

Capital Market and Economic Growth in Nigeria (1984-2015)

Dr. Abolade Francis AKINTOLA, Abimbola Ayodeji COLE

Department of Finance Babcock University, Ilishan-Remo Ogun-State, Nigeria

Department of Finance Babcock University, Ilishan-Remo Ogun-State, Nigeria

Abstract: The paper investigated impact of capital market on economic growth in Nigeria from 1984 to 2015. Ex-post facto research design was adopted for this study secondary data obtained from Central Bank of Nigeria Statistical bulletin was used for this study, while the data were analysed using E-view from the result obtained, the study concluded that capital market variables have significant impact on the Nigeria economic growth. Based on the findings, the study recommends that there is need for government to pursue economic and financial policies that will boost activities of capital market.

Keywords: Capital market, economic growth, market capitalization, inflation, gross domestic product.

Date of Submission: 13-04-2020

Date of Acceptance: 28-04-2020

I. INTRODUCTION

Capital market is the cornerstone of any financial system since it provides the funds needed for financing not only business and other economic activities, but also the activities of government. Capital market is to provide facilities to the public in Nigeria for the purchase and sale of funds, stocks and shares of any kind for the investment of money (Oluwatosin, Adekanye and Yusuf,

2013). The Nigerian capital market has continued to play traditional role of mobilizing medium to long-term funds for development purposes in Nigeria. Ekezie (2002) noted that capital market is the market for dealings (i.e lending and borrowing) in longer-term loanable funds. Mbat (2001) described capital market as a forum through which long-term funds are made available by the surplus to deficit economic units. It is important to state that though all surplus economic units have access to the capital market, not all the deficit economic units have the same easy access to capital market.

Capital market contributes to economic growth through the specific services it performs either directly or indirectly. Notable among the functions of the capital market are mobilization of savings, creation of liquidity, risk diversification, improved dissemination and acquisition of information, and enhanced incentive for corporate control, improving the efficiency and effectiveness of these functions, through prompt delivery of their services can augment the rate of economic growth (Okereke-Onyiuke, 2000). Oluwatosin *et al* (2013), identified challenges of Nigeria capital market as lack of infrastructural and high production costs, inability of the federal government to plot bailout option i.e lack of wisdom to examine the socio-economic implications and chain effect of a failed capital market. Others are regulating inconsistencies and pronouncements as well as pressure from banks following over N1trillion of banks' fund trapped in the capital market.

Economic growth is generally agreed to indicate development of an economy, because it transforms a country from a five percent saver to a fifteen percent saver. Thus, it is argued that for capital market to contribute to economic growth and development in Nigeria, it must operate efficiently. Most often, where the market operate efficiently, confidence will be generated in the minds of the public and investors will be willing to part with hard earned funds and invest them in securities with the hope that in future, they will recoup their investment (Ewah, Esang and Bassey, 2009). Based on the importance in accelerating economic growth and development, governments of most nation tend to have keen interest in the establishment and performance of capital market. It is as a result of the discussion above this study examined capital market and economic growth in Nigeria as an important prediction of economic growth in Nigeria from 1984-2015.

II. ILITERATURE REVIEW

2.1 Conceptual Framework

One of the oldest debates in economics has remained the relationship between financial development and economic growth (Aye, 2013). This assertion can be traced to Schumpeter (1912), when he posits that finance has a symbiotic relationship to economic growth. This assertion takes us to the concepts to be discussed below:

2.1.1 Supply-Leading Hypothesis

This postulates that the direction of causality flows from financial development to economic growth. In a world without frictions caused by transaction, information and monitoring costs, no financial intermediaries are needed. If those cost are sufficiently high, no exchanges among economic agents will take place. The need to minimize those costs for exchanges to take place has led to the emergence of financial institutions and markets constituting the financial sector. A good developed financial sector provides essential services to reduce those costs hence increasing the efficiency of intermediation.

2.1.2 Demand-Following Hypothesis

The concept postulates that economic growth leads to financial development. The development of the real economy induces increased demand for financial services, which in turn, generate the introduction of new financial institutions and markets to satisfy that increased demand for financial services (Robinson, 1952; Patrick, 1966).

2.1.3 Bi-directional Causality Hypothesis

This is a combination of the supply-leading hypothesis. The concept stated that financial deepening and economic growth are mutually or bi-directionally casual (Greenwood and Jovanovic, 1999). Countries with better developed financial systems are therefore expected to growth faster over long periods of time.

2.2 Theoretical Framework

2.2.1 Capital Asset Pricing Model (CAPM)

Capital asset pricing model (CAPM) was developed by Trevor (1961, 1962), Sharpe (1964), Linter (1965) and Mossin (1966). It determines rate of return on the asset. It is otherwise known as cost of equity. The theory considers the sensitivity of the asset to systematic or non- diversifiable risk as well as the return on market portfolio and risk free rate. The capital asset pricing model is considered as the demand side model.

According to Akinsulire (2014), capital asset pricing model (CAPM) can be used to determine the cost of equity capital by recognising the risk of each security. The formula is made up of two parts:

- i. The risk-free rate and
- ii. The risk premium

And the formula is given as follows:

$$\text{CAPM: } R_f + \beta(R_m - R_f)$$

Where:

R_f – the risk free rate of return

R_m - the market rate of return

β - Beta (measurement of risk)

$R_m - R_f$ - market premium for risk

$\beta(R_m - R_f)$ – risk premium

2.2.2 International Capital Asset Pricing Model (ICAPM)

International capital asset pricing model (ICAPM) was developed by Merton in 1973 to address the inability of the capital asset pricing model by incorporating intertemporal variation in risk –return trade off in the basic formulation. Under ICAPM, investors are not only concerned with their end pay off, but also with the opportunities they will have to consume or invest the pay off. When choosing a portfolio at time t, ICAPM investors consider how their wealth at t might vary with future variables including labour income, the price of consumable goods and the nature of portfolio opportunities at t.

2.2.3 Efficient market Hypothesis (EMH)

Fama (1970) described an Efficient Capital Market as the market subject to the following theoretical conditions:

- There are no transaction costs for the traded securities
- All available information is costless and available to all market participants
- All participants agree on the implication of current information for the current prices.

Efficient market hypothesis argued that in an active market of large numbers of well-informed and intelligent investors, stocks will be appropriately priced and will reflect all available information. Any information that could be used to predict stock performance is already reflected in the stock price today (Nwaolisa and Kasic, 2012).

Fama (1970) in his work, distributed market efficiency into three levels based on information: weak, semi-strong and strong form.

The weak form of efficient market hypothesis claims that prices fully reflect the information implicit in the sequence of past prices. The semi-strong form of the hypothesis asserts that prices reflect all relevant

information that is publicly available, while the strong form of market efficiency asserts that information that is known to any participant is reflected in market prices. The efficient market hypothesis consequently involves defining an efficient market as one in which trading on available information fails to provide an abnormal profit. A market can be deemed to be efficient therefore, only if we posit a model for returns. Hence, tests of market became joint tests of market behaviour and models of asset pricing (Nwaolisa and Kasic, 2012).

2.2.4 Arbitrage Pricing Theory

Arbitrage Pricing Theory (APT)

According to Ross (1976), the expected return on any financial asset can be expressed as the linear function of various macroeconomic variables or theoretical market indices. The asset value can be estimated by summing up all the discounted future cash flows. Ross (1976) specified that the current price of equity share is approximately equal to the present value of all future cash flows to the equity. It then follows that any economic variable that affects cash flows and required rate of return in turn influences the share price as well.

2.3 Empirical Review

Empirical research on the impact of financial markets on the economy can be traced back to Schumpeter (1912) who emphasized the positive role of financial markets development on economic growth. The relationship between financial market and economic growth has been a subject of great interest and debate among economists for so many years that even up to data researches are still contacting research on this subject (Odunga and Ayoyi, 2016).

Ndebbio (2004) studied the relationship between financial deepening and economic growth and development using Selected Sub-Saharan African countries for just one decade (from 1980-1989). He used M2 (GDP) and growth rate of per capital real money balance (PCRMB) to represent financial deepening and other control variables which affect economic growth such as the rate of inflation, human capital and the growth rate of labour as explanatory variables as against real per capital GDP which is dependent variables. His regression results showed that financial deepening does positively affect per capital growth of output in these selected Sub-Saharan African countries, even though his parameter estimate of the variable of financial deepening was insignificant in one of his equations and he attributed this to shallow finance and absence of well functioning capital market in most of Sub-Saharan African countries.

Bekaert, Harvey and Lundblad (2005) in their study stated that cross country time series showed that financial liberalization boosts economic growth by improving the allocation of resources and the investment rate.

Sule and Momoh (2009) argued that through the capital formation and allocation mechanism, the capital market ensures an efficient and effective distribution of the scarce resources for the optimal benefit to the economy and it reduces the over-relevance of the corporate sector on short term financing for long term projects and also provided opportunities for government to finance projects aimed at providing essential amenities for socio-economic development.

Afees and Kazeem (2010) examined the causal linkage between stock market and economic growth in Nigeria between 1970 and 2004, the result showed that capital market development drives economic growth. Adalakun (2010) investigated financial sector development and economic growth in Nigeria. Ordinary least Square (OLS) was applied. The result showed that financial sector development has a substantial positive effect on economic growth in Nigeria.

Maduka and Onwuka (2012) investigated the long-run and short-term relationship between financial structure and economic growth using time series data. The study applied Johansen and Juselius (1990) maximum likelihood procedure while the error correction model was used to estimate the short-run dynamic coefficients. The results revealed that financial market structure has a negative and significant effect on the economic growth of Nigeria.

III. METHODOLOGY

The main objective of this study is to evaluate impact of capital market on economic growth in Nigeria. To achieve this objective, research design adopted in this study is ex-post facto. This is because the event has already taken place.

The annual time series data were collected from secondary source from 1984 to 2015. The data were collected from annual reports of Central Bank of Nigeria statistical bulletin. It is important to note that the data gathered were not adjusted for statistical reasons, rather, they were used just as it were presented in the source.

3.1 Data Presentation and Analysis

In view of the nature of this research study, quantitative method was employed in this study. The data analysis will be carried out with the use of multiple regression analysis technique. Secondary data obtained will

be inputted into the E-views so as to estimate the data for relevant statistical inferences. E –views is a comprehensive and reliable statistical software package used for statistical analysis. It also helps to make an accurate conclusion in respect of economic decision.

3.2 Model Specification

This study is on capital market and economic growth. In our functional relationship, Real Gross Domestic Product will be the dependent variable, while market capitalization, value of transactions, number of deals, number of listing and inflation rate will be our independent variable.

$RGDP = f(\text{MACP}, \text{VOT}, \text{NOD}, \text{INF})$

Expressing the above in a linear econometric model, the resulting equation is:

$RGDP = \beta_0 + \beta_1 \text{MACP} + \beta_2 \text{VOT} + \beta_3 \text{NOD} + \beta_4 \text{NOL} + \beta_5 \text{INF} + \mu$

Where:

RGDP is real gross domestic product

MACP is market capitalization

VOT is value transaction

NOD is number of deals

NOL is number of listing

INF is inflation rate

β_0 is the constant intercept of the model. This is average value of the explained when the explanatory variables are set to zero.

$\beta_1, \beta_2, \beta_3, \beta_4$ and β_5 is the partial slope coefficients of the respective explanatory variables of the model parameters. They also measure the change in the explained variable resulting from a unit change in the respective explanatory variables.

μ is the stochastic error term. It measures the effect of other variables likely to affect the explained variables which are not included in the model.

3.3 Model Estimation

The ordinary least square (OLS) method was used to estimate the parameters of the model by imputing the collated data appropriately into the relevant statistical package. The specified model was run on a statistical package called E views.

Multiple regression analysis was employed in obtaining the parameter estimates since the specified models are multiple regression model which aided the determination of the relationship existing between Real GDP (explained variable) and capital market indicators (explanatory variables) in our model

$\beta_0, > 0, \beta_1, \beta_2, \beta_3, \beta_4, > 0, \beta_5 < 0, \mu = 0$

3.4 Model Evaluation

In evaluating model, the econometric and statistical criteria were employed.

Standard Error

The traditional test of significance of the model parameters is the standard error test which is popular in applied econometric research. This test helps us to decide whether the estimates $\beta_0, \beta_1, \beta_2, \beta_3, \beta_4, \beta_5$ significantly different from zero.

F-test

The F-test was employed, due to the existence of more than one explanatory variable, to test the overall significance of the regression model. The test was used to determine whether or not the overall effect of the independent variables (MACP, VOT, NOD, NOL and INF) on the dependent variable (RGDP) of the regression model is statistically significant.

Durbin-Watson d statistic test

For economic reliability, another statistical test was carried out which is known as The Durbin-Watson Statistic (d). This statistics is used to investigate whether or not the assumption about the econometric model are satisfied. It was to test the assumption of non-autocorrelation random variable. The test is appropriate for first order auto-regression scheme.

Coefficient of Multiple Determination (R^2)

The coefficient of determination R^2 was used to test the goodness of fit of the regression plane. The value or R^2 lies between 0 and 1. The higher the R^2 the greater the percentage of the variation of the dependent variable (Real Gross Domestic Product) explained by the regression plane, that is, the better the goodness of fit of the regression plane to the sample observations. The closer R^2 to zero, the worse the fit. R^2 measure the

amount of variation in the explained variable (RGDP) that is explained by the explanatory variable (MACP, VOT, NOD, NOL and INF). This was tested at 99% confidence interval. The larger the R² the greater the goodness of fit the model will be; the smaller the R² the worse the fit (Gujarati, 2003).

IV. DATA PRESENTATION AND ANALYSIS

Table 1

Real Gross Domestic Product (RGDP) in N' Billion, Market Capitalization (MACP) in N' Billion, Value of Transaction (VOT) in N' Million, Number of deals (NOD) and Number of Listing (NOL), Inflation (INF) is in percentage

Years	RGDP	MACP	VOT	NOD	NOL	INF
1984	251.1	5.0	304.8	10,199	194	20.9
1985	246.7	5.0	215.0	10,014	205	7.7
1986	230.4	5.7	397.9	11,925	212	23.2
1987	227.3	5.5	256.5	17,444	213	39.6
1988	253	6.6	316.6	23,571	220	5.5
1989	257.8	6.8	497.9	27,718	240	5.4
1990	256	8.2	382.4	20,525	244	10.2
1991	275.4	10.0	850.3	21,560	253	38.3
1992	295.1	12.8	610.3	33,444	267	40.9
1993	328.6	16.3	225.4	39,270	295	7.5
1994	328.6	23.1	242.1	41,770	239	13
1995	337.3	31.2	491.7	49,029	251	44.5
1996	337.3	47.5	804.4	40,398	272	57.2
1997	345.2	66.3	985.9	42,074	276	57
1998	352.6	180.4	1,838.8	49,564	276	72.8
1999	367.2	285.8	6,979.6	49,515	276	29.3
2000	377.8	281.9	10,330.5	78,089	264	8.5
2001	388.5	262.6	13,571.1	84,935	264	10
2002	393.1	300.0	14,072.0	123,509	268	6.6
2003	412.3	472.3	28,153.1	256,523	260	6.9
2004	431.8	662.5	57,683.8	426,163	261	18.9
2005	451.8	764.9	59,406.7	451,850	258	12.9
2006	495	1,359.3	120,402.6	621,717	265	14
2007	527.6	2,112.5	225,820.0	973,526	277	15
2008	561.9	2,900.1	262,935.8	1,021,967	288	17.9
2009	595.8	5,120.9	470,253.4	1,367,954	294	8.24
2010	634.3	13,181.7	1,076,020.4	2,615,020	310	5.38
2011	672.2	9,563.0	1,679,143.7	3,535,631	301	11.6
2012	719	7,030.8	685,717.3	1,739,365	266	12.4
2013	776.3	9,918.2	799,911.0	1,925,314	264	13.7
2014	834	10,275.3	638,925.7	1,235,467	250	10.8
2015	888.9	14,800.9	808,991.4	1,147,174	198	12.2

Source: CBN Statistical Bulletin 2015

Regression Results

Dependent Variable: RGDP

Method: Ordinary Squares

Sample: 1984-2015

Observation: 32

Table 2

Variable	Coefficient	Standard Error	t Test	Prob.
C	140.4582	154.2828	0.910401	0.3710
MACP	0.047047	0.007473	6.295868	0.0000
VOT	-0.000357	0.000207	-1.721827	0.0970
NOD	0.000121	9.09E-05	1.326292	0.1963
NOL	0.735499	0.649841	1.131813	0.2680
INF	-0.205765	0.879576	-0.233937	0.8169

R-squared (R^2) 0.859273
 F- Statistics 31.75089
 Durbin-Watson Statistics 1.357242
 Source: E VIEWS

Estimated Model

The estimated model of the functional relationship between RGDP, MACP, VOT, NOD and INF is;
 $RGDP = 140.4582 + 0.047047 MACP - 0.000357 VOT - 0.000121 NOD + 0.735499 NOL - 0.205765 INF$
 SE = (154.2828) (0.007473) (0.000207) (9.09E-05) (0.649841) (0.879576)
 t Test = (0.910401) (6.295868) (-1.721827) (1.326292) (1.326292) (-0.233937)
 F – Statistics 31.75089
 Durbin-Watson Statistics 1.357242

Evaluation of the Model

The estimated model will be evaluated based on the economic criteria which will determine the theoretical plausibility of the model, statistical criteria using the coefficient of determination, Standard error test, t-test, probability test, F-statistics and economic criteria using Durbin-Watson statistic which will test the reliability of the statistical criteria of the model so estimated. **Economic Criteria**

From the model above, it is evident that the CONSTANT coefficient on the multiple regression models is 140.4582 which mean that when the independent variable MACP, VOT, NOD, NOL and INF are fixed at zero RGDP will still grow the rate of 140.4582. The growth will be caused by other economic growth indicators which are not elaborately discussed in this research work.

The parameter, β_1 has a positive sign and this signifies that there is a positive relationship between MACP and RDGP. The coefficient of MACP is 0.047047. This means that, a 1% increase in MACP will lead to a 0.047047% increase in RGDP when all other explanatory variables are held constant. This result is consistent with our *A priori* expectation which states that; $\beta_1 > 0$.

The parameter, β_2 has a negative sign and this signifies that there is a negative relationship between VOT and RGDP. The coefficient of VOT is -0.000357. This means that, a 1% increase in VOT will lead to a 0.000357% decrease in RDGP when other explanatory variables are held constant. This result is inconsistent with our *A priori* expectation which states that $\beta_2 > 0$.

The parameter, β_3 has a positive sign and this signifies that there is a positive relationship between NOD and RDGP. The coefficient of NOD is 0.000121. This means that, a 1% increase in NOD will lead to a 0.000121% increase in RGDP when other explanatory variables are held constant. This result is consistent with our *A priori* expectation which states that; $\beta_3 > 0$.

The parameter, β_4 has a positive sign and this signifies that there is a positive relationship between NOL and RDGP. The coefficient of NOL is 0.735499. This means that, a 1% increase in NOL will lead to a 0.735499% increase in RGDP when other explanatory variables are held constant. This result is consistent with *A priori* expectation which states that: $\beta_4 > 0$.

The parameter, β_5 has a negative sign and signifies that there is negative relationship between INF and RDGP. The coefficient of INF is -0.205765. This means that, a 1% increase in INF will lead to a 0.205765% decrease in RGDP when other explanatory variables are held constant. This result is consistent with our *A priori* expectation which states that $\beta_5 > 0$.

T test

t-test was used to test the individual effect of the explanatory variable each, that is, MACP, VOT, NOD, NOL and INF effect on the explained variable RGDP on 5% level of significance.

Degree of Freedom (DF) = n-k

Where, n= sample size and k= number of parameters

n =32, k=6

DF =32-6=26

Our values will be read off at 26% degree of freedom on a 5% level of significance

From the analysis for the first parameter, β_1 , $t_{cal} = 6.295868$ but $t_{tab} = 1.706$

Since t calculated is greater than t tabulated, we reject H_0 and accept H_1

From the analysis of the 2nd parameter, β_2 , $t_{cal} = -1.721827$ and $t_{tab} = 1.706$

Since t calculated is less than t tabulated, we accept H_0 and reject H_1

From the analysis of the 3rd parameter, β_3 , $t_{cal} = 1.326292$ and $t_{tab} = 1.734$

Since t calculated is less than t tabulated, we accept H_0 and reject H_1

From the analysis of the 4th parameter, β_4 , $t_{cal} = -0.233937$ and $t_{tab} = 1.734$

Since t calculated is less than t tabulated, we accept H_0 and reject H_1

The individual effect of VOT, NOD, NOL and INF on RGDP is insignificant, while that of MACP on RGDP is significant.

Probability Test (p Value)

We can deduce that, the probability of Market Capitalization (MACP) variable is 0.0000. This figure is less than 5% level of significance. Therefore, MACP is statistically significant at 5% level. While the probability of VOT, NOD, NOL, and INF are greater than 5% which signifies that they are not statistically significant at 5% level.

F Statistic

This test is unlike the standard error test for it indicates an overall statistical significance of the casual variables of capital market on economic growth in Nigeria.

The test was conducted at 5% level of significance at $k-1=5$ as the numerator and $n-k=26$ as the denominator degrees of freedom.

Where:

k = number of parameters (6)

n = number of observation (32)

Decision

From the regression result, the value of computed F-statistics i.e F_{cal} is 31.75089 and from the F-distribution table with the use of 5% level of significance and $k-1$, $n-k$ degrees of freedom, the value of F_{tab} is 2.59.

From the result, it means that MACP, VOT, NOD, NOL and INF do exert joint statistical significance on Real gross Domestic Product (RGDP).

Explanatory Power of the Model

It can be deduced from the above results that predictor variables (i.e market capitalization, value of transactions, number of deals, number of listed companies, and inflation) jointly predict real gross domestic product at a significance level. Coefficient of determination R^2 is employed to determine and evaluate the explanatory power or goodness of fit of the model and from the regression result, R^2 is 0.859273. This indicates that the estimated model or regression line gives a good fit to the observed data, since 85.9% of the total variation in the response variable (RGDP) can be explained by the casual variables (MACP, VOT, NOD, NOL and INF). The remaining 14.1% of the total variation in RGDP is unexplained by the regression line, and this is accredited to the random variable μ , which are factors not inclusive in the constructed model of this research work.

Economic Criteria

Durbin-Watson statistic is the relevant statistic for the test of reliability of the statistical criteria. From the regression result, the computed Durbin-Watson statistic ($d=1.357242$) and from the table, the critical values are $d_L=1.109$ and $d_U= 1.819$ at 5% level of significance with $k-1=5$ degree of freedom. From the result, we conclude that capital market variables have significant impact on the Nigerian economic growth.

V. CONCLUSION

This study deals extensively with the analysis of the impact of capital market on the economic growth of Nigeria. The following variables were used as capital market indicators; Market Capitalization (MACP), Value of Transaction (VOT), Number of Deals (NOD), Number of Listing (NOL), and Inflation Rate (INF). Real Gross Domestic Product (RGDP) was used to measure economic growth in Nigerian economy. The study employed the ordinary least squares technique of analysis to ascertain the impact of capital market on the economic growth of Nigeria via the use of E-views to obtain the model estimates. The model was evaluated based on economic, statistical and econometric criteria.

It could also be noted that the coefficients for the independent or explanatory variables are not very large; this further buttresses the various impact of the explanatory variables. In regard to MACP, holding all other variables constant, the result shows that 1% increase in Market Capitalization will lead to 0.047047% increase in real gross domestic product. In regard to VOT, holding all other variables constant, 1% increase in VOT will lead to 0.000357% decrease in RGDP. For NOD, holding all other variables constant, 1% increase in NOD will lead to 0.000121% increase in RGDP. Also for NOL and INF, 1% increase in NOL and 1% increase in INF will lead to 0.735499 and 0.205765 increase and decrease in RGDP respectively.

Under the Standard Error Criteria, a significant positive relationship exists between MACP and RGDP, while VOT, NOD, NOL and INF do not exert any significant relationship. While under the t-test criteria, there

exist a partial significance of MACP on RGDP while all other capital market indicators does not exert partial statistical relationship on RGDP. The result under discussion of finding shows that market capitalization, value of trade, total number of deals, number of listing and inflation jointly predict economic growth significantly.

Similarly, the R^2 and Adjusted R^2 are 0.859273 and 0.832210 respectively which determines the ability of the explanatory variables to explain the dependent variable. The power of the regression is equally high and suggests that the model is well specified. In summary, the explanatory variables are very good instruments for the development of the Nigerian economy.

The study reveals that the capital market impacts on economic growth via market capitalization, value of transaction, numbers of deals, number of listing, and inflation rate. As it was observed, market capitalization is the most important factor in the capital market variables that is capable of influencing economic growth. Hence the capital market remain one of the mainstream in every economy that has the power to influence or impact economic growth therefore the organized private sector is to invest in it. The value of transactions, number of listing, and number of deals has not impact significantly on the RGDP. But it is noted also that there exist a joint significant impact of the variables on the RGDP. The government is therefore advised to put up measures to stem up investors' confidence and activities in the market and more foreign investors should be encouraged to participate in the market for improvement in the declining market capitalization so that it could contribute significantly to the Nigerian economic growth.

The study conclude that capital market in Nigeria has the potential of growth inducing but it has not contributed meaningfully to the economic growth of Nigeria because of low market capitalization, low absorptive capitalization, illiquidity, and misappropriation of funds among others.

5.1 Recommendations

Based on the above conclusion, it is therefore recommended that government should restore confidence to the market through regulatory authorities which will portray transparency, fair trading transactions and dealing in the stock exchange, improve dealing in the market capitalization by encouraging more foreign investors to participate in the market and also to increase investments instruments such as derivatives, convertibles, swap and option in the market.

There is also the need to pursue economic and financial policies that will encourage investment in the capital market. In this respect, monetary policies should be designed in such a way that savings are encouraged for investment. Small and medium scale enterprises should be encouraged through various tax incentives and reduced listing requirements to enter the market. Such policies have been used in other countries with positive result.

REFERENCES

- [1]. Adelakun, O. (2010). Financial sector development and economic growth in Nigeria. Department of Economics, Joseph Ayo Babalola University, Osun State, Nigeria.
- [2]. Afees, A.S & Kazeem, B.A (2010). The stock market and economic growth in Nigeria. An empirical investigation. *Journal of Economic Theory*, 4, 65-70.
- [3]. Akinsulire, O. (2014). Financial management. Lagos Ceemol Nigeria Limited.
- [4]. Aye, G.C (2013). Causality between financial deepening economic growth and poverty in Nigeria. *Journal of Business and Management Review*, 3.
- [5]. Bekaert, G., Harvey, C.R. & Lundblad, C. (2005). Does financial liberalization spur growth. *Journal of Financial Economics*, 3-55.
- [6]. Ewah, S.O.E; Essang, A.E. & Basse J.U. (2009). Appraisal of capital market efficiency on economic growth in Nigeria. *International Journal of Business and Management*, 14(12), 219-228.
- [7]. Ekezie, E.S. (2002). The elements of banking, money, financial institutes and market. African Publishers Limited, Onisha, Nigeria.
- [8]. Fama, E. (1970). "Efficient capital markets: A review of theory and empirical work". *Journal of Finance*, 25, 383-417
- [9]. Greenwood, J. & Jovanovic, B. (1992). "Financial development, growth and the distribution of income". *Journal of Political Economy*, 98(5), 1076-1107.
- [10]. Maduka, A. & Onwuka, K. (2012). Financial market and economic growth. Evidence from Nigeria data. *Asia Economic and Financial Review*, 3(1), 75-98.
- [11]. Mbat, D.O. (2001). Financial management. Domes Associates Publishers, Uyo, Nigeria First Edition.
- [12]. Ndebbio, J.E. (2004). Financial deepening, economic growth and development: Evidence from selected sub-saharan African Countries. AERC Working papers 142.
- [13]. Nwagolisa, E.F & Kasie, E.G. (2012). Efficient market hypothesis: A Historical Perspective. (A study of Nigerian capital market Kuwait chapter of Arabian. *Journal of Business Management Review* 1(8), 76-85

- [14]. Odunga, R. & Ayoyi, I.R. (2016). Impact of financial markets on the economic growth of East Africa. *European Journal of Logistics, Purchasing and Supply Chain Management*, 14(5), 25-33.
- [15]. Okereke-Onyiuke, N. (2000). "Stock market financing, option for public projects in Nigeria". The Nigeria Stock Exchange Factbook, 41-49.
- [16]. Oluwatosin, E.O., Adekanye, T; & Yusuf, S.A. (2013). Empirical analysis of the impact of capital market efficiency on economic growth and development in Nigeria. *International Journal of Academic Research in Economics and Management Sciences*, 2(6), 44-53.
- [17]. Patrick, H. (1966). Financial development and economic growth in underdeveloped countries. *Journal of Economic Development and Culture Change*, 14(2), 174-189.
- [18]. Robinson, J. (1952). "The rate of interests and other essays" the generalization of general theory London, Macmillan.
- [19]. Ross, S. (1976). The arbitrage theory of capital asset pricing. *Journal of Economic Theory*, 13(3), 340-360.
- [20]. Schumpeter, A. (1912). "The theory of economic development: An inquiry into profits, capital, interest and business cycle". Translated by Redvers Opie. Cambridge, M.A Harvard University Press.
- [21]. Sule, O.K. & Momoh, O.L (2009) "The impact of stock market earnings on Nigeria per capital income". *African Journal of Accounting, Economics, Finance and Banking Research* 5(5), 77-89.

Appendix

Dependent variable: RGDP

Method: Least Squares

Date: 11/29/19 Time: 17:24

Sample: 1984-2015

Included observations: 32

Variable	Coefficient	Standard Error	t Test	Prob.
C	140.4582	154.2828	0.910401	0.3710
MACP	0.047047	0.007473	6.295868	0.0000
VOT	-0.000357	0.000207	-1.721827	0.0970
NOD	0.000121	9.09E-05	1.326292	0.1963
NOL	0.735499	0.649841	1.131813	0.2680
INF	-0.205765	0.879576	-0.233937	0.8169
R-squared	0.859273	Mean dependent var		432.8094
Adjusted R-squared	0.832210	S.D dependent var		186.4265
S.E. of regression	76.36441	Akaike info criterion		11.67627
Sum squared resid	151619.6	Schwarz criterion		11.95110
Log likelihood	-180.8203	Hannan-Quinn criter		11.76737
F-statistic	31.75089	Durbin-Watson stat		1.357242
Prob (F-statistic)	0.000000			

Dr. Abolade Francis AKINTOLA. "Capital Market and Economic Growth in Nigeria (1984-2015)." *IOSR Journal of Humanities and Social Science (IOSR-JHSS)*, 25(4), 2020, pp. 38-46.