well as serial correlation. The results revealed that macroeconomic aggregate variables significantly explained stock market liquidity in Africa. The forces that account for stock market liquidity are money supply (T-value= -2.1052 and P.Value =0.042 < 5%), inflation (T-value=2.0942 and P.Value =0.043 < 5%), exchange rate (T-value=-1.6804 and P.Value =0.10) and credit to private sector (T-value=2.0980 and P.Value =0.043 < 5%). Though economic growth shows the needed positive sign, it was not statistically significant at 0.05 level. The goodness of fit statistic of the model (R²) impressively stood at 0.9386. On adjustment R-squares was 0.9026, an indication that the systematic variations in the dependent variable (TOR) is taken care of by the variations in the regressors to the tune of about 90.26%. F-statistic value is significant at 1% level, validating that the model has strong predictive power. This study therefore recommends that investors particularly foreign portfolio investors, pay

Careful attention to macroeconomic forces of national economies because of the great potentials they hold in influencing stock market returns.

Similar study was conducted by Lorne and Alan (2015) on Stock Market Liquidity and Economic Cycles. This paper re-examines the relationship between business cycles and market wide liquidity using a non-linear approach in order to capture the non-linear dynamics of macroeconomic series. Applying both the Markov switching-regime and the STAR models and various proxies for liquidity, this study presents weak evidence that liquidity fundamentals act as leading indicators of future economic conditions. Indeed, the significances of the liquidity measure coefficients are not sufficiently constant and steady under both regimes and both econometric approaches and are even less robust to the inclusion of other explanatory financial variables. Hence, the claim that stock market aggregate liquidity could be exploited to predict the future state of the economy may be premature at best.

Model Specification

The main aim of this study was to examine the effect of the stock market liquidity in the growth process of Nigerian economy. Thus, the model assumes an underlying relationship between some macroeconomic variables that can influence the economic growth of a nation measured as Gross Domestic Product (GDP). With regards to the merits of the Ordinary Least Square (OLS) modeling method, the multiple linear regression analysis was used with the dependent variable as Gross Domestic Product while the explanatory variables were Market Capitalization, All Share Index, and Inflation Rate. This study therefore presents a model below relating GDP to some other macroeconomic variables.

$$GDP = f(MC, ASI, INFR, \mu) \dots\dots\dots (1)$$

The explicit form of Equation 1 is represented as follows:

$$GDP = \beta_0 + \beta_1 MC + \beta_2 ASI + \beta_3 INFR + \mu_t \dots\dots\dots (2)$$

Where:

- GDP= Gross domestic product
- SMC= Stock of Market capitalization
- ASI= All Share index
- INFR= Inflation rate
- μ_t = Error term
- β_0 = Constant term
- β_1, β_2 and β_3 are regression coefficients.

To test the existence of a significant relationship among the variables expressed in equation 2, the null and alternative hypotheses are stated as follows:

$$H_0: \beta_1 = \beta_2 = \beta_3 = 0$$

(Stock market liquidity does not have a significant effect on Nigeria’s economic growth).

$$H_1: \beta_1 \neq \beta_2 \neq \beta_3 \neq 0$$

(Stock market liquidity has a significant effect on Nigeria’s economic growth).

A Priori Specification

On the basis of a priori specification;

$\beta_{GDP/\beta_{SMC}} > 0$: There is a direct relationship between GDP and Market capitalization. A growth in MK is indicative of greater financial interest of the populace in the real sector, which will serve to boost GDP.

$\beta_{GDP/\beta_{ASI}} > 0$: There is a direct relationship between GDP and All share index. When the level of activities in the stock market is high, people will rather invest more in the real sector and as a result increases the GDP.

$\beta_{GDP/\beta_{INFR}} < 0$: There is a negative relationship between GDP and inflation rate; inflation is the general increase in the prices of goods so when inflation rate is high, goods will become expensive, likewise stocks, people will buy less and this indirectly reduces the GDP.

Estimation Techniques

The estimation techniques to be used for this study is the ordinary least square (OLS) method of multiple regression in evaluating the impact of stock market on the economic growth in the Nigeria economy between 1981 and 2019. The study adopted OLS techniques for the single equation of the model.

Test of Statistical Significant

The various statistical test of significant examined are discussed below.

The F-test

An F-statistic is the statistical test in which the test statistic involve F-distribution under the null hypothesis. It is most often used when comparing statistical models that have been fitted to a data set in order to

identify the model that best fits the population from which the data were sampled. i.e. it measures the overall fitness of the model.

R-square test

The R^2 is the square of correlation coefficient and also popularly known as the coefficient of determination that show the percentage of the dependent variables

being explained by the explanatory variables. It measures the goodness of fit of the model i.e. it measures the extent to which the explanatory variables are responsible for the changes in the dependent variable.

The standard error test which is a measure of the dispersion of estimates around the true parameter will be carried out, this will judge the reliability or significance of the estimates of the regression coefficient i.e. the parameter estimates. The standard “t” ration performs the same functions with the standard error test but give due consideration to the level of significance which are traditionally 99% and 95% level of significant.

T-test

T-test is another type of statistical test involved in OLS technique which is defined as statistical hypothesis test follows a t-distribution under the null hypothesis. It can be used to determine if two set of data are significantly different from each other. A t-test is a statistical significance that indicates whether or not the difference between two groups average most likely reflect a “real” difference in the population from which the group were sampled.

Durbin Watson (D.W) test

Durbin Watson test (D.W) is the statistical technique used to carry out auto correlation of result gotten from regression. This aim at testing whether the error term in one-time period is correlated with the subsequent or proceeding period. It also indicates testing for the serial correlation.

One of the underlying assumptions of the ordinary least regression is that the succession values of the random variables are temporarily independent. In the context of the series analysis, this means that an error {Ut} is not correlated with one or more of previous errors {Ut-1}. The problem is usually dictated with Durbin Watson {DW} statistics. The Durbin-Watson’s test compares the empirical dL and du in d-w tables to their transforms {4-dL} and {4-dU}.

Decision Rule:

- If $d^* < DL$, then we reject the null hypothesis of no correlation and accept that there is positive autocorrelation of first order.
- If $d^* > \{4-dL\}$, we reject the null hypothesis and accept that there is negative autocorrelation of the first order.

Source of Data

The data for this study was obtained mainly from secondary source particularly from Central Bank of Nigeria (CBN) Statistical Bulletins and Nigeria Stock Exchange (NSE).

II. Result And Discussion

The study employed the use of econometric tools in the analyses of the variables shown in the model. The data used in the estimation for the study were sourced from the Central Bank of Nigeria (CBN) Statistical Bulletin for the period 1981 – 2019 as shown in the table below:

Year	GDP	STR	MCR	INF
1981	94.33	12.49	5.00	20.81
1982	101.01	12.80	5.00	7.70
1983	110.06	16.07	5.70	23.21
1984	116.27	16.63	5.50	17.82
1985	134.59	17.77	6.60	7.44
1986	134.6	18.36	6.80	5.72
1987	193.13	28.66	8.20	11.29
1988	263.29	40.14	10.00	54.51
1989	382.26	62.61	12.80	50.47
1990	472.65	69.33	16.30	7.36
1991	545.66	80.84	23.10	13.01
1992	875.34	120.51	31.20	44.59
1993	1089.68	195.09	47.50	57.17
1994	1399.7	306.41	66.30	57.03
1995	2907.36	529.87	180.40	72.84
1996	4032.3	690.70	285.80	29.27
1997	4189.25	758.97	281.90	8.53

1998	3989.45	859.83	262.60	10.00
1999	4679.21	939.50	300.00	6.62
2000	6713.57	1,020.39	472.30	6.93
2001	6895.2	1,243.26	662.50	18.87
2002	7795.76	1,494.24	764.90	12.88
2003	9913.52	1,783.85	1,359.30	14.03
2004	11411.07	2,871.53	2,112.50	15.00
2005	14610.88	3,614.03	2,900.06	17.86
2006	18564.59	5,303.85	5,120.90	8.24
2007	20657.32	5,889.95	13,181.69	5.38
2008	24296.33	6,776.71	9,562.97	11.58
2009	24794.24	7,897.09	7,030.84	11.54
2010	54612.26	8,992.65	9,918.21	13.72
2011	62980.4	10,325.57	10,275.34	10.84
2012	71713.94	11,843.53	14,800.94	12.22
2013	80092.56	13,702.84	19,077.42	8.48
2014	89043.62	15,704.13	16,875.10	8.06
2015	94144.96	18,028.90	17,003.39	9.01
2016	101,489.49	20,675.86	16,185.73	15.68
2017	113,711.63	21,573.73	21,128.90	16.52
2018	127,762.55	21,918.44	21,904.04	12.09
2019	144,210.9	22,509.26	25,890.22	11.4

Source of Data: CBN and NSC

The E-views package was used in the estimation process and results are presented in tables below:

Presentation of Results

Dependent Variable: GDP				
Method: Least Squares				
Date: 07/10/21 Time: 23:00				
Sample: 1981 2019				
Included observations: 39				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
INF	50.78235	65.45238	0.775867	0.4430
MCR	0.707759	0.570632	1.240307	0.2231
ASI	4.917994	0.605955	8.116101	0.0000
C	-2655.510	1978.976	-1.341861	0.1883
R-squared	0.977744	Mean dependent var		28490.38
Adjusted R-squared	0.975836	S.D. dependent var		41880.01
S.E. of regression	6510.153	Akaike info criterion		20.49703
Sum squared resid	1.48E+09	Schwarz criterion		20.66765
Log likelihood	-395.6920	Hannan-Quinn criter.		20.55825
F-statistic	512.5292	Durbin-Watson stat		0.672441
Prob(F-statistic)	0.000000			

Model Estimation

$$\text{GDP} = -2655.510 + 0.707759\text{MCR} + 50.78235\text{INF} + 4.917994\text{ASI}$$

t-Stat. = 1.341861	1.240307	0.775867	8.116101
P. Value. = 0.1883	0.2231	0.4430	0.0000
R ² = 0.977744			
R̄ ² = 0.975836			
F-statistic = 512.5292			
D.Watson stat = 0.672441			

Interpretation of Result

There is a positive relationship between market capitalization and the Gross Domestic Product of Nigeria (0.707759) though statistically not significant at 5% level of significance. A unit increase in the market capitalization results in an increase in Gross Domestic Product by 70%. The implication of this is that the economy responds favorably to measures taken to increase the total market value of companies quoted on the Nigerian stock exchange. The market capitalization shows the level of capitalization on the stock market and this is the investors' perception of the market, it is affected among others by trading volume and the total value of amount traded on the stock market. There has been a rapid rise in the amount of stock market capitalization over the years and this indicates that the populace has grown interests in the securities listed on the stock market, so more securities were sold which means more profit for Nigerian stock exchange, firms that sold these securities and for Nigeria as a country and this led to the positive effect on the GDP of Nigeria. Also, the overall market size is positively correlated with the ability to mobilize capital and diversify risk on economy-wide basis.

There is a positive relationship between all share index (4.917994) and Gross domestic product of Nigeria. This implies that the level of activity on the stock market do affect GDP because the prices of stocks moves in tandem with market capitalization and how investors demand for stocks, looking at this result using the T-stat and the probability value, we say it is significant. The Nigerian stock market uses all share index that considers an aggregate of the market capitalization of all equities listed on the market and traded.

Therefore, there is a direct relationship between GDP and All share index. When the level of activities in the stock market is high, people will rather invest more in the real sector and as a result increases the GDP.

There is a positive relationship between inflation rate (50.78235) and Gross domestic product of Nigeria. When inflation rate is high, the general prices of goods and services will increase and this will make people buy fewer goods with more money. This thereby reduces the amount they can save because they would want to buy their basic needs. Moreover, when people don't have enough money to provide for their basic needs, they will not bother investing the money they get, so this as a result will affect the buying of securities at the stock market thereby reducing it. An increase in demand will increase the price of a share and also a decrease in demand will lower the price of a share. With high inflation rate, the prices of shares tend to fall. When securities are quoted with their prices higher, it will attract investors, but when prices of securities fall, securities will not be demanded, according to investors, the returns on these securities will be low and this will make the profit of organizations reduce because the prices are low, and when this is so, the income of the country will reduce, so inflation rate has no impact on GDP. This implies that when inflation rises, market share prices tend to fall because the purchasing power of payments is eroded, so also, the number of investments in the stock market reduces which in the long run will reduce income of Nigeria on the part of the stock market contribution to her economic growth. The government cannot rely on rising inflation rate to measure her performance.

To explain the authenticity of these relationships, we consider the coefficient of determination (R^2). This statistic is used to show the extent to which variation in economic growth is explained by stock market indices. The value of the R^2 is 0.977744. This suggests that 97% of the variations in GDP are explained by stock market index.

The presence of autocorrelation violates the ordinary least squares (OLS) assumption that the error terms are uncorrelated. While it does not bias the OLS coefficient estimates, the standard errors tend to be underestimated (and the t-scores overestimated) when the autocorrelations of the errors at low lags are positive. The Durbin-Watson statistic is a test statistic used to detect the presence of autocorrelation in the residuals from a regression analysis. Since the DW is 0.67 we that conclude there is autocorrelation problem in the model.

Hypotheses Testing – Individual Models

T-test

T-test is known as confirmatory test of significance and decision is based on the outcome using 5% level of significance or 95% confidence level. The estimated parameter is significant if the calculated t-value is greater than its critical value at a particular level of significance.

Table 4.1: The Significance of the Estimates

Variables	t*	P-value	Decision Rule
INF	0.775867	0.4430	Not Significant
MCR	1.240307	0.2231	Not Significant
ASI	8.116101	0.0000	Significant
C	-1.341861	0.1883	Not Significant

Source: Author's Computation, 2021.

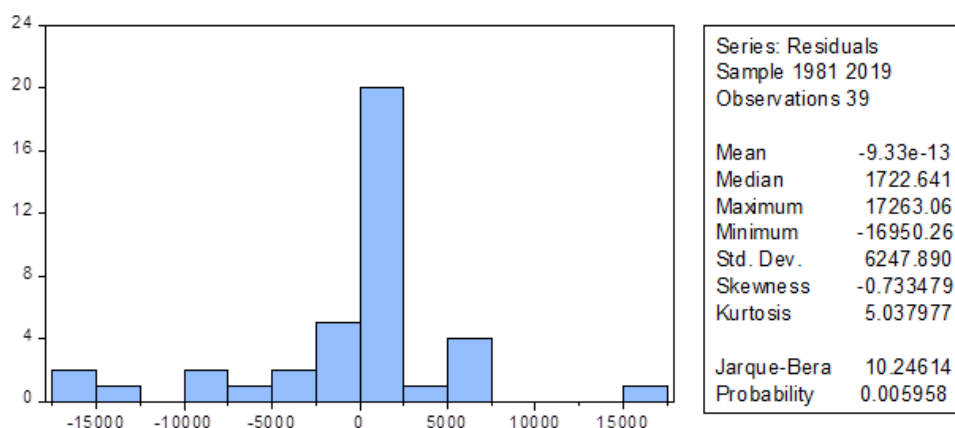
The F-Statistic

To check if the independent variables are jointly significant to explain the dependent variable or the overall significance of the model we use F-statistic. So given the F-statistic value to be 512.5292 with the Probability value of 0.000000 we can conclude that there is a statistically significant relationship between the explanatory variables and the dependent variable. This is because the probability value of 0.000000 is less than 0.05 i.e. at 5% level of significance which led to the rejection of the null hypothesis which states that there exists no significant relationship between the explanatory variables and the dependent variable; hence, the acceptance of alternative hypothesis which states that there exists significant relationship between the explanatory variables and the dependent variable.

Normality Test

Null Hypothesis: residuals (u) are normally distributed

Alternative: Not normally distributed



Jarque-Berra statistics is 10.24 and the corresponding p value is 0.000 (0%). Since the p value is less than 5 percent we then accept alternative hypothesis that the population residual (u) is not normally distributed.

III. Conclusion

The study has shown that prices of shares and other assets is an important part of the dynamics of economic activity and can influence or be an indicator of social mood. An economy where the stock market is on the rise is considered to be an up- and coming economy. The smooth functioning of the activities in any stock market is expected to facilitate economic growth, result in lower costs and reduce enterprise risk and promotes the production of goods and services as well as employment.

Conclusively, our empirical results indicate that economic growth is positively affected by stock market development proxies by market capitalization and all share index to GDP. This supports the argument that the stock market development in developing countries will contribute positively to economic growth.

IV. Recommendations

This study therefore recommends

- That the NSE should put in place newly redesigned processes to ensure that market operators conform to minimum technology standards as part of their registration.
- Existing operators must comply within specified time period.
- The stock market regulatory authorities need to speedily stimulate, revitalize and boost local investor confidence. This will deepen the market and as a result give a solid ground to market capitalization and all share index,
- Moreso, the Security and Exchange Commission should explore the framework for the operation of inter-dealer brokers to facilitate price discovery by market participants and investors as a means of increasing market depth and liquidity.

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