

The Effect of Capital Market on Economic Growth in Nigeria (2000-2020)

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Abstract: This study examined the capital market and its impact on the Nigeria economy with emphasis on the stock exchange (2000-2020). Gross domestic product was used to proxy Nigeria economy while market capitalization, all share index, total number of deals on the Nigeria stock exchange and value of transaction on the Nigeria stock exchange were used as proxies for capital market. The Ex-post Facto research design was adopted in this study. Data on gross domestic product, all share index, total number of deals on the Nigeria stock exchange, market capitalization and value of transaction on the Nigeria stock exchange were obtained from the Central Bank of Nigeria (CBN) Statistical bulletin (2020). The data in this study was analyzed using the Ordinary Least Square regression method. The findings revealed that gross domestic product has a significant relationship on market capitalization, all share index, total number of deals on the Nigeria stock exchange and value of transaction on the Nigeria stock exchange. The researcher recommended that government should expand the technological based of the Nigerian capital market in order to further improve transactions and dealings, which could enhance internationalization and competitiveness of the market.

Keywords: Capital market, Economic Growth, Gross domestic product, Market Capitalization, All Share Index, Total number of deals and Value of Transactions.

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INTRODUCTION

Globally, the growth of an economy depends on how systematic and proficient her capital market performs, aided with smooth allotment and mobilization of funds. The Capital Market all over the world is now the central stage in the funding of landmark projects that foster economic growth and development and has contributed immensely to public and private sectors capital formation. Capital market enhances economic progress through its main features that provides opportunities for companies to borrow funds needed for long-term investment purposes. It also provides an easy platform for the marketing of shares and other securities in order to raise fresh funds for expansion of operations leading to increase in output, Sule (2009). Also, the Nigerian capital market needs to play the role of an enabler for the transformation of the Nigerian economy, by becoming the first port of call for domestic savings and for international investors (Oteh, 2010).

However, the Nigerian capital market has continued to play its traditional role of mobilizing medium to long-term funds for development purposes. Osaze (2000) sees the capital market as the driver of any economy to growth and development because it is essential for the long-term growth capital formation. It is crucial in the mobilization of savings and channeling of such savings to profitable self-liquidating investment. Similarly, Okereke (2006) identified the capital market as the most credible source of long-term funds to any economy and a leading economic indicator in developed economies.

Consequently, the Nigerian economy as it is with the global economy has faced huge challenges, most especially the decline in oil prices and covid-19 pandemic. The CBN economic reports for the last quarter of 2020 revealed that the growth prospects of the Nigerian economy has remained weak, as the

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macroeconomic instability associated with the COVID-19 pandemic, and weak crude oil prices, amidst other structural factors, dampen the near term outlook. Thus, the goal of the Nigerian stock exchange to boost Nigeria's economic growth has been terribly hampered. There was a huge decline in the volume and value of traded securities in the NSE between the first and fourth quarter of 2020 (CBN 2020).

Meanwhile, prior to all these challenges, the Nigerian capital market has not been able to convert an emerging economy like Nigeria into a developed economy. As the capital market in Nigeria grows and moves, a lot of problems and reforms have been formulated. For example second tier securities market were established to remove obstacles which stopped several local indigenous companies seeking quotation to join the market and also to provide wider and cheaper long term funding for small and medium sized indigenous companies. In spite of this reforms and solutions the Nigerian stock-market remains very stagnant and an unperformed investment outlet for majority of Nigerians (Usman & Cross, 2020). Also, the Nigeria's Capital Market has for long misdirected its attention to financing the service sector. For a nation with large population and abundant natural resources, the dominant role of the service sector serves no material economic purpose.

In the light of these issues, the need to determine the effect of capital market on the growth of the Nigerian economy has become a major concern of this study. In addition, the study aspire to examine the effect of market capitalization, all share index, the total number of deals and the value of transactions on the gross domestic product of Nigeria.

Review of related literature

The capital market in essence is a framework that facilitates the transfer of long term funds between lenders (investors) and borrowers (companies). From this simple definition herewith we can see how the capital market can propel economic development because the funds are now moving and been utilized for the optimal objective (Usman & Cross).

Capital market is termed as complex institutions with diverse mechanisms through which intermediate term of trade and long term funds are polled. Notably, capital market is of different forms; the primary capital market and the secondary capital market. The primary market is the market for new issues that provide avenues to both government and corporate firms to raise fresh funds via securities issuance with general or selected group of investors subscribed from. While the secondary market is the market that offers the platform for sales and purchases of the already existing securities.

Ekezie (2002) noted that capital market is the market for dealings (i.e. lending and borrowing) in long-term loanable funds. Mbat (2001) described it as a forum through which long-term funds are made available by the surplus to the deficit economic units. Thus, the vital role of the capital market deals with linking the surplus resources to deficit resources sector of the economy.

According to Al-Faki (2006), the capital market is a network of specialized financial institutions, series of mechanisms, processes and infrastructure that, in various ways, facilitate the bringing together of suppliers and users of medium to long term capital for investment in socio-economic developmental projects. Capital market offers access to a variety of financial instruments that enable economic agents to pool, price, and exchange risk. Through assets with attractive yields, liquidity and risk characteristics, it encourages savings in financial form. This is very essential for government and other institutions in need of long-term funds and for suppliers of long-term funds.

The primary market or the new issues market provides the avenue through which government and corporate bodies raise fresh funds through the issuance of securities which is subscribed to by the general public or a selected group of investors (Edame & Okoro, 2013). According to Soyede (2005), Primary market is a market for new securities. It is a platform where the company or government can raise money for investment or where already quoted companies can raise fresh funds for expansion. Both the Securities and Exchange Commission (SEC) and the Nigerian Stock Exchange (NSE) are involved in primary market activities.

The Secondary Market enhances the new issue market in many ways, it provides the means by which investor can monitor the value of their shares and liquidate them when they wish to do so. Pandey (2006), it is a type of market where existing securities of a market are traded on daily and continuous basis. It is the market for existing securities. This consists of exchanges and over-the counter markets where securities are bought and sold after their issuance in the primary market. If any investors truly intend to make any irrevocable commitment of their funds, the availability of a secondary market is an absolute prerequisite to the existence of a primary market in common stock (Avery & Obah, 2018).

A Stock Exchange according to Briggs (2015) describes the stock exchange as a primary capital market in which companies and other institutions can raise funds by issuing shares or loan stock but it is more important as a secondary market for buying and selling existing securities. The stock exchange is made up of the following elements: Place: this represents the forum, physical or otherwise, for conducting

transactions in stocks; Mechanism: this includes the operative issue and transfer procedure; and Institutions: these include regulatory agencies, issuing houses, the stock broking firms, etc.

Capital market and economic growth

The stock market makes the interaction of both savers and investors possible in a country (in an open market), all the aggregate savings are channeled into most desirable investment for the purpose of economic growth and development (Popoola, Ejemeyovwi, Alege, Adu & Onabote, 2017).

Ekundayo (2002) argues that a nation requires a lot of foreign investment to attain sustainable economic growth and development. The capital market provides means through which that is made possible. Several policies and programs have been consciously created to promote the growth of the Nigerian economy overtime. Some of these policies include the enterprises promotion decree, the privatization of government enterprises (2000), which were quoted on the Nigerian stock exchange. There was also the bank recapitalization directives (2004), by the CBN, in which banks were directed to recapitalize to a minimum of twenty five billion naira. For this, many banks accessed the capital market (through the primary public offers) for their financing needs. The government also introduced the pension reform Act of 2004. This act provides that part of the pension fund should be invested in the capital market by pension fund administrators.

However, according to Babalola (2007), the impact of the capital market on the growth and development of the economy has not been significantly positively felt. This may be due to low market capitalization, delay in delivery of share certificate problem of manual call, slow growth of securities market, double taxation, problem of macro-economic instability among others. Also, most Nigerians are not aware of the benefit derivable from the market operations. While capital market has the potentials of stimulating economic growth and development through effective resource allocation, the expected high economic growth that comes with capital market development has not been experienced in Nigeria (Popoola, 2014).

Roles of capital market

The vital role of the capital market to the growth and development of the economy of a nation has been widely recognized the world over. It is through the capital market that long-term funds are mobilized and channeled for productive investments (Alabede, 2005).

Emekekwe (2009) categorized the role of the Nigerian Capital Market into three major headings namely: The Pooling Function, Facilitating Capital Formation and Risk Reduction Function

The Pooling Function

The capital market through its agencies like banks, insurance companies etc pools the resources of the economic surplus units and channel them to economic deficit units who will then put such funds to productive use.

He stated that in disbursing the resources that they have pooled together, the capital market through its agencies ensures that the funds are given to those economic units that will utilize the funds judiciously so as to increase their capital stock. To that effect, the economic units receiving the pooled resources have increased their capital stock hence financial institutions facilitate capital formation.

Risk Reduction Function

Through its resource pooling (savings) function acting as conduit pipe to channel those resources to savings deficit units, the financial institutions diversify ways for existing resources to meet with competing needs. The diversification process of resources reduces risk inherent in investment.

Other relevant roles of the capital market in the development of the economy according to Edame and Okoro (2013) includes; (a) It provides opportunities for companies to borrow funds needed for long-term investment purposes. (b) It provides avenue for the marketing of shares and other securities in order to raise fresh funds for expansion of operations leading to increase in output/production. (c) It provides a means of allocating the nations real and financial resources between various industries and companies. (d) It reduces the over reliance of the corporate sector on short term financing for long term projects and also provides opportunities for government to finance projects aimed at providing essential amenities for local investors. (e) The capital market can aid the government in its privatization programme by offering her shares in the public enterprises to members of the public through the stock exchange.

Theoretical framework

Many theories have been advanced on the nexus between capital market and economic growth. These include: The Capital Market Theory, Financial Market Theory of Development, Efficient Market Hypothesis, and the theory Adoption- McKinnon's Hypothesis among others. This research work is anchored on Mckinnon's hypothesis to establish the theoretical link between capital market development and economic growth. According to Mckinnon (1973), developments in the capital market promote economic growth through its effects on the growth rate of savings and investment. As he noted, repressed financial market in the form of low and administered interest rates, high reserve requirement, concessional credit practice and domestic credit control discourage savings, constrain investment, retard

efficient allocation of resources and hence, constrain accelerated economic growth rate.

Empirical review

Adam and Sanni (2005) examined the role of stock market in Nigeria's economic growth using Granger-Causality test and regression analysis. The study discovered a one-way causality between GDP growth and market capitalization and a two-way causality between GDP growth and market turnover. They also observed a positive and significant relationship between GDP growth turnover ratios. The study advised that government should encourage the development of the capital market since it has a positive relationship with economic growth.

Oskoe (2010) assessed the relationship between stock market performance and economic growth in Iran by using causality tests within a Vector Error Correction Model (VECM) structure. Quarterly time series data was used from the third quarter of 1997 to the third quarter of 2008. As a precaution to prevent spurious regression, unit root tests were done for all-time series data in their levels and their first differences. Johansen's co-integration testing was used to examine whether the variables are co-integrated, taking into account the maximum Eigen values and trace statistics tests. Ultimately, the Granger causality test was used to identify direction of causality between the variables of the estimated model. It was observed that the level of real economic activity was the key feature in the movement of stock prices in the long run. Furthermore, the stock market plays a role as a leading business cycle indicator of future economic growth in Iran in the short run. The results from this study are realistic because, when the stock market performs well, the impact is transferred to businesses and this in turn impacts on the overall economic growth.

Edame and Okoro (2013) examined the Impact of Capital Market and Economic Growth in Nigeria and asserted that the overall market capitalization had risen from 1,698.1 million naira in 1980 to 7030.8 billion naira in 2009, thus signifying an increase within the period. Transaction at the floor of NSE has risen to a total of 685716.2 million naira in 2009 from a previous value of 16.6m recorded in 1970. From the result obtained, capital market has positive and significant impact on economic growth in Nigeria. The capital market variables captured in the model such as market capitalization, number of deals and value of transactions were all positive and significant in promoting economic growth in Nigeria.

Briggs (2015) examined the impact of the capital market on the Nigerian economy from 1981-2011. The Nigerian economy was viewed in terms of economic growth, while the performance of the stock market is an impetus for the growth and development of

the Nigerian economy. The economic growth was proxy by Gross Domestic Product (GDP), while the capital market variables considered were; Market capitalization (MCAP), Total New issues (TNI), Value of Transactions (VLT), and Total Listed Equities and Government Stocks (LEGS). Johansen co-integration and Granger causality tests were applied. The result showed that the Nigerian capital market and economic growth are co-integrated. This indicates that a long run relationship exist between capital market and the growth of the Nigerian economy. The result shows the clear relative positive impact the capital market plays the economic growth and invariably on the economy.

Pan and Mishra (2016), investigated stock market development and economic growth in China (the largest and fastest growing economy in the world) using the ARDL method and discovered that the global financial crises had a significant impact on both China's real sector and financial sector. The results also showed that the share market has a long run negative association with the real sector of the economy. However, the magnitude of the impact is tiny and can be ignored. It was also found with the Toda Yamamoto's causality test that there is evidence of a demand driven hypothesis that economic growth spurs stock market development in China. However, there was no theoretical framework in the study to back up the work.

Taiwo, Adedayo and Evawere (2016) evaluated the contribution of capital market to the growth of Nigeria's economy. The result shows that, at one percent significance level, all the variables were stationary at first differencing. The result of the normalized cointegrated series further reveals that market capitalization rate, total value of listed securities, labor force participation rate, accumulated savings and capital formation are significant macroeconomic determinants factors of economic growth in Nigeria.

Popoola, *et al.* (2017) investigated the short run effect, long run effect and causal relationship between stock market and economic growth in Nigeria. The OLS result showed that the all share index had a significant but negative relationship with economic growth; The Johansen co-integration test showed that a long run relationship exists between the stock market performance and economic growth in Nigeria in the long run while the Granger causality test results showed that stock market performance does not granger cause economic growth but economic growth granger causes stock market performance at 5 percent significance level.

Avery and Obah (2018) examined the impact of capital market growth on Nigerian economy between 2000 and 2013. Data were collected from Security

Exchange Commission reports, Nigerian Stock Exchange Review Reports, Central Bank of Nigeria Statistical Bulletin respectively and ordinary least square method of regression was used with aid of SPSS version 16 software packages to analyze the data. Gross Domestic Product (GDP) was used as measure for economic growth while the capital market development were represented with Market Capitalization (MCAP), Numbers of Deals, All-Share Index (ALSI) and Total Value of Transaction (TVT). The result of the study revealed a strong correlation between economic growth and the independent variables. With the exception of All Share Index, Total Value of Transaction and Numbers of Deals do not have significant impact on economic growth of Nigeria within the period of study. The long run relationship showed that only market capitalization impact significantly on the GDP.

Babatunde, Uduakobong, Durojaiye, and Adekunle (2019) examined the effects of capital market development on the Nigerian economy from 1987 to 2018. This study was motivated by the fact that some studies have reported negative effects of capital markets on economic growth in some developing nations instead of positive effect on growth and development. Ex-post-facto research design was adopted for the study. The study used time series data, and, the ordinary least squares technique was adopted for analysis. The result showed that market capitalization has a positive influence on the gross domestic product (GDP) while value of transactions has a negative and insignificant influence on GDP.

Adesanya, Adediji, and Okenna (2020) examined the impact of stock exchange market activities on economic development in Nigerian economy. The study employs multiple regressions as a technique to measure the effect of stock exchange market development on the Nigerian economy. The Secondary Data used were into market capitalization (CAP), all share index (ALLSHARE) and total volume of transaction (TNOV) and were sourced from the Central Bank of Nigeria (CBN) statistical bulletin, 2019. The technique of data analysis used was the ordinary least square (OLS) method of estimation. Findings revealed that the market capitalization (CAP) had a positive relationship with GDP, with the relationship being statistically insignificant. ALLSHARE has a positive and significant relationship with GDP. TNOV has a positive and significant relationship with GDP.

Keji (2020) examined the nexus between capital market and economic growth in Nigeria between 1980 and 2017. In the cause of pursuing the desired result, the economic growth was proxy by the gross domestic product (GDP) while the capital market variables considered included market capitalization, all shares index, number of dealings,

gross capital formation, exchange rate, value of all transaction and interest rate. This study was predated by the ineffectiveness of capital market which affects liquidity, acquisition of information about firms such as risk diversification, savings harmonization and corporate management. In lieu of this, the research adopted Auto-regressive Distribution Lag model and Bound Co-integration Testing. The results revealed that there is long run relationship between capital market and economic growth in Nigeria.

Ihenetu and Isoboye (2021) evaluated the effect of primary market on economic growth in Nigeria. Data were collected from CBN statistical bulletin for twenty one (21) years. Expost facto design was employed for the study. The data were subjected to unit root test and the result suggested the use of autoregressive and distributed lag model for the analysis. The findings showed that Equity (EQT), Federal government bond (FGB) and Corporate bond (COB) had no significant effect on GDP at 5 percent level of significance during the period of the study. Bound test was also conducted to check whether the error of the short run could be corrected at the long-run but the result still showed no relationship. Based on the findings, it was recommended that government and corporate bodies should look out and source funds from other sources such as investing in a profitable venture that will bring funds in the economy other than equity, corporate bonds and government bonds to expand their businesses which will eventually grow and develop the economy.

METHODOLOGY

The effects of capital market on the economic growth of Nigeria over a period of twenty (20) years that is, from 2000-2020 was determined using the expost-facto research design. Secondary data sourced from the CBN annual reports and accounts and the CBN statistical bulletin was used for this study. The gross domestic product (GDP) was used as the dependent variable while study made use of four independent variables: Market capitalization, all share indexes, total number of deals of the stock exchange and the value of transactions on the Nigeria stock exchange.

The model of Edame and Okoro (2013) was adopted in this research work. The model in its functional form is presented as follows:

$$GDP=f(MAKAP, NDEALS, VTRAN, INT).....(1)$$

Where: GDP=Gross Domestic Product, measuring economic growth.

MAKAP= Market Capitalization in Nigeria

NDEALS= Number of Deals

VTRAN= Value of Transaction

INT= Interest Rate

To ensure that the dependent and independent variables are in uniform numerical base to allow for easy interpretation of coefficient, the variables were logged as follows:

$$\text{Log GDP} = b_0 + b_1\text{Log MAKAP} + b_2\text{LogN DEALS} + b_3\text{Log VTRAN} + b_4 \text{Log INT} + U \quad (4)$$

In our study, the ordinary least square regression model which was used to test the first, second, third and fourth hypotheses are given as:

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4 X_4 + e \dots \dots \dots (1)$$

$$\text{GDP} = \beta_0 + \beta_1\text{MCAP} + \beta_2\text{ASI} + \beta_3 \text{TND} + \beta_4\text{VOT} + e \dots \dots \dots (2)$$

Where:
 GDP = Gross Domestic Product
 MCAP=Market Capitalization
 ASI=All Share Index
 TND=Total Number of Deals
 VOT= Value of Transaction
 B0 = Constant Term
 B1, β2, β3, β4 = Coefficients of the independent variables
 e= Error Term

DATA PRESENTATION AND ANALYSIS

Table-4.1: Descriptive statistics of the input data

	GDP	MCAP	ASI	TND	VOT
Mean	37858.30	7121.009	16872.77	813487.3	458.6231
Median	12529.21	1062.100	13595.89	536783.5	89.90500
Maximum	154252.3	38589.58	50424.70	3535631	2350.880
Minimum	187.8300	6.600000	117.2800	20525.00	0.230000
Std. Dev.	46892.04	9621.680	15201.89	941327.7	590.6320
Skewness	1.121265	1.380429	0.487541	1.349935	1.276316
Kurtosis	2.993309	4.408442	2.112178	4.208089	4.177267
Jarque-Bera	7.543480	14.40906	2.608520	13.12316	11.85283
Probability	0.063012	0.031743	0.271373	0.071414	0.082668
Sum	1362899	256356.3	607419.6	29285544	16510.43
Sum Sq. Dev.	7.70E+10	3.24E+09	8.09E+09	3.10E+13	12209614
Observations	21	21	21	21	21

Source: Computation from Eviews 9

From table 4.1it shows that gross domestic product average 37858.30 between 2000 and 2020 while market capitalization average 7121.009 between 2000 and 2020. Also all share index, total number of deals, and value of transactions 16872.77, 813487.3 and 458.6231 respectively between 2000 and 2020. It is observed that there is a wide margin between the maximum and minimum values of each of the series; it indicates that there is large variance present in all the series. All the series are positively skewed. This implies that all the variables have a symmetric distribution. The Jarque -bera probability for gross domestic product, all share indexes, total number of transactions and value of transaction are all above 0.05 which shows that all the variables are normally distributed except for market capitalization.

DATA ANALYSIS

The data used in this study was analyzed using the Ordinary Least Square regression. It was used to test for the relationships among the variables. The Augmented Dickey Fuller Unit root test was used to test for stationarity of the data before conducting the OLS regression so as to avoid getting a spurious result.

Augmented Dickey Fuller Unit Root Test

The summary of the unit root test is shown in table 4.2. The decision rule for stationarity is to accept the hypotheses of non-stationarity if the ADF statistic is less than the critical value of the chosen level of significance.

Table-4.2: Summary of the ADF Unit Root Test Result

Variable	ADF Statistic	Critical value (5%)	Order of Integration	Generated series	Remark
GDP	9.990486	-2.948404	1(0)	GDP	Stationary
MCAP	-3.455657	-2.951125	1(1)	DMCAP	Stationary
ASI	-6.260403	-2.954021	1(1)	DASI	Stationary
TND	-6.203943	-2.951125	1(1)	DTND	Stationary
VOT	-5.8311247	-2.960411	1(1)	DVOT	Stationary

Source: Computation from Eviews 9

As shown in table 4.2, MCAP, ASI, TND and VOT are stationary at first differencing (I (1) variable), while GDP is stationary at ordinary differencing (I(0)

variables). The series were differenced accordingly and used for the OLS regression.

Test of Hypothesis

The decision rule for acceptance or rejection of the null hypotheses is stated thus; if the p-value is greater than the chosen level of significance (0.05), the null hypothesis will be accepted. However, the null hypothesis is rejected if the p-value is less than 0.05.

Hypothesis One

H0: There is no significant relationship between market capitalization and gross domestic product.
 H1: There is a significant relationship between market capitalization and gross domestic product.

Table-4.3: OLS Results for MCAP and GDP

Dependent Variable: GDP				
Method: Least Squares				
Date: 01/03/22 Time: 20:47				
Sample: 2000 2020				
Included observations: 21				
Variable	Coefficient	Std. Error	t-Statistic	Prob
DMCAP	4.735977	0.197210	24.01490	0.0251
C	4133.366	2339.362	1.766878	0.0862
R-squared	0.464328	Mean dependent var	-	37858.30
Adjusted R-squared	0.522690	S.D. dependent var	-	46892.04
S.E. of regression	11225.71	Akaike info criterion	-	21.54375
Sum squared resid	4.28E+09	Schwarz criterion	-	21.63173
Log likelihood	-385.7876	Hannan-Quinn criter.	-	21.57446
F-statistic	576.7152	Durbin-Watson stat	-	2.325966

Source: Computation from Eviews 9

From table 4.3, the p-value (0.0251) is less than 0.05, therefore we reject the null hypothesis. Therefore, there is a significant relationship between market capitalization and gross domestic product. The T-statistic value of 24.01490 is greater than two showing that the relationship between market capitalization and gross domestic product is significant. The coefficient value of 4.735977 reveals that there is a positive relationship between market capitalization and gross domestic product. It follows that an increase in the market capitalization will result in an increase on gross domestic product. The R-squared of 0.464328 reveals that only about 46% of the variation in gross domestic product is explained by variation in the market capitalization. According to the adjusted R-squared,

adjusting for the number of regressors, the goodness fit reduces to 0.522690 indicating that only about 52% of gross domestic product is explained by market capitalization. The probability F-statistics is less than 0.05 suggesting that the relationship between gross domestic product and market capitalization is significant. The Durbin-Watson statistics is up to two therefore the model is free from the problem of auto-correlation.

Hypothesis Two

H0: There is no significant relationship between all share index and gross domestic product.
 H1: There is a significant relationship between all share index and gross domestic product.

Table-4.4: OLS Results for All Share Index and GDP

Dependent Variable: GDP				
Method: Least Squares				
Date: 01/03/22 Time: 20:49				
Sample: 2000 2020				
Included observations: 21				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
DASI	-2.205912	0.369771	5.965622	0.0119
C	638.4711	8345.422	0.076506	0.9395
R-squared	0.511415	Mean dependent var	-	37858.30
Adjusted R-squared	0.497044	S.D. dependent var	-	46892.04
S.E. of regression	33255.53	Akaike info criterion	-	23.71578
Sum squared resid	3.76E+10	Schwarz criterion	-	23.80376
Log likelihood	-424.8841	Hannan-Quinn criter	-	23.74649
F-statistic	35.58865	Durbin-Watson stat	-	2.242962
Prob(F-statistic)	0.011943	-	-	-

Source: Computation from Eviews 9

From table 4.4 the prob (F-statistic) (0.011943) is less than 0.05, therefore we reject the null hypothesis.

Therefore there is a significant relationship between financial all share index and gross domestic product.

The coefficient value of -2.205912 reveals that there is a negative relationship between gross domestic product and all share indexes. It follows that an increase in the all share index will result to an increase on market capitalization. The R-squared of 0.511415 reveals that only about 51% of the variation in all share indexes is explained by variation in gross domestic product. According to the adjusted R-squared, adjusting for the number of regressors, the goodness fit reduces to 0.497044 indicating that only about 49% of all share index is explained by gross domestic product. The probability F-statistics is less than 0.05 suggesting that

the relationship between market capitalization and gross domestic product is significant. The Durbin-Watson statistics is up to two therefore the model is free from the problem of auto-correlation.

Hypothesis Three

H0: There is no significant relationship between total number of deals on the Nigeria stock exchange and gross domestic product.

H1: There is a significant relationship between total number of deals on the Nigeria stock exchange and gross domestic product.

Table-4.5: OLS Results for Total of Deals and GDP

Dependent Variable: GDP				
Method: Least Squares				
Date: 01/03/22 Time: 20:49				
Sample: 2000 2020				
Included observations: 21				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
DTND	0.024370	0.007451	3.270715	0.0125
C	18033.45	9196.049	1.961000	0.0581
R-squared	0.239332	Mean dependent var	-	37858.30
Adjusted R-squared	0.216960	S.D. dependent var	-	46892.04
S.E. of regression	41494.56	Akaike info criterion	-	24.15846
Sum squared resid	5.85E+10	Schwarz criterion	-	24.24644
Log likelihood	-432.8524	Hannan-Quinn criter.	-	24.18917
F-statistic	10.69758	Durbin-Watson stat	-	2.155948
Prob(F-statistic)	0.012462			

Source: Computation from Eviews 9

From table 4.5, the p-value (0.0125) is less than 0.05, therefore we reject the null hypothesis. Therefore, there is a significant relationship between total number of deal on the Nigeria stock exchange and gross domestic product. The T-statistic value of 3.270715 is greater than two showing that the relationship between total no of deals on the Nigeria stock exchange and gross domestic product. The coefficient value of 0.024370 reveals that there is a positive relationship between gross domestic product and total number of deals on the Nigeria stock exchange. It follows that an increase in the gross domestic product will result in an increase on total number of deals on the Nigeria stock exchange. The R-squared of 0.239332 reveals that only about 24% of the variation in the total number of deals on the Nigeria stock exchange is explained by variation in the gross domestic product. According to the adjusted R-squared,

adjusting for the number of regressors, the goodness fit reduces to 0.216960 indicating that only about 22% of the total no of deals on the Nigeria stock exchange is explained by gross domestic product. The probability F-statistics is less than 0.05 suggesting that the relationship between gross domestic product and total no of deals on the Nigeria stock exchange is significant. The Durbin-Watson statistics is up to two therefore the model is free from the problem of auto-correlation.

Hypothesis Four

H0: There is no significant relationship between total value of transaction on the Nigeria stock exchange and gross domestic product.

H1: There is a significant relationship between total value of transactions on the Nigeria stock exchange and gross domestic product.

Table-4.6: OLS Results for Total Value Transaction and GDP

Dependent Variable: GDP				
Method: Least Squares				
Date: 01/03/22 Time: 20:49				
Sample: 2000 2020				
Included observations: 21				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
DVOT	59.50665	9.013398	6.602022	0.0472
C	10567.18	6681.422	1.581576	0.1230

R-squared	0.561780	Mean dependent var	-	37858.30
Adjusted R-squared	0.548892	S.D. dependent var	-	46892.04
S.E. of regression	31494.85	Akaike info criterion	-	23.60699
Sum squared resid	3.37E+10	Schwarz criterion	-	23.69496
Log likelihood	-422.9258	Hannan-Quinn criter.	-	23.63769
F-statistic	43.58669	Durbin-Watson stat	-	2.626294
Prob(F-statistic)	0.047219			

Source: Computation from Eviews 9

From table 4.6, the p-value (0.0472) is less than 0.05, therefore we reject the null hypothesis. Therefore, there is a significant relationship between total value of transaction on the Nigeria stock exchange and gross domestic product. The T-statistic value of 6.602022 is greater than two showing that the relationship between total value of transaction on the Nigeria stock exchange and gross domestic product. The coefficient value of 59.50665 reveals that there is a positive relationship between gross domestic product and total value of transaction on the Nigeria stock exchange. It follows that an increase in the gross domestic product will result in an increase on total value of transaction on the Nigeria stock exchange. The R-squared of 0.561780 reveals that only about 56% of the variation in the total value of transaction on the Nigeria stock exchange is explained by variation in the gross domestic product. According to the adjusted R-squared, adjusting for the number of regressors, the goodness fit reduces to 0.548892 indicating that only about 55% of the total value of transaction on the Nigeria stock exchange is explained by gross domestic product. The probability F-statistics is less than 0.05 suggesting that the relationship between gross domestic product and total value of transaction on the Nigeria stock exchange is significant. The Durbin-Watson statistics is up to two therefore the model is free from the problem of auto-correlation.

DISCUSSION OF THE FINDINGS

The main aim of this study was to examine capital market and its impact on the Nigeria economy with particular emphasis on the stock exchange. To conduct this investigation, the gross domestic product was selected as a measure for Nigeria economy while the selected variables for capital market instruments includes; market capitalization, all share index, total number of deals on the Nigeria stock exchange and value of transaction on the Nigeria stock exchange. The OLS regression was used to examine the variables for relationship.

The findings of the study revealed that market capitalization was found to have positive and significant relationship with gross domestic product. These tend to match the prior expectation of the researcher. The positive relationship indicates that an increase in market capitalization would result to an increase in the gross domestic product and vice versa. These findings tend to disagree with the findings of Babatunde *et al.* (2019) who found market capitalization to have a statistically

insignificant relationship with real gross domestic product but tend to agree with the findings of Popoola, *et al.* (2017) who found market capitalization to have a significant relationship with gross domestic product.

The finding also revealed that all share indexes has negative and significant relationship with gross domestic product. However this tends to agree with the findings of Popoola, *et al.* (2017) who found all share indexes to have a negative relationship with gross domestic product. Also this finding tends to disagree with the researcher prior expectation. The negative relationship implies that an increase in all share indexes will lead to a decrease on gross domestic product. However the finding tends to agree with finding of Avery (2018) who found all share indexes to have a positive and insignificant relationship with economic growth.

The finding of the study has it that total number of deals on the Nigeria stock exchange has a significant relationship with gross domestic product. It was shown that total number of deals on the Nigeria stock exchange had a positive and significant relationship with total gross domestic product. The positive relationship implies that increase in total number of deals on the Nigeria stock exchange will lead to an increase on total loan and gross domestic product. However these finding tend to disagree with the priori expectation of the researcher. These finding tend to match the findings of Edame and Okoro (2013) who found a significant relationship between total numbers of deals on the Nigeria stock exchange with gross domestic product. However the findings tend not to align with the findings of Avery and Obah (2018) who found the total number of deals on the Nigeria stock exchange to be insignificant with economic growth.

The finding also revealed that the value of transaction on the Nigeria stock exchange has positive and significant relationship with gross domestic product. However this tends to agree with the findings of Avery and Obah (2018) who found the value of transaction on the Nigeria stock exchange to have a positive and significant relationship with gross domestic product. Also this finding tends to disagree with the researcher prior expectation. The positive relationship implies that an increase in value of transaction on the Nigeria stock exchange will lead to an increase on gross domestic product. However the finding tends to agree with finding Babatunde *et al.* (2019) who found value

of transaction on the Nigeria stock exchange to have a negative and insignificant relationship with economic growth.

CONCLUSION AND RECOMMENDATIONS

Capital market, being a very important component of the financial market, plays a key role in mobilizing the funding resources of Nigeria and promoter of economic growth and development. Many Studies have explored nexus between capital market and economic growth in Nigeria. While some recorded a positive and significant relationship, other studies have resulted in contrary arguments or evidences.

This study examined the effect capital market on economic growth in Nigeria (2000-2020). It was aimed at determining the relationship between the Nigeria economy proxied by gross domestic product and the capital market measured using market capitalization, all share index, total number of deals on the Nigeria stock exchange and the value of transaction on the Nigeria stock exchange. The findings in totality confirms statistically that there is a positive and significant relationship between economic growth and market capitalization, total number of deals on the Nigeria stock exchange and value of transaction on the Nigeria stock exchange. Also there is a significant but negative relationship between the all share index and economic growth.

Based on the findings, the study henceforward recommends that Government should discourage Nigerian investor's attitude of buy and hold securities instead of trading in the capital market. Also, Communication and information network should be upgraded when it comes to market capitalization as this will encourage foreign investors to participate in the market.

Furthermore, regulatory authority should formulate policies that would encourage more companies to access the market and also be more proactive in their surveillance role in order to curb sharp practices which undermine market integrity and erode investors' confidence. As well as, expanding the technological base of the Nigerian capital market in order to enhance transactions and dealings, which could advance internationalization and competitiveness of the market?

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