A STATISTICAL ANALYSIS OF CAPITAL MARKET AND ECONOMIC GROWTH

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ABSTRACT

This research work is aimed at establishing and testing for existing relationship between the Nigerian Gross Domestic Product (GDP) and the indicators of the Nigerian Stock Market. Market capitalization and All Share Price Index are used as proxies for stock market indicators. Annual data set from 1996 to 2024 are used in the research work. The relationship is explored both in the general sense using multiple linear regression analysis and in the period-based (period of global financial crisis and period of no global financial crisis) using dummy regression analysis. Detailed analysis of the data using the multiple linear regression analysis revealed a strong significant multiple linear relationship among the response and the predictor variables with a coefficient of multiple determination, R2 of about 0.707 which explains about 93% of the total variations in the response variable. The result from the dummy regression analysis shows even a stronger linear relationship among the predictor variables and the response variables with R2 of about 0.93 which explains about 93% of the total variation in the response variable Y. The coefficient of the dummy variable is significantly different from zero which point to the need to analyse the variables based on the two economic period. It also represent the average decrease in the response variables Y as a result of the global financial crisis given the indicators of the Nigerian stock market.

CHAPTER ONE

INTRODUCTION

BACKGROUND OF THE STUDY

The capital market is essentially a framework or process for obtaining the institutional capital required to support real sector activities over the medium to long term via the sale and acquisition of financial instruments with a comparable length of maturity. It is a system of specialised financial institutions along with a number of mechanisms, procedures, and supporting infrastructure to facilitate the meeting of suppliers and users of medium-to long-term capital for use in economic development projects (Rodrigue, 2020).By offering assets with appealing yields, liquidity, and risk characteristics—all necessary for governments and other financial institutions looking for long-term financing—the capital market encourages financial savings, claims Laeven (2014). By offering assets with appealing yields, liquidity, and risk characteristics—all necessary for governments and other financial institutions looking for long-term financing—the capital market encourages financial savings, claims Laeven (2014). According to fundamental economic theory, actual investments and realised savings are directly and proportionately related. The capital market has long been acknowledged by scholars, researchers, and policymakers as a vital channel for financial intermediation and an essential element in the economic growth of both developed and developing nations (Edame and Okoro, 2013). A robust financial sector that pools local resources and draws in foreign capital for profitable projects is essential for economic success in a modern country (Ayadi, 2021). Foreign investment is discouraged by common capital markets that are illiquid, expensive, underdeveloped, or not functioning well.

Larger local businesses may be forced to look outside for markets due to the difficulty they have obtaining financing due to illiquidity and high transaction costs (Clessens, 2019). According to theoretical research on financial development and growth, there are three main ways that capital markets and economic growth are related (Bist, 2018). First, more savings are being invested as the capital markets expand. Second, by altering the savings rate, changes to the capital market may affect investments. As the capital markets evolve, thirdly. Allocating capital becomes more effective. The increased level of both public and private investor activity on the stock exchange floor and in the aforementioned companies' IPOs is proof of the clear change in the Nigerian capital market over time.

International investors have expressed interest in and attention to the growing economy. which has led to a rise in the inflow of capital. The total market capitalisation, for example, rose from N1.698,100,000 in 1980 to N7.030,800,000 in 2009. Similarly, the value of transactions on the NSE floor increased from a previous value of N16,600,000 to N687,716,200,000 from 1970 to 2009, respectively. However, from 1970 to 2009, the total number of transactions conducted by all market participants on the floor ranged from only 634 naira (N634) to 1,739,365,000,000 naira (N1,739,365,000,000). The number of listed companies also increased from 91 in 1980 to 213 in 2008 (CBN, 2009). Consequently, corporate control, risk diversification, liquidity, and business information are all impacted by a healthy capital market (Angaye and Frank, 2020).Therefore, the way stock markets operate may be able to change the rate of economic development by changing the quality of these services.This setting serves as the foundation for the research study that looks at how Nigeria's capital market affects economic development.Although emerging economies heavily rely on the money market's operations to propel their economic activity, there is strong evidence that the stock market is crucial to the economic well-being of the majority of developed countries (Grant, 2017).

This study attempts to investigate the impact of the capital market on the expansion and advancement of the Nigerian economy. Its main focus is on important stock market performance metrics. Nigeria's production growth is influenced by a number of factors, including the capitalisation ratio, value traded ratio, and turnover ratio. Regression analysis or causality analysis have been used in most previous studies to address this problem. To improve the validity of this inquiry, both approaches were applied. EXPLAINING THE ESSENTIAL TERMS In order to understand how financial markets drive real economic expansion, statistical analysis of the capital market and economic growth uses terms like economic growth, real gross domestic product (RGDP), capital market (long-term funds for investment), market capitalisation (company valve), gross capital formation (investment in fixed assets/inventory), and indicators like securities prices, volume, listings, and foreign inflows. The relationship between these variables is analysed using models (ARDL, VAR), as well as tests (Stationery, Hypothesis Testing). Important Words for Economic Growth Economic growth is the rise in a nation's actual output of goods and services, typically expressed as a percentage change in real GDP (inflation-adjusted) per year.

The total value of all finished goods and services produced in a nation, adjusted for inflation, represents real output growth and is known as real GDP (gross domestic product).

Investment in fixed assets, such as buildings, machinery, and infrastructure, as well as adjustments to inventories, constitute gross capital formation, which is essential for economic growth.

Important Words in the Capital Markets

The capital market, which is essential for capital formation, is the market for medium-to-long-term funds (stocks, bonds) that direct savings toward investments.

As a stand-in for market size and development, market capitalisation, or market cap, is the sum of a company's value (share price x number of outstanding shares).

Primary Market: The initial sale of new securities, such as stocks and bonds, such as initial public offerings (IPOs).

The secondary market, such as the stock exchange, is where existing securities are traded.

Capital market indicators are metrics that show the health of the economy, such as stock prices, trading volume, the number of listed companies, new listings, and foreign capital inflows.

Terms Used in Statistical Analysis

The stationarity test, such as the ADF test, determines whether a time series, such as market capital or GDP, has consistent statistical characteristics over time, which is essential for reliable regression models.

Time-series models called ARDL (Autoregressive Distributed Lag) and VAR (Vector Auto-regression) are used to examine both short-term and long-term relationships between variables.

P-value: The likelihood that the study's extreme results would be observed if the null hypothesis—that is, that there is no relationship—were true; a p-value less than

0.05 usually rejects the null.

Hypothesis testing is a statistical technique used to determine whether a hypothesis should be accepted or rejected (e.g., determining whether a capital market indicator has a significant impact on GDP).

EXPLAINING THE PROBLEM

In an effort to foster steady economic growth and development, the Nigerian capital market has undergone a number of reforms.

In order to increase fund mobilisation, improve resource allocation efficiency, and provide pertinent information for appraisal, the most recent reform was implemented.

The market is anticipated to offer a range of financial instruments as a result of the reform, allowing economic agents to exchange, pool, and price risk.

The performance of the Nigerian capital market in relation to economic growth and development is a major concern, despite the crucial roles that the reform is anticipated to play. This performance appears superficial when viewed from the nature of market activities.

This is most likely due to the absence of an enabling framework that maintained investor protection and confidence, as well as a comprehensive assessment of the important factors that influence capital market performance. Although there is a distinction between economic growth and development from an economic standpoint, the majority of research done in the field does not account for this distinction or the ways in which the two variables are related to one another. As a result, it becomes necessary to use a suitable methodology under the study to investigate the situation while keeping the distinction in mind. To the best of our knowledge, research in this field has produced inconsistent and mixed results, which is likely due to a lack of proper methodology. Another problem is that the majority of studies that assess capital market performance rely on primary or secondary market data to draw conclusions about the performance of the capital market as a whole rather than on the aggregate of market data.

This highlights the necessity of assessing the market using aggregate data to determine its impact on Nigeria's economic expansion. GOALS FOR THE STUDY Examining how capital market performance affects Nigeria's economic growth is the study's goal. However, the goals are to: Assess the relationship between market capitalisation and GDP.

OBJECTIVES OF THE STUDY

Examining how capital market performance affects Nigeria's economic growth is the study's goal. Among the goals are the following: ascertain how market capitalisation affects GDP.Evaluate how the gross domestic product is affected by all of the new issues.Determine the amount that the volume of transactions contributes to Nigeria's GDP (gross domestic product).Analyse how Nigeria's gross domestic product is affected by the total number of listed equity stocks.

The primary function of GDP (gross domestic product)

GDP serves as the main indicator for capital market analysis, assessing the state of the economy as a whole to inform asset allocation, valuation, and investment choices. Increased corporate profits and improved stock market performance are usually indicators of high GDP growth. The market-cap-to-GDP ratio is used to evaluate market size and determine whether a stock market is overvalued or undervalued.

In capital market analysis, GDP plays important roles such as:The Economic Health Indicator gives a thorough picture of the size of the economy, which is correlated with risk appetite and investor sentiment.Fundamental Valuation: Similar to a country's price-to-sales ratio, investors use the market-cap-to-GDP ratio to assess how much the economy is worth in relation to the total value of the stock market.Performance Driver: While stagnant growth points to possible market downturns, a strong GDP frequently correlates with higher equity prices and better corporate earnings.Asset Allocation: Investors can decide where to put their money for higher returns by comparing the GDP growth rates of various nations.Long-Term Trend Analysis: It helps identify the general state of the economy to support risk diversification and long-term investment strategies. GDP, however, is a look back at the economy rather than a leading indicator. Because it is frequently updated and released on a quarterly basis, market players also depend on more recent data.

THE STUDY'S IMPORTANCE

It is well known that the capital market needs to be efficiently functioning for a nation to undergo any significant economic change. It has also been acknowledged that the effectiveness and activity of the capital market determine a country's economic strength (Adamu, 2019).

Regulatory bodies like the CBN, NSE, and SEC will find the study extremely valuable in developing sound financial policies and reforms that will improve the capital market's performance. By ensuring that corporate governance procedures in Nigerian public companies are in line with global best practices through enhanced financial disclosure of information and the adoption of international financial report standards, this would fortify public companies. Lastly, by extrapolating some of the data and the statistical conclusions that this study has drawn, future research might wish to share this experience.

The study's scope

There are many different and occasionally intricate components that make up the Nigerian economy. In this sense, the study examines a specific economic sector, paying special attention to the financial industry. Even so, the study only examines the capital market and its operations and how they affect Nigeria's economic growth, leaving out other aspects of the financial sector. This is supported by the fact that the capital market is crucial to the nation's economic growth since it supplies the long-term capital required for investments that support economic expansion.

The selection of the 1996–2024 study period was made on the grounds that the market has seen notable advancements in both its development and its policy framework. This pertains to its business operations, the rise in the quantity of securities and companies that are quoted, and market capitalisation. Even though the number of transactions and new issues have significantly increased over the study period, there have been some years with a decline due to the global financial crisis.

RESTRICTIONS TO THE STUDY

Important restrictions consist of:Issues with Data and MeasurementData Availability and Quality: The lack of thorough data on capital market activity over a wide range of nations or a long period of time is a significant problem, particularly in developing economies. Studies frequently make extensive use of secondary, time-series data, which may not always be available.Proxy Variables: Researchers frequently employ proxies, such as market capitalisation for capital market performance or GDP for economic growth, which may not fully capture the picture or all non-market transactions.Informal Finance: The prevalence of informal finance in many developing countries is not sufficiently represented in official statistics, which reduces the precision of the impact analysis of the entire financial system.Statistical and Methodological DifficultiesCausality Direction: Depending on the data and methodology employed, statistical tests (such as Granger causality) frequently produce inconsistent or ambiguous results. It is challenging to conclusively determine whether economic growth is caused by capital market development, vice versa, or if the relationship is bidirectional.When non-stationary time-series data is used in regression analysis without the appropriate scrutiny or methods, it can result in "spurious regressions," which are situations in which an apparent relationship between unrelated variables is discovered.Model Specification: Research frequently fails to include all pertinent variables or factors influencing economic growth in their models, which may result in the exclusion of other important determinants such as infrastructure development, political stability, or human capital.

The study's hypothesis

The following hypotheses have been developed in null form in accordance with the study's goals:

H_01: Nigeria's GDP is not significantly impacted by market capitalisation.

H_02: Nigeria's gross domestic product is not significantly impacted by the total number of new issues.

H_03: Nigeria's gross domestic product has not been substantially impacted by transaction volume.

H_04: Nigeria's gross domestic product is not significantly impacted by the total number of listed stocks.

CHAPTER TWO

LITERATURE REVIEW

INTRODUCTION

This chapter examines pertinent literature; topics covered include GDP and capital market variables such as market capitalisation, new issues, transaction volume, and equity stocks. Additionally, it examines earlier research on the relationship between capital market performance and economic growth conducted by different academics, as well as the functions of the Nigerian capital market and its role in the country's economic development. Lastly, it offers an analysis of the performance of the Nigerian capital market.

The idea of economic expansion

Economic growth is defined as a rise in the production of goods and services over a specific time period. For the measurement to be accurate, inflationary effects must be taken into consideration (Michael and Rufaro, 2020). An increase in an economy's capacity to produce goods and services over time is a second definition of economic growth. Real terms, which are inflated and adjusted, or nominal terms can be used to measure it. Overall economic growth is traditionally measured using the Gross National Product (GNP) or Gross Domestic Product (GDP), though alternative metrics are occasionally used (Abdullah et al. 2022). A rise in total productivity is all that constitutes economic growth. Higher average marginal productivity is often, but not always, correlated with increases in overall productivity. This suggests that, on average, the average worker in a given economy becomes more productive. Additionally, raising immigration or birth rates can result in overall economic growth without raising average marginal productivity (Michael and Rufaro, 2020).

Economic growth results in higher profits for businesses. As a result, stock prices rise. That gives companies the money they need to grow and add more employees. When more jobs are created, income rises. Customers now have more purchasing power. Purchases lead to growth in the economy. As a result, all countries aim for positive economic growth. Therefore, the economic indicator that is given the most attention is economic growth (Arindrajit, 2019). The gross domestic product is the best measure of economic growth. This is because it is responsible for the economic output of the entire country. It includes all goods and services produced for export by domestic businesses. Whether they are sold domestically or overseas has no bearing. GDP is a way to measure output. It doesn't include the parts made to make a product. Exports are included since they are produced domestically. Imports are factored into economic growth. The majority of countries evaluate economic growth every three months. The most accurate measure of growth is real GDP. It gets rid of the effects of inflation. The GDP growth rate is determined using real GDP (Karen and Louise, 2018). There are very few ways to stimulate economic growth. The first is the discovery of new or better financial resources. For example, petroleum had a relatively low economic value prior to the discovery of gasoline's capacity to generate energy. Fuel became a better and more valuable commercial resource as a result of this discovery (Abdullah et al. 2022). Eventually, trust in economic expansion declines. When people sell more than they purchase, the economy contracts. That phase of the business cycle becomes a recession if it continues. An economic depression is defined as a recession lasting ten years or more. This only happened once, during the Great Depression in 1929 (Kimberly Amadeo, 2018).

A REVIEW OF THEORY

Theories of Investment

Numerous theories have been put forth in the literature to explain how businesses and governments make investments. These include the Theory of Investments by Accelerator, the Accelerator theory of investments, the Tobin Q theory of investments, and the marginal efficiency of capital. These theories are explained separately in this study.

The Capital Hypothesis's Marginal Efficiency: The rate of discount that compares the present value of netting expected revenue from a capital investment to the investment's cost is determined by a Keynesian concept called the marginal efficiency of capital hypothesis. This concept is central to the Keynesian theory of investments, which holds that the marginal efficiency of capital relative to the interest rate determines the amount of investment. If the marginal efficiency rate is higher than the interest rate, investment will be encouraged; otherwise, it will be discouraged. According to the Encyclopedia of Banking and Finance (2016), this concept is based on the standard mathematical process of determining the present value of a given series of returns discounted at a predefined rate. Investing The Accelerator Theory states: The investment accelerator theory states that when demand or income in an economy increases, so do firm investment levels. When demand levels result in an excess of supply, the accelerator theory also predicts that firms will have two options for meeting demand. Reducing prices will require either investors to increase their investment or demand to keep up with prices. The theory states that most companies choose to increase production because it increases their profits. The theory also describes how this expansion attracts additional investors, which speeds up growth. The Tobin Q Investment Theory: Both the accelerator theory and the neo-classical theory of investing have two major problems. Both theories imply that the capital stock's adjustment to the target level occurs instantly and completely during each period. An adjustment cost function should be applied to the optimisation problem in order to address this (Treadway, 1969). The second problem is that expectations are not taken into consideration by the Neoclassical and Accelerator theories. To address these issues, Brainard and Tobin (1968) offered solutions. According to Tobin's 1969 Tobin Q-Theory of Investment, investments are made until the market value of assets equals the cost of replacing them. Conceptual Structure

The investment accelerator hypothesis states that when an economy's demand or revenue increases, so do businesses' investment levels. The accelerator theory also predicts that when demand levels result in excess demand, businesses will have two choices for meeting that demand. In order to lower prices, either demand or investors will need to increase their investment to keep up with pricing. This idea holds that most companies choose to increase production, which increases their profitability. The concept also describes how this expansion attracts additional investors, which boosts expansion.

Theory of Random Walks

The weak form hypothesis is represented by the Random Walk Hypothesis, which shows random price movement and is therefore unpredictable. The strong form of the argument disregards any information from the public or private domain because it believes that the information is available prior to market price decisions. This argument's significance depends on effective market delivery. Effective resource allocation at lower costs and consideration of the role of information in stock price determination are examples of this. In an effort to expand the economy, such effective functioning will make it easier to mobilise funds and allocate resources more economically for the best possible use.

Model of Harrod-Domar Growth

Karl Marx was the leader of the Marxian economic growth theory. He offered an alternative growth path and identified the driving force behind capital development in his economic interpretation of history (Nwikina, 2015). According to the materialistic interpretation of history, there are ongoing economic conflicts between various social groups and classes (Jhingan, 2016). Capital ownership and the mode of production determine how society changes.

A REVIEW OF EMPIRICAL

The findings of several studies on the evolution of the capital market and economic expansion are not entirely consistent. Goldsmith (1969), King and Levine (1993), Demirguc-Kunt and Levine (1996), Shah and Thomas (1997), Levine and Zervos (1998), and LaPorta, Lopez, Shleifer, and Vishny (2001) are a few examples of these conflicting findings. According to Shah and Thomas (1997), King and Levine (1993), and Goldsmith (1969), capital market performance has a major impact on economic growth. On the other hand, as stated by Demirguc-Kunt and Levine (1996), Levine and Zervos (1998), and Laporta, Lopez, Shleifer, and Vishny (2001), the capital market has had a positive effect on a nation's economic growth. Nonetheless, a number of studies indicate that stock market liquidity has acted as a stimulant for long-term growth in developing nations during the last 20 years. Many successful long-term investments would not be made in the absence of a liquid stock market because savers would be hesitant to commit to long-term investments. A liquid equity market, on the other hand, makes it simple for savers to sell their shares, enabling businesses to raise equity capital on favourable terms. The idea that increased stock market liquidity promotes economic growth is firmly supported by this study. By examining the impact of financial structure and development on a nation's economic growth, Goldsmith (1969) lays the groundwork for his groundbreaking study of financial market development and growth. He therefore aimed to determine whether the mix of markets and intermediaries that operate in an economy affects economic growth or whether finance has a causal effect on growth. In order to achieve this, he meticulously collected information on the value of financial intermediary assets as a percentage of economic output for 35 countries between 1860 and 1963.

According to Goldsmith, the calibre of financial services offered by the financial sector is positively connected with the size of the financial intermediary. Goldsmith (1969) attempted to confidently respond to these questions with differing degrees of success. After demonstrating that the size of financial intermediaries in relation to the size of the economy increases as nations grow, Goldsmith (1996) provides graphic evidence of a positive relationship between financial development and economic activity levels. Moreover, in the end, he makes no judgement on the question of whether or not financial development leads to growth. Due to the lack of data on the development of the securities market across a wide range of nations, he is unable to offer much cross-country evidence regarding the relationship between economic growth and the structure of the financial system. Even though the study is robust, the model appears to have many flaws that undermine the work. Among these are the following: only 35 countries were included in the study, so the sample size was too small; additionally, the study did not investigate the relationship between financial development and capital accumulation and productivity growth. The study's conclusion that the size and growth of the financial system are closely related does not specify which way causality runs. Furthermore, the study doesn't clarify whether financial markets, non-bank financial intermediaries, or the combination of markets and intermediaries are important for economic expansion.

Goldsmith's work was expanded upon by King and Levine (1993) in the early 1990s. In order to determine whether or not the level of financial development predicts long-term economic growth, capital accumulation, productivity, and growth, they constructed additional measures of the level of financial development, looked at the channels of capital accumulation and productivity growth, and systematically controlled for other factors affecting long-term growth in 77 countries between 1960 and 1989. They start by looking at the depth of financial intermediaries, which is merely a gauge of their size, when discussing indicators of financial development. Divided by GDP, it represents the financial system's liquid liabilities (currency plus demand and interest-bearing liabilities of banks and nonbank financial intermediaries). Another variable that gauges how much credit is distributed by commercial banks and the central bank is also simulated.

This measure is based on the premise that banks are more likely than central banks to perform financial functions. Nevertheless, this measure has two significant flaws. In addition to lending to the government or public businesses, banks are not the only financial intermediaries that offer beneficial financial services. King and Levine also look at how much credit is given to private businesses and how that impacts economic expansion. This measure is predicated on the idea that financial systems that extend more credit to private companies are more involved in conducting business research, exercising corporate control, offering risk management services, mobilising savings, and facilitating transactions than those that only extend credit to state-owned businesses or the government. Results from King and Levine's analysis of the various financial development indicators are remarkably consistent. Then, using three growth indicators that were also averaged over the 1960–1989 period, they evaluated the empirical relationship between each of these indicators at the level of financial development. The average rate of growth in the capital stock per person, the average rate of growth in real per capital GDP, and the average rate of growth in total productivity are the three growth indicators. According to King and Levine (1991), economic growth and all of the financial market development indicators have a strong positive correlation. However, this model suffered a significant setback due to its limited number of countries and disregard for the causality issue. Lastly, because the countries involved are diverse, it is impossible to draw conclusions about a general phenomenon using the population used in the study.

According to Demirguc-Kunt and Levine (1996), who study the relationship between the development of financial intermediaries and the stock market, there is a positive correlation between the two indicators across nations. Demirguc-Kunt and Maksimovic (1996) also conducted an empirical investigation into how the development of the stock market affects the financing decisions made by businesses in nations with less developed stock markets.

First, as their stock markets grow, raise their debt-to-equity ratios and make sure that debt and equity financing complement each other. The World Bank Research Group conducted the first thorough investigation into the connection between economic growth and stock market development in 1957. Following an investigation into the relationship between stock market development, financial intermediary development, and economic growth, the group came to the conclusion that there is a positive correlation between the two.

One group of academics who support the idea that the growth of the stock market contributes to economic expansion is Shah and Thomas (1997). They contend that because of supportive government policies, the Indian stock market is more effective than the banking system and that the growth of the stock market plays a crucial role in banking system reforms by creating competition for the allocation and mobilisation of funds. Therefore, long-term growth would be facilitated by an efficient capital market. Since their study was essentially limited to the Indian economy, the results were favourable.

To evaluate the connection between stock market development and economic growth, capital accumulation, and productivity growth in a sample of 42 countries between 1976 and 1993, Levine and Zervos (1998a) create a variety of stock market development metrics. Their research expands upon Atje and Jovanovic's (1993) groundbreaking work. Based on the findings of this study, their conclusions were consistent with those of other earlier researchers. Only specific indicators, such as the liquidity and turnover ratio, are used as the foundation for measurement in this research study. This is calculated by dividing the total value of shares traded on a nation's stock exchanges by the market capitalisation of those shares. It is related to the value of shares that are listed on the national exchanges. Neither trading expenses nor the capacity to sell securities at posted prices can be directly measured by the turnover ratio. Instead, trading in relation to market size is measured by the turnover ratio. As a result, it represents information that encourages transactions as well as trading frictions. There is significant cross-country variability in this ratio. During the 1976–1993 periods, highly active markets like the US and Japan had turnover ratios of nearly 0.5, whereas less liquid markets like Bangladesh, Chile, and Egypt had turnover ratios of 0.06 or less. Even after adjusting for initial income, inflation, government spending, the black market exchange rate premium, and political stability, Levine and Zervos contend that the initial levels of banking development, also known as bank credit, and stock market liquidity are positively and significantly correlated with future rates of economic growth, capital accumulation, and productivity growth over the following 18 years. As a percentage of GDP, bank credit is equivalent to bank credit to the private sector. These findings support the idea that long-term growth is facilitated by stock market liquidity (Levine, 1991; Holmstrom and Tirole, 1993; Bencivenga et al., 1995). However, the findings contradict models that highlight the drawbacks of stock market liquidity (Bhide, 1993). Additionally, models that highlight the connection between market-based and bank-based systems are not well supported by the results. Instead, the findings imply that stock markets and banks serve distinct financial purposes, or else neither would substantially enter the growth regression. On the other hand, the Levine and Zervos approach has several vulnerabilities. First, they do not formally address the challenges of measuring liquidity as Grossman and Miller (1988) discussed, even though they demonstrate that bank development and stock market liquidity predict economic growth. The direct expenses of carrying out equity transactions are not measured by their work. Furthermore, their study ignores the possibility that information will arrive and that different countries may process it differently, which could lead to cross-country trading differences that do not correspond to liquidity as defined by theory. Measurement problems persist even though Levine and Zervos validate their findings using a few other liquidity metrics. Note that domestic stock transactions on a nation's national stock exchanges are measured by the liquidity indicators.

However, unless there are barriers to cross-location transactions, the stock market's actual location might not be important for providing liquidity. As economies become more financially integrated, physical location will become less important and this measurement problem will become more significant. Nonetheless, Guiso, Sapienza, and Zingales (2002) contend that even within a single nation, local financial circumstances are significant. According to their research, regional economic performance is influenced by local financial circumstances. In other words, even within a single nation, local financial development plays a significant role in determining an area's economic success.

A different measure of financial development is employed by La Porta et al. (2001). They look at the extent of public ownership of banks globally. Insofar as publicly owned banks are less successful at gathering data about businesses, enforcing corporate governance, mobilising savings, controlling risk, and facilitating transactions, this metric offers concrete proof of the link between financial intermediary services and economic growth. The authors demonstrate that slower economic growth is linked to higher levels of public ownership of banks, while lower levels of bank development are linked to higher levels of public ownership. Cross-country growth regressions address many of the shortcomings in previous works, but they do not completely eliminate them.

Therefore, King and Levine do not formally address the question of causality, even though they demonstrate that financial development predicts growth. The study did have certain shortcomings, though, such as concentrating solely on banks, one area of the financial system. The extent to which financial systems reduce information and transaction costs is not directly measured by their indicators in such a scenario.

Nonetheless, there are numerous works on the capital market and economic expansion in Nigeria (Ogwumike and Omole, 1996; Osinubi and Amaghionyeodiwe, 2003; Adam and Sanni, 2005; Ezeoha, Ebele, and Okereke, 2009). The authors also looked at how economic

growth and capital market development are related.
Adam and Sanni (2005) use the Granger-causality test to investigate how the stock market contributes to Nigeria's economic expansion. They found a two-way causal relationship between GDP growth and market turnover and a one-way causal relationship between GDP growth and market capitalisation. They concluded that there was a substantial and positive correlation between the capital market and GDP.
Osinubi and Amaghionyeodiwe (2003) investigated the connection between economic growth and the Nigerian stock market between 1980 and 2000. Their findings refuted the assertions that changes in the stock market spur economic expansion. The nature of the data gathered and the data analysis method used would have led to the results of their findings, which is why this result was negative. Perhaps the findings of this study would have been different if better data samples that were not limited to the manufacturing sector had been gathered.
The nature of the relationship between Nigeria's capital market development and the volume of investment flows is examined in Ezeoha, Ebele, and Okereke's (2009) work. The study finds that the growth of the capital market encourages private investment in the country. Thus, this promotes national output and increases the economy's capacity for production. According to one of the study's conclusions, this does not promote foreign private investment in the nation; therefore, more work must be done to enable the market to draw in foreign capital. This situation may be explained by the inadequate framework of government policies and the absence of a supportive business environment. Another contributing factor is the global financial crisis, which has impacted the majority of the world's financial markets.
However, this study examines the empirical relationship between capital market performance and economic growth in Nigeria, taking into account the conflicting and inconsistent results from the different literature reviewed.
EXAMINATION OF EMPIRICAL RESEARCH ON GROSS DOMESTIC PRODUCT AND

THE CAPITAL MARKET

This section reviews the empirical literature on the following topics: market capitalisation and GDP, total new issues and GDP, transaction volume and GDP, and total listed equities and GDP.

Domestic Product and Market Capitalisation

In their research, Levine and Zervos (1996) hypothesise that well-developed stock markets might be able to provide different financial services than banking systems. As a result, they might be able to stimulate investment and growth in a different way than other financial system sectors like the banking system. Additionally, they note that an economy's capacity to mobilise capital and diversify risks may be enhanced by an increase in stock market capitalisation as determined by the number of listed companies or the ratio of stock market value to GDP.

Furthermore, any healthy financial market transfers scarce resources from surplus to deficit units, facilitating an effective distribution of resources that leads to economic expansion. Nonetheless, Levine and Zervos' research investigates the existence of a robust empirical correlation between the development of the capital market and sustained economic expansion. Long-term economic growth and capital market development were found to be strongly correlated.

Levine and Zervos (1996) demonstrated that nations with relatively liquid stock markets grow significantly faster than those with less liquid stock markets using a ranking of thirty-eight nations, including Nigeria. It should be acknowledged that the time frame in which the study was carried out made the outcome possible. However, given the current global financial crisis, which has impacted the majority of the world's financial markets, it might be challenging to achieve such a result, particularly in Nigeria, which is directly related to this crisis.

Abu (2009) uses the error correction approach to investigate whether the growth of the Nigerian stock market contributes to economic growth. According to the econometric findings, economic growth is boosted by the growth of the stock market (market capitalisation GDP ratio). Nonetheless, the study's conclusions included, among other things, the improvement of the country's infrastructure to foster an atmosphere in which companies can flourish and the implementation of reforms that will alter the Nigerian Securities and Exchange Commission's operations to support market expansion. When compared to other African stock markets, like those in South Africa and Egypt, for example, the Nigerian stock market is still relatively small in terms of market size, operational activities, and corporate governance, despite the study's promising results.
Using ordinary least square regression, Osinubi and Amaghionyeodiwe (2003) investigated the connection between the Nigerian stock market and economic growth from 1980 to 2000. The outcome shows that the stock market and economic growth are positively correlated, and it implies that capital market development greatly depends on the pursuit of policies aimed at accelerating both the stock market's and the economy's growth.
Therefore, the Security and Exchange Commission should make sure that the capital market is completely reformed to meet international standards in order for such reforms to be possible.

Gross Domestic Product and the Total New Issues
Using data from 44 countries between 1986 and 1993, Demirgue-Kunt and Levine (1996) discovered a strong correlation between various measures of stock exchange size and other indicators of the activity level of financial, banking, and non-banking institutions as well as insurance and pension funds. The two came to the conclusion that developed financial

intermediaries are typically found in nations with robust stock markets. According to the study's findings, a nation's stock market may be advanced, but its financial intermediaries may not be, which could be the result of subpar government regulations. Their study's likely outcome will be negatively impacted by this circumstance.

Levine and Zervos (1998) assess the relationship between stock market liquidity and growth, capital accumulation, new issues, and productivity by analysing pooled cross-country time series regression of 47 countries from 1976 to 1993. By combining metrics like stock market size, liquidity, new issues, and integration with the global market into an index of stock market development, they followed the lead of Demirgue-Kunt and Levine (1996). A number of different variables were regressed on the GDP per capital rate. They discovered empirically that there was a strong correlation between economic growth and stock market metrics like new issues. Due to the use of pooled cross-country data during the study period, which significantly impacted the study's findings, this conclusion can be explained. However, because the two studies' periods differ, the results obtained from using the same data now will differ slightly from the original results.

Using cross-sectional data from 1992 to 1997, Agarwal (2001) examines the connection between economic growth and stock market development for African nations. His research shows that economic growth and a number of stock market performance indicators are positively correlated.

Because it was challenging to determine whether the African nations covered by the study were developed or developing, the study's findings had some setbacks. It goes without saying that a developed stock market performs better than an undeveloped one.

Gross Domestic Product and Transaction Volume

Obamiro (2005) examines the Nigerian stock market's function in relation to economic expansion. His research supports the idea that the stock market has a major positive impact

on economic growth because of the rise in the number of securities transactions. In order to boost the stock market's efficiency and achieve greater economic growth, he also recommends that the government establish a supportive environment. The quantity of securities traded and the quality of economic growth are positively correlated with the volume of transactions in a nation's stock market.
Nyong (1997) creates an overall measure of capital market development and uses it to assess how it relates to Nigeria's long-term economic growth. Time series data from 1970 to 1994 are used in the study. Market capitalisation of GDP (in percentage), the ratio of the total value of equity transactions to GDP, listing, and the volume of capital market securities transactions were the four measures of capital market indices that were employed. Principal component analysis was used to merge the four metrics into a single composite index of capital market development. As a control, the depth of the financial markets was included. It was discovered that Nigeria's long-term growth and capital market development are substantially and negatively connected. The study's conclusion can be explained by the possibility that the data gathered during the study period was impacted, as well as the possibility that the period's selection had an adverse effect on the results. This is mostly because, prior to the onset of the global financial crisis, the Nigerian capital market saw a bullish marketing performance from 1999 to 2007. This time period has not been the focus of this investigation.
Gross Domestic Product and Total Listed Equities
Regarding both domestic and foreign private investment flows in Nigeria, Ezeoha et al. (2009) investigate the nature of the relationship that existed between the level of investment and the development of the stock market. They noted that the growth of the stock market encourages domestic private investment flows, which raises the economy's capacity for production and boosts national output. The findings, however, indicate that Nigeria's stock market development has not been successful in attracting foreign private investment. This is a result

of the Nigerian Stock Exchange's stringent regulations; there is no favourable environment that could encourage foreign direct investment to enter the nation, which would significantly increase the activity and performance of the capital market and ultimately lead to economic growth.

The effect of capital market efficiency on Nigeria's economic growth is evaluated by Ewah et al. (2009). Using multiple regression and ordinary least square estimation techniques, the study examines time series data on market capitalisation, money supply, interest rates, total market transactions, and government development stock from 1961 to 2004. According to the study's findings, Nigeria's capital market has the capacity to spur economic expansion, but for a number of clear reasons, it hasn't made a significant contribution. When compared to other stock markets in African nations like South Africa and Egypt, these factors are specific to the capital market and include low market capitalisation, illiquidity, insider abuses, and many more (Soludo, 2006).

However, if some of the aforementioned are thoroughly examined and given enough attention, the Nigerian stock market will be able to compete with the rest of the developed financial market in the world.

CONTRIBUTION OF THE CAPITAL MARKET TO ECONOMIC GROWTH OF NIGERIA

Because it finances the exploration of new ideas, supports corporate and government initiatives, and makes it easier to manage financial risk, the capital market is extremely important to the economic growth, development, and strength of any nation.

The efficiency of the capital market and the sophistication of the financial market are inextricably linked to the rate of economic growth. According to Akinbohungbe (1996) and Adebiyi (2005), both markets enable the mobilisation and channelling of funds into productive constituents, guaranteeing that the funds are utilised for the pursuit of socioeconomic growth without being idle.

The Nigerian capital market has expanded significantly since 1961, especially during the 1972 and 1977 indigenisation decrees. Between 1961 and 2010, the number of securities rose from 8 to roughly 301. The Nigerian capital market has grown impressively and remained relatively stable over time. This has put it in a position to have a beneficial effect on the economy (Abdullahi, 2005).

Evaluation of the performance of the Nigerian capital market

Despite the many obstacles and issues, the Nigerian capital market has done fairly. Among these are Nigerians' buy-and-hold mentality, the fact that many Nigerians are largely ignorant of the nature and advantages of the capital market, and the lack of investment opportunities in the market. These include the issues of a private sector-led economy and a lack of capital market-friendly policies, as well as the underutilisation of recent innovations such as the Nigerian Stock Exchange's Automated Trading System (ATS), Central Securities Clearing System (CSCS), Online Trading, Trade Alerts, and Capital Trade Points (Soludo, 2006).

The most popular metric for determining the size of an economy's capital market is market capitalisation. Market capitalisation declines in a bear market and rises in a bull market. The total market capitalisation was less than N10 billion prior to 1988, and it fluctuated between N10 billion and N57 billion between 1988 and 1994. N1.3593 trillion in 2003, N2.1125 trillion in 2004, and N5.12 trillion in 2006 were the amounts. The value of market capitalisation peaked in 2007 at N13.2294 trillion. However, the global financial crisis in 2010 caused this amount to drop to N9.562 trillion (Soludo, 2006).

From 13 in 1971 to 93 in 1981, 140 in 2001, and 198 in 2005, there were more stocks listed. It was 1 in 1985 and 20 in 1995 for the SSM. Following a decline from 23 in 1993, it dropped to 19 in 1997 and stayed at 16 until 2005. From 8 in 1961 to 60 in 1971, the total number of securities rose to 194 in 1981, 23 in 1991, 261 in 2001, 288 in 2005, and 301 in 2010. It is significant that even after the Nigerian Stock Exchange has been in operation for nearly 50 years, the total number of listed stocks remains low (Soludo, 2006). Between 1961 and 1975, the NSE's yearly transaction volume was less than N100 million. But between 1976 and 1994, it ranged from N100 million to N600 million. The trading value surpassed N1 billion in 1995. In 2003, it was N120.70 billion, in 2004, it was N225, 820.5 billion, and in 2010, it was N4.4 trillion. Government stocks accounted for 58.91% and 99.5% of the market in 1961 and 1994, respectively, but industrial securities have been dominating the market since 1995 (Soludo, 2006).

ECONOMIC GROWTH THEORIES

Several theories of economic growth have been examined under this subsection, including

Theory of Solow-Swan Growth

One type of economic model of long-term economic growth is the neoclassical growth theory, sometimes referred to as the Solow-Swan growth theory or exogenous growth theory. By examining productivity, capital accumulation, population growth, and technological advancement, the growth theory explains long-term economic growth (Solow & Swan, 1956). This theory replaces the post-Keynesian Harrod-Domar theory and was independently developed by Robert Solow and Trevor Swan in 1956. Many theories of economic growth found Solow-Swan to be a useful place to start because of its appealing mathematical features.

Domar-Harrod Growth Model

According to Harrod-Domar's (1946) research, in economically less developed nations, growth is contingent upon the amount of labour capital and that increased investment results in capital accumulation, which in turn drives economic growth. These nations have an abundance of labour, but a shortage of physical capital, which slows economic growth. An early post-Keynesian theory of economic growth is this one. It is employed to explain the growth rate of an economy in terms of capital productivity and saving levels. Additionally, according to the theory, an economy's balanced growth has no inherent justification. The theory was the forerunner of the exogenous growth theory and was independently developed by Roy F. Harrod in 1939 and Evsey Domar in 1946.

Growth Theory of Arrow Kenneth

According to Kenneth (1962), endogenous growth theory is concerned with knowledge, innovation, capital stock size, and human capital investment. Each of these makes a substantial contribution to economic expansion. The theory emphasises how a knowledge-based economy will spur economic growth through positive externalities and spillover effects. An economy's long-term growth rate is impacted by endogenous growth. By examining investment in knowledge and technology as the primary drivers of economic growth, this theory, which was developed by Arrow Kenneth in 1962, builds upon the work of earlier researchers such as Harrod-Domar in 1946 and Solow-Swan in 1956.

Growth Theory by Paul Romer

According to Romer (1986), knowledge is an input in a firm's production processes and is created as a byproduct of investment. According to his theory, investment in research technology determines long-term growth, which is ultimately determined by new knowledge. Ideas are more significant to Romer than natural resources. Thus, the expansion of an economy depends on ideas.

OVERVIEW

By its very nature, the capital market is one of the financial sectors in both developed and developing nations that is subject to the strictest regulations. Some empirical findings on the capital market and economic growth were taken into consideration during the course of this study. Similar to this, a large body of literature pertaining to the capital market and economic growth was reviewed during the course of the research project. Different definitions of the variables have also been taken into consideration in this regard. Along with highlighting some of the capital market's contributions, the chapter concludes with a discussion of the study's theoretical framework following a market analysis.

CHAPTER THREE

RESEARCH METHODOLOGY

INTRODUCTION

The research methodology used to carry out the study is described in this chapter. It provides rational information on data collection procedures, data analysis techniques, variable measurement, and method and technique justification.

DESIGN OF RESEARCH

For this study, a descriptive research design has been chosen. Descriptive research, according to Best and Kahn (1989), is the kind of investigation that focuses on gathering and analysing data in order to describe and interpret current circumstances as well as to uncover and explain historical occurrences. Because it allows for the exploration of relationships between two or more variables, descriptive research is used. It is also suitable for testing the study's hypotheses and aiding in the resolution of the capital market and economic research questions, which are of utmost importance to this investigation.

DESIGN OF POPULATION AND SAMPLING

Since the study focuses on the impact of the capital market on the Nigerian economy, the population of the study consists of all the companies listed on the

Nigerian Stock Exchange. When the census sampling technique is used, the total contribution of all the companies is taken into account.

DATA COLLECTION SOURCES

Secondary sources were the source of the data used in this investigation. Documentation is the instrument used to collect secondary data. The Nigerian Stock Exchange (NSE), Security and Exchange Commission (SEC), and Central Bank of Nigeria (CBN) statistical bulletins have all been used to gather documentary data. The study makes use of secondary sources because they offer a foundation for intentional research as well as guidance for the investigation.

Methodology for Analysing Data

To ascertain whether the capital market indices—market capitalisation, total new issues, transaction volume, and total listed equities—had a substantial effect on Nigeria's economic growth, as measured by GDP during the study period, multiple regression analysis was employed.

MODEL SPECIFICATION

The model specified for the purpose of testing the hypotheses of the study is presented below:

$Y = a + bx$

$GDP_t = a_{0t} + a_{1t}MCAP_t + a_{2t}TNI_t + a_{3t}VLT_t + a_{4t}LEQ_t + e_t$

Where:

GDP = Gross Domestic Product

a_0 = Regression Constant

$a_1 - a_4$ = Coefficient of independent variables.

MCAP = Market Capitalization

TNI = Total New Issues

VLT = Volume of Transactions

LE = Listed Equities

e = Stochastic Error term (Disturbance term)

t = Time series

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

Introduction

The presentation and analysis of the gathered data are covered in this chapter. A multiple regression model is employed to test the study's hypotheses. Because the variables are continuous rather than dichotomous categorical, this is thought to be appropriate. Lastly, the results and their implications for policy are discussed. The data used to run the regression and get the study's results was taken from the Nigerian Stock Exchange bulletin and the Central Bank of Nigeria (CBN) statistical bulletin, and it is included in the table that follows. The relationship between the dependent variable (Gross Domestic Product) and the independent variables of capital market performance (market capitalisation, total new issues, transaction volume, and listed equities) has been estimated using multiple regression. The regression coefficient in the study's model was estimated using the ordinary least squares technique.

Thus:

$$GDP_t = a_{0t} + a_{1t}MCAP_t + a_{2t}TNI_t + a_{3t}VLT_t + a_{4t}LEQ_t + e_t$$

Descriptive Statistics

Table 4.1 shows the mean, standard deviation, minimum, maximum, skewness and kurtosis values of the variables used in the study. The full results are contained in Appendix A of the study.

Table 4.1 Descriptive Statistics

VARIABLE	MEAN	STD. DEV.	MIN	MAX	SKEWNESS	KURTOSIS
TNI	1.8820	4.67986	1.94	159.80	2.995	8.666
MCAP	1.3502	3.10126	1.33	4025.70	3.042	9.220
VLT	2.7779	9.02127	4.40	136.00	4.111	17.585
LEQ	2.5868	29.4355	194.00	310.00	-0.538	-0.155

Source: Regression Result using SPSS

T Figure 4.1 shows that the gross domestic product averaged around N325 during the study period, while the averages for total new issues, market capitalisation, transaction volume, and listed equities were N188, N135, N278 and N259, respectively. With the lowest standard deviation of 3.10, market capitalisation indicates that it plays a significant role in the capital market's performance in relation to economic growth. Listed stocks contribute the least to economic growth, as evidenced by their highest standard deviation of 29.44.

The significant F values of each independent variable's contribution to Nigeria's economic growth, as displayed in table 4.5, support this. Tolerance and variance inflation factor values for the test of multi-collinearity between the explanatory variables are shown in the following table.

Table 4.2: Tolerance Value and Variance Inflation Factor

VARIABLES	**TOLERANCE**	**VIF**
TNI	0.007	1.550
MCAP	0.007	1.926
VLT	0.233	4.295
LEQ	0.663	1.509

Source: Regression Result using SPSS

Two sophisticated metrics for evaluating multicollinearity between the study's independent variables are the variance inflation factor (VIF) and the tolerance value. Table 4.2 shows that there is no multicollinearity at all, as the variance inflation factors are consistently less than ten (Neter et al., 1996; Johansen, 1999).

This demonstrates that fitting the study's model within the four independent variables was appropriate. The fact that there is no multicollinearity between independent variables is further supported by the tolerance values, which are consistently less than 1.00 (Tobachmel and Fidell, 1996).

A matrix of correlations

The relationship between the study's independent and dependent variables is ascertained using the correlation matrix. The correlation matrix for the sample observations is shown in Table 4.3 below. Appendix A contains all of the results.

Table 4.3 Correlation Matrix for the Samples Observed

VARIBLE	**GDP**	**TNI**	**MCAP**	**VLT**	**LEQ**
GDP	1.000				
TNI	0.767	1.000			
MCAP	0.778	0.996	1.000		
VLT	0.641	0.859	0.840	1.000	
LEQ	0.703	0.564	0.574	0.451	1.000

Source: Regression Result using SPSS

Total new issues, market capitalisation, transaction volume, and listed equities all have positive correlations with GDP, according to Table 4.3. This suggests that the capital market is favourably influencing the expansion of the Nigerian economy. There is a strong and positive correlation between them. However, as the correlation matrix demonstrates, the independent variables have a relationship that is above fifty percent (50%) with the exception of the relationship between transaction volume and listed stocks, which confirms the lack of multicollinearity.

Hypothesis Testing

We present and discuss the Ordinary Least Squares results regarding the effect of capital market performance on Nigeria's economic growth. As a stand-in for capital market performance, the study employs four capital market indices: market capitalisation, total new issues, transaction volume, and listed equities.

The regression results are presented in Table 4.4 below:

Table 4.4 Capital market performance and the Nigeria's Economic Growth

VARIABLE	**GDP**
Intercept	1.262 (0.002)*
MCAP	0.902 (0.004)*
TNI	0.483 (0.004)*
VLT	0.215
LEQ	2.718 (0.012)**
R	0.841
R^2	0.707
ADJ. R^2 Adjusted R^2	0.656
F. Statistics	13.85
F. Sig	0.000
Durbin Watson	2.032

Source: Regression Result using SPSS

The estimated relationship for the model is GDP = 1.262(a) + 0.902 (MAP) + 0.483 (TNI) + 0.215 (VLT) + 2.718 (LEQ)

According to the model, the GDP is significantly impacted by all three of the capital market performance proxies at the 1% level of significance, while the remaining listed equity is at the 5% level of significance. The implication of these findings is that Nigeria's economic growth is positively correlated with the level of capital market performance. The regression results between Nigeria's economic growth and capital market performance are shown in the above table. The coefficients above the values in parenthesis indicate impact, and the cumulative results of all the explanatory variables are shown from R to DW. The values in parenthesis that are marked with one or two asterisks indicate the degree of significance between the intercept and independent variables. According to the study's first hypothesis, market capitalisation has no discernible effect on Nigeria's GDP. According to the regression results in Table 4.4, market capitalisation has been used as an explanatory variable to explain the fluctuations in Nigeria's economic growth. For the simple reason that as investment rises, so does the amount of foreign direct investment, this suggests that increased market capitalisation will have a major effect on economic growth. This is due to the fact that both the amount of investment and the number of investors will inevitably rise in the nation's capital market. This will eventually increase capital market activity, which will have an effect on the nation's economic expansion. Nonetheless, the outcome indicates that, at the 1% significance level, market capitalisation has a substantial impact on Nigeria's GDP. This serves as the rationale for disproving the study's first hypothesis. The results contradict Harris (1997) and are consistent with those of Levine and Zervos (1996), who contended that capital market performance promotes economic growth.

Second, the regression result in Table 4.5 also shows that the gross domestic product of Nigeria is significantly impacted by the total number of new issues, one of the independent variables. This implies that the quantity of shares traded on the stock exchange rises as new securities are introduced to the market. This ultimately contributes to the market's increased trading activity and enhances the nation's economic growth.

The outcome further supports the rejection of study hypothesis two by demonstrating that the entire new issue is significant at the 1% level of significance. This finding supports that of Atje and Jovanovic (1993), who contended that capital market performance contributes to a nation's economic growth, and runs counter to Ewah, Esang, and Bassey (2000), who claimed that capital market performance does not facilitate economic growth.

Thirdly, the study's hypothesis is also disproved because the findings show that the volume of transactions has a significant impact on Nigeria's economic growth at the 1% significance level. This result implies that the volume of transactions shows that a rising stock price boosts economic wealth by promoting a rise in the demand for securities and, ultimately, investment. Additionally, the volume of transactions also rises, which eventually has a big effect on Nigeria's economic expansion.

Lastly, the study's fourth hypothesis is also disproved because the results show that the total number of listed stocks is significant at the 5% level of significance. This suggests that listed stocks have a significant impact on a country's economic development since the effectiveness of the capital market is reliant on the stock market's operations, and the more quoted companies there are, the better for both the market and economic expansion. The results contradict those of Nyong (1997) and are consistent with Barlett's (2000) contention that a nation's economic growth is influenced by the performance of its capital market.

As shown in Table 4.4, the explanatory variables have a cumulative correlation of up to 84% with the explained variable. This shows that the Nigerian economy and the capital market's performance are positively and significantly correlated. It suggests that the Nigerian economy can grow at a faster rate if the country's capital market performs better.

The coefficient of determination (R2), or R2, is 71%. This indicates that up to 71% of the dependent variable (GDP) has been explained cumulatively by the independent variables, with other factors accounting for the remaining 29%. This implies that the explanatory variables have been chosen appropriately and that the study's model is fit. The adjusted R2 value of 66%, however, supports this since it remains significant even after controlling for other abnormalities. Lastly, the F statistic of 13.8 indicates that capital market performance has had a positive, strong, and significant impact on Nigeria's economic growth at the 1% level of significance. The Durbin-Watson (DW) of 2.032 indicates that residual autocorrelation won't affect the reliability of the study's statistical conclusions.

CHAPTER FIVE

SUMMARY AND CONCLUSION

SUMMARY

To explain and empirically analyse the relationship between capital market performance and economic growth in Nigeria, this study has created a prudent multiple regression model. The study develops a model using multiple regression analyses and uses the ordinary least square technique to estimate the relationship between four explanatory variables: market capitalisation, total new issues, volume of transactions, and listed equities, and one explained variable, Gross Domestic Product.

The study's findings are based on time series data gathered from the NSE, SEC, and CBN for the years 1983–2010. The study hypothesised a significant relationship between the four explanatory variables and the GDP. The study's findings indicate that the four predictor variables—market capitalisation, total new issues, transaction volume, and listed equities—have a significant overall impact on GDP at the I percent level of significance, while listed equities have a 5% level of significance.

All of the study's null hypotheses were rejected for various reasons, as explained above. According to the study, market capitalisation has the biggest effect on GDP, followed by the total number of new issues, transaction volume, and listed stocks.

FINAL RESULTS

The research comes to the following conclusion based on its findings:

First, the study has demonstrated that the four independent variables—market capitalisation, total new issues, transaction volume, and listed equities—are useful in predicting and explaining Nigeria's economic growth. According to the study's findings, Nigeria's economic growth has been significantly impacted by the performance of the capital market.

Second, the study finds a strong positive correlation between economic growth and the total number of new issues. Therefore, it can be concluded that when new issues are raised and floated in the market, more shares are traded, economic growth expands proportionately, and the GDP is impacted.

Thirdly, the study shows a strong positive correlation between the gross domestic product and transaction volume. This indicates that the volume of transactions plays a significant role in determining the size of share trading on the capital market and significantly enhances market performance and efficiency, both of which boost Nigeria's economic growth automatically.

Market capitalisation is the predictable variable that has the biggest impact on economic growth. Regarding transaction volume, the study found that it contributed the least to the overall effect of capital market performance on Nigeria's economic growth.

Furthermore, the study comes to the conclusion that listed equity of Nigerian capital enhances economic growth and has an impact on market performance.

The study's final conclusion is that, when used as proxies of capital market performance, market capitalisation, total new issues, transaction volume, and listed equities do not exhibit serial correction.

Additionally, the correlation matrix shows that market capitalisation and economic growth have the strongest relationship, indicating that capital market performance has contributed more to Nigeria's economic growth.

SUGGESTIONS

The following suggestions are made in light of the study's findings and conclusions:

The first step in improving the declining market capitalisation is to encourage more foreign investors to enter the market, maintain cutting-edge technology that will allow information to freely flow in the market to draw in more investors, and issue more new securities, all of which will automatically raise the market capitalization's quantum. The Securities and Exchange Commission and the Nigerian Stock Exchange must also ensure that trading and dealings on the stock exchange are fair and transparent in order to rebuild market confidence. Legal and regulatory barriers that impede market growth should be removed by the government since they can occasionally deter investment.

i. Secondly, in comparison to other stock markets such as those in South Africa and Egypt, the total number of listed stocks in the NSE remains relatively low. Therefore, in order to increase the number of listed companies, it is necessary to guarantee a stable macroeconomic environment, facilitate the listing of foreign multinational corporations or their subsidiaries on the Nigerian stock exchange, and enhance the trading system to make it easier for investors to buy and sell shares.

ii. In order to foster an environment that will support business expansion and the growth of productivity and efficiency, which will boost economic activity, the government should also increase its investments and improve the country's infrastructure.

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