GOVERNMENT BUDGETARY EXPENDITURE AND STOCK MARKET PERFORMANCE IN NIGERIA

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A RESEARCH PROJECT SUBMITTED TO THE DEPARTMENT OF BANKING AND FINANCE, FACULTY OF MANAGEMENT SCIENCES, UNIVERSITY OF BENIN, BENIN CITY, IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF BACHELOR OF SCIENCE (B.Sc) DEGREE IN BANKING AND FINANCE

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DECLARATION

I, **Osarodion OMORODION**, do hereby declare that this project is entirely my work and composition. The work embodied in this project has not been submitted in candidature for any degree and is not concurrently being submitted for any other degree. All references made to works of other persons have been duly acknowledged.

_____ _____

Osarodion OMORODION **Date**

CERTIFICATION

We certify that this research work was carried out by **Osarodion OMORODION** and it is adequate in scope and quality and is hereby approved for in partial fulfilment of the requirement for the award of Bachelor of Science (B.Sc) degree in Banking and Finance, University of Benin, Benin City.

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DEDICATION

Almighty, God on this day of completion, I offer my gratitude for Your guiding hand. You have bestowed wisdom, strength, and resilience upon me. May this education be a light to serve Your purpose and humanity. I dedicate this achievement to You, my eternal source of inspiration. Lead me forward with Your divine wisdom and grace. In humble devotion, I commit my future to Your divine plan Amen.

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ABSTRACT

The study examines the effect of Government Capital Budgetary Expenditure on Stock Market Performance. The ordinary least squares econometric tool was employed to empirically examine the relationship within 1984-2021.

The study found out that Government expenditure on health has a negative significant influence on stock market performance in Nigeria; Government expenditure on education has a positive significant influence on stock market performance in Nigeria; Government expenditure on agriculture has a positive insignificant effect on stock market performance in Nigeria; Government expenditure on defense has a negative insignificant impact on stock market performance in Nigeria.

The study recommends that the Government should prioritize accountability and transparency when allocating and carrying out capital budgetary expenditures. There should be sufficient policy coordination between the monetary and fiscal authorities to preserve macroeconomic stability. Communication and cooperation between the public, business, and civil society sectors should be promoted in order to spot investment opportunities, resolve issues, and create an atmosphere that supports strong stock market performance. Lastly, promoting economic and stock market diversification is necessary to lessen reliance on Government spending as the main factor influencing stock market performance. In order to improve resilience and sustainability, this encourages the growth of other industries including manufacturing, agriculture, and services.

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

In any modern nation, budgeting is a crucial tool for governance. It has authority over the quantity and composition of government revenue and expenditures (Edame, 2010). These costs include loan servicing, capital expenditures, subsidies, and ongoing costs. The economy is frequently greatly impacted by these expenses. Ohanele (2010) further emphasized that creating a sustainable fiscal policy and promoting economic growth depend on a functional budget system. The national government creates a variety of budgets, including surplus, balanced, deficit, supplemental, and development budgets, to meet the macroeconomic aims and objectives of infrastructure development and stable and full employment, among others; additionally include of the zero-based budgeting system, planning, programming, performance, line item, or traditional budgeting system, planning, and budgeting system. There are potential and challenges for Nigeria's economic development at this juncture, given its dynamic and resource-rich economy as a dynamic nation in West Africa. The complex interaction between government capital budgeting expenditure and stock market performance is the central mechanism of the country's economic apparatus. The distribution and application of capital budget funds influence not only the infrastructure of the country but also the mood of investors,

economic expansion, and the nation's overall financial health. These effects are felt deep inside the stock market.

Researchers have focused a great deal of attention on the contributions that stock markets have made to economic development during the past two decades. The financial liberalization and reforms of the 1980s and 1990s are to blame for this (Ngotho, 2016). The indicator of the stock market overall or of a particular stock is called stock market performance. It signals to investors what steps they should take next. The movement of indexes and stock prices provides insight into the near-term development of a given business, industry, or economy. The performance of stocks is reflected in their prices. A particular stock's growing price is interpreted as good news or a signal. A drop in stock price, however, indicates that the market is receiving bad signals from certain reports about the firm's performance. Whether government institutions and fiscal policies have any bearing on stock market performance is a crucial subject that still needs to be solved.

1.2 Statement of Research Problem

In comparison to industrialized markets like London, New York, Japan, and the NASDAQ, stock markets in Africa remain relatively underdeveloped, even with the recent rapid growth of these markets, especially in South Africa, Egypt, Nigeria, and Kenya (Adjasi, Harvey, & Agyapong, 2008). The inability of African markets to generate money for meaningful investment, according to Afful and Asiedu (2013), raises the possibility that these markets are influenced by outside forces. The relationship between

Nigeria's stock market performance and government capital budgeted expenditure is complex and full of potential and challenges for the country's economy. Previous studies have demonstrated that the stock market contributes to national growth and development (Osaze, 2007; Aigheyisi & Edore, 2014; Ogochukwu & Oruta, 2021). Market capitalization, all share indexes, transaction value as a percentage of GDP, transaction volume, and the number of new stock issues in the market can all be used to quantify these growths. Over the past ten years, the Nigerian economy has experienced a significant transformation, with the expenditure side of the budget rising from millions to billions to potentially trillion naira. If the economy is in balance or enjoying surplus according to the balance of payments records, this won't be shocking. Even better would be the presence of social amenities that would enhance the welfare of the typical economic citizen or infrastructures that would boost systemic commerce. We consistently have extremely high estimated costs even though none of these exist. This suggests that there is a clear problem with the way the government increases spending or with the methods by which it has historically been calculated.

Research conducted in developed countries, including Joshi & Giri (2015) and Ibor, Okpaje, & Emori (2018), has shown that budgetary constraints have a notable and adverse impact on stock market performance. Many argue that there is minimal relationship between budget deficits and stock market performance. The majority of these investigations were carried out on a country-specific basis, notwithstanding the large number of empirical studies that have yielded inconsistent results. It's critical that we

comprehend the impact of budget on stock market performance because stock markets serve investors from all over the continent in addition to the country. This adds to the body of research by rekindling interest in supplying more data on Government Capital Budgetary Expenditure on Stock Market Performance. This research also makes use of recently updated data.

1.3 Research Questions

i. What is the influence of Government expenditure on health on stock market performance in Nigeria?

ii. What is the effect of Government expenditure on education on stock market performance in Nigeria?

iii. What is the impact of Government expenditure on agricultural on stock market performance in Nigeria?

iv. What is the influence of Government expenditure on defense on stock market performance in Nigeria?

1.4 Objectives of the Study

The broad objective of the study is to examine the effect of Government Capital Budgetary Expenditure on Stock Market Performance. In order to achieve the broad objective, the study sought to address the following specific objectives are to:

i. evaluate the influence of Government expenditure on health on stock market performance in Nigeria.

ii. ascertain the effect of Government expenditure on education on stock market performance in Nigeria.

iii. determine the impact of Government expenditure on agricultural on stock market performance in Nigeria.

iv. evaluate the influence of Government expenditure on defense on stock market performance in Nigeria.

1.5 Research Hypotheses

The hypotheses of the study will be tested in null form:

$H0_1$: Government expenditure on health has no significant influence on stock market performance in Nigeria.

$H0_2$: Government expenditure on education has no significant effect on stock market performance in Nigeria.

$H0_3$: Government expenditure on agricultural has no significant impact on stock market performance in Nigeria.

$H0_4$: Government expenditure on defense has no significant influence on stock market performance in Nigeria.

1.6 Scope of the Study

This study focused on the effect of Government Capital Budgetary Expenditure on Stock Market Performance. This is informed by the importance of Government Capital Budgetary Expenditure to the Stock Market Performance because it provides funds needed for investment for the growth of stock performance. The rationale behind selecting 1984–2022 as the study period is the notable developments and advancements in the stock market's policy framework that the Nigeria Stock Exchange Group has undergone. This relates to its day-to-day operations, growth in the quantity of securities and firms that are quoted, and market capitalization.

1.7 Limitation of the Study

A significant constraint on this research study is the difficulty that prior investigators had in obtaining reliable and consistent data from pertinent sources. However, as the CBN annual report and CBN annual bulletin are more reliable sources in Nigeria, every effort was made to limit this restriction by sticking as closely as possible to the most recent data from those sources. Additional restrictions result from the failures and shortcomings of the different preliminary test and estimation methods used by earlier researchers to support the study. However, steps will be taken to ensure that the study's findings are accurate and trustworthy in light of potential policy ramifications.

1.8 Significance of the Research

This research empirically appraises effect of Government Capital Budgetary Expenditure on Stock Market Performance. It will be of great significance to investors, government and academia in the following ways;

i. Investors: the study is relevant, particularly in light of the growing trend of ownership of stocks in Nigeria. Additionally, investors will be informed about the actions taken by their stock brokers in relation to their operations.

ii. Government: The study will offer suggested policies to help the relevant authorities (Nigeria Stock Exchange Group, Security and Exchange Commission) create policies aimed at enhancing market development, performance, and efficiency.

iii. Academic: this study will add to the body of knowledge and literature that scientists will be able to consult. It will shed additional insight on the actual data supporting economic growth. Furthermore, it might encourage more study that aims to support or refute its findings.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

A review of the relationship between government capital budgetary expenditure and stock market performance is provided in this chapter, by the study's objectives. This chapter also provides a succinct overview of earlier research efforts undertaken by different researchers to address issues related to the research problems of this study. An attempt was made to examine their diverse conclusions and assess whether they are consistent or contradictory to establish the necessity of additional research on this subject.

2.2 Conceptual Review

2.2.1 Concept of Public Expenditure

The money that the government spends from its revenue to address different economic requirements is known as government spending (Adigwe, Anyanwu & Udeh, 2016). The idea of government expenditure originates from the government's operations, which include transfers, investments in human and material capital, and the purchase and provision of products and services. Government spending, governmental expenditures, and government purchasing are other terms for government spending. It is presumed from the aforementioned perspectives that the government has enough money to spend.

To put it simply, public expenditures are costs borne by the public sector for upkeep, the economy, outside organizations, and other nations.

2.2.2 Classification of Government Expenditure

Like any other nation, Nigeria divides its government spending into two categories: capital and recurring.

i. Capital Expenditure: Capital expenditures are planned spending that the government of any economy incurs to guarantee the certainty of projects that will benefit the government, the people, and the national economy. Adamgbo (2012) states that capital expenditures are costs borne by the government on the establishment, acquisition, and operation of capital projects or assets that are not made frequently, whereas recurrent expenditures are costs incurred on a regular basis on state maintenance, fixed asset repairs, security votes, salaries, etc. Over time, capital expenditures by the federal government have addressed major infrastructure projects in the economy. These projects include the building and maintenance of federal roads, fixed assets for the management of federal government operations, agricultural equipment, power supply, industrialization for economic services, construction of hospitals, schools, and social amenities for social community services, and the government's payment of debts owed both domestically and internationally in order to settle its obligations as transfers. All of these expenses fall under the category of big expenses, for which the federal

government alone will be accountable for making sure that these resources are made available for the expansion of the nation's economy. By taking into account its budgetary policies, Osiegbu et al. (2010) proposed that the federal government's capital expenditures are an additional way to boost Nigeria's economic growth. The authorized budgeted money intended for the federal government's capital expenditure for that year are used to carry out projects when economic activity appears to be improving. It is also known as the "federal government capital expenditure fiscal year policy." Given that it shares traits with fiscal policy and plays a crucial role in the expansion of an economy, federal government capital expenditure stands to be a key component of economic variables that could indicate the productivity level of the Nigerian economy.

ii. Recurrent expenditure: This category includes administrative costs incurred by the government, such as maintenance, loan interest, and wages and salaries. The majority of government spending is allocated to recurring expenses, which are incurred on routine and repeating activities. Recurrent spending by the government has typically accounted for between 70 and 80 percent of total spending over the years.

Government spending can also be considered in terms of how well it functions. According to Adamgbo (2012), there are three primary categories of spending that are considered when classifying expenditures: administration, economic, and social. Nonetheless, transfers should be mentioned as a fourth.

a) Expenditure on Administration: This is the cost associated with the daily operations of government. It includes costs for the national assembly, defense, internal security, and general administration.

b) Social and Economic Services Expenditure: These are costs primarily associated with the delivery of healthcare and education, two essential public goods.

c) Economic Services Expenditure: This category includes costs associated with providing the nation's transportation, communication, construction projects, and agriculture.

d) Transfer Expenditure: Among other things, transfer expenditures are paid for contingencies/subventions, pensions and gratuities, and governmental debt servicing.

2.2.3 Patterns of Federal Government Expenditures

Nigeria's government expenditure has increased significantly in absolute terms, especially from the early 1970s, according to CBN (2015). Between 1960 and 1980, the total amount spent by the federal government increased by around 52% annually, from N144.5 million in 1960 to N1,778.8 million in 1973, N4,260.1 million in 1974, and N23,695.7 million in 1980. The total spending decreased from 1981 to 1987 compared to 1980, but it increased to N 27,749.5 million in 1989 and N 256,520.7 million in 1995 quite quickly. Actually, between 1981 and 1987, public expenditure decreased (grew negatively by almost 3% annually on average). However, between 1988 and 1995, the

negative growth was reversed, with a about 42% yearly positive growth rate being reported. The significant economic crisis that the nation went through after the collapse of the global oil market led to a substantial drop in oil revenue and, as a result, in government revenue, which is why the country's growth rate was negative between 1981 and 1987. Due to a decrease in government revenue, austerity measures were implemented, such as universal spending cuts and later, in the middle of 1986, the beginning of the structural adjustment program (SAP). As an outcome of the market-based currency rate determination system that was put into place at the time, the naira depreciated more quickly than it should have, which contributed to a rise in government spending, especially during SAP. When examining the rise of government spending on GDP, it is evident that starting in 1982, the amount has generally decreased from its 1974–1981 levels. In terms of GDP ratio, overall federal government spending has generally grown at a negative rate since 1976. However, due to the previously mentioned factors, the decrease in spending between 1981 and 1987 (averaging 16%) was greater than in any other period. Similar to the general expenditure, the nominal recurrent and capital expenditures also followed this trend. Both have likewise had negative GDP growth rates for the majority of the years, especially between 1976 and 1987 and between 1991 and 1995, albeit there have been significant variations Adamgbo (2012).

Nigeria must boost its expenditure from its extremely low existing levels to foster economic development. Nigeria invests $220 per Nigerian annually—less than 12% of GDP—despite having enormous development needs (World Bank, 2022). This is among

the lowest expenditure levels in the world. Sadly, poor development results are a direct result of limited public spending. Per the World Bank's Human Capital Index, the nation is placed 167th out of 174 countries, making it one of the eight economies with the lowest human capital in the world. Therefore, the productivity of a child born in Nigeria today will be just 36% of what it could be if the child had access to quality healthcare and education. Furthermore, the country will need to invest $3 trillion by 2050 to build the infrastructure required for the economy to reach its full potential (World Bank, 2022).

Less than 25% of the national budget is allocated to social sectors, in addition to the low spending levels. Nigeria spends a very small amount on social sectors, such as social protection, health care, and education, as compared to similar nations. During the COVID-19 pandemic in 2021, the average Nigerian received approximately $15 value of public health care annually, while Indonesia received $55 per person in the same year. Nigerians should expect to receive fewer and lower-quality health and education services as a result of low social spending. Consequently, this lowers their prospects of becoming productive workers and limits private investment outside the oil industry (World Bank, 2022).

In a similar vein, infrastructure development is necessary since public investment allocations are residual, meaning they are made up of whatever funds remain after other objectives are satisfied. The federal government and state governments can only make investments—whether it be in a school or a road—when they have the necessary finances.

There is very little financial room left over to complete projects, particularly multi-year ones, because public sector salaries and pensions account for 60% of the low levels of overall spending, in addition to rising interest payments. Nigeria will need 300 years to supply the bare minimum of infrastructure, even without accounting for the rising costs of adapting to climate change, given the current level of public investment allocations (World Bank, 2022).

Inefficient expenditure also contributes to poor results, in addition to low spending levels. Nigeria keeps funding exchange rate, electricity, and gasoline subsidies that are regressive and ineffective. The government might have collected 52% more in net oil revenues if it had not subsidized the purchase of gasoline, a product mostly used by wealthier households (just 3% by the poorest 40% of the population). Similarly, in 2021, power subsidies accounted for about 9% of the Federal Government's non-oil revenues, although having decreased as a result of recent reform initiatives by the government. Lastly, implicit exchange rate subsidies result from the Central Bank of Nigeria managing multiple exchange rate windows; the Federal Government provides subsidies to the Central Bank by using the rates differential between the official and IEFX windows. Collectively, these indiscriminate and distorted subsidies result in significant expenses and deplete funds intended for social services and infrastructure (World Bank, 2022). Increasing revenue urgently is the key to increasing public spending. Nigeria's revenue to GDP ratio is among the lowest in the world in 2021, at 7% of GDP (World Bank, 2022). The administration has spent the last two years implementing significant revenue-

enhancing policies in an effort to increase income. Several measures have been implemented, such as raising the VAT rates from 5% to 7.5% in 2020, initiating the process of restricting tax expenditures in specific industries (2021), putting the Electronic Money Transfer Levy into force (2022), and imposing excise taxes on specific "sin" commodities. The actual revenue collected is still significantly less than its potential, even with these modifications. Indeed, it is predicted that Nigeria has twice as much non-oil revenue potential as it now does. The main obstacles that prevent Nigeria from raising additional money include low tax rates, ineffective tax administration, expensive tax expenses, low tax morale, and a convoluted and opaque governance structure for the oil industry (World Bank, 2022).

A multifaceted strategy centered on three interconnected and mutually reinforcing pillars is needed to put Nigeria on a sustainable fiscal path with enhanced service delivery (World Bank, 2022). To begin with, a major increase in fiscal receipts is urgently required in order to finance the public spending necessary to provide essential public services. Furthermore, it would be imperative to enhance the efficiency of expenditure allocation by gradually eliminating subsidies related to fuel, power, and exchange rates. This would free up funds for investments in human and physical capital. Thirdly, it would be imperative to fortify the institutions of budgetary management. Nigeria must decide whether or not to follow these paths. To implement these reforms, there must be political agreement among elites, policy coherence, and a desire to abandon the current "business-as-usual" strategy. Enhancing the public finances of Nigeria and fostering citizen-state

trust are two important goals of these changes. Nigeria must decide whether to follow these recommendations. Reforms like this need political consensus among elites, policy coherence, and a desire to abandon the current "business-as-usual" strategy. For Nigeria to have a stronger public finances base and for citizens to have greater confidence in the government, these reforms are essential (World Bank, 2022).

2.2.4 Stock Market

Stock Market also known as the equity market, is crucial because it provides businesses with access to cash and allows current and potential investors to purchase shares of a company and become part of its ownership. Osoro, Mturi, and Ngugi (2015). The development of the stock market is vital to the world's financial system and economy (Hasan & Nuri, 2013). The Nigerian Stock Exchange (NSE) functions as a key market where businesses and other entities can get cash by issuing shares or loaning stocks. Hasan and Nuri (2013) refer to it as a secondary market where securities that are already in circulation, such as shares and loan stocks, are traded. The Lagos Stock Exchange became the NSE when it was founded in 1960. In 1977, the Lagos Stock Exchange was renamed the Nigerian Stock Exchange (NSE). As of March 7, 2017, the NSE had roughly 176 listed companies. With a total market capitalization of about N8.5 trillion, the NSE is the third largest stock exchange in Africa (NSE, 2017).

2.2.5 The Development of the Stock Exchange in Nigeria

Since its founding in 1960, the NSE has experienced phenomenal development. The exchange is trading more capital market instruments, more market operators, and a larger amount of market capitalization, all of which are clear indicators of its growth. This growth is undoubtedly the result of a number of factors, some of which are as follows: (a.) The indigenization of the credit base objective. Large investments were made in the second and third development loan stock issuance in 1961 and 1962 as a result of this. The 1961 Income Tax Management Act (b). This act required all pension and provident funds that were already in place in the nation to invest at least one-third of their assets in Nigerian government stocks or risk losing out on important tax breaks. (c.) The 1961 National Provident Funds Act. Under this Act, pension and provident funds that were founded after 1961 had to allocate at least half of their assets to equities. (d.) As a result of the Insurance, Miscellaneous Provisions Act, 1964, which mandated that these insurance companies invest at least 25% of their local investments in government securities, insurance companies operating in Nigeria were required to invest a minimum of 40% of their premiums on locally insured risks within the fiscal year. (e.) By the use of government securities, the Central Bank of Nigeria's (CBN) actions have significantly boosted the expansion and development of the Nigerian stock market.

In addition to serving as these stocks' issuer, underwriter, and retailer, the CBN offers services to guarantee the securities' marketability. (f.) According to the Pioneer Industries

Ordinance 1951, as modified, tax breaks and other benefits are only available to foreign corporations that permit at least 10% of their equity capital to be held by Nigerians. Undoubtedly, this prompted a small number of businesses to grant Nigerians equity through the NSE. (g.) Deals in industrial stocks could be greatly stimulated by the indigenization Decree, representing the increasing speed of economic activity, the growing confidence in the Nigerian economy, and the efforts of numerous enterprises to adhere to the decree's conditions. (h.) The NSE's transactions in industrial stocks have been significantly boosted by the unbundling and eventual privatization of important government monopolies and other businesses. (i.) Another significant influence on the growth of Nigeria's stock market is the Bank of Industry, the former Nigerian Industrial Development bank. To this end, it has been urging promising businesses to apply for stock exchange quotations at the right moment, to form as limited liability companies, and to offer to purchase shares after incorporation.

2.2.6 The Stock Market's Performance Indicators

a) The market capitalization percentage: To calculate this, the capitalization value of quoted enterprises is divided by the GDP. The assessment provides a comparison between the size of the economy and the stock market. This evaluation provides a sufficient comparison of the size of the stock market across the country. By dividing the share price by the total number of outstanding shares, one can calculate market

capitalization. It is used to determine the capital market's phase of development and the country's economic growth by measuring the market's size.

b) All Share Index: An efficient method of determining a market's overall trend and degree of advancement is to use the index. An algebraic element that replicates the value complexity of market attributes is the index. It is commonly used as a benchmark to assess the success of different businesses and industries. It is the weighted value of the cost of all firms' shares on the exchange. As an evaluation tool to determine the degree of the market's success over time, it is also a series of data that show the fluctuating standard value of all companies' share prices on the stock exchange.

2.2.7 Education

Public spending on education is frequently seen as an investment in human capital, which has the potential to support sustained economic expansion. The stock market may benefit from increased economic activity and foreign investment brought in by a workforce with a good education. Efficiency, creativity, and production can all be increased in a variety of businesses through improved education. The stock market may exhibit positive trends as a result of this having a positive impact on business performance.

2.2.8 Health

Market confidence can be increased by the government's commitment to healthcare. Because a healthy population might result in a workforce that is more stable and robust, it

is often viewed as a good economic element. Healthcare spending can lead to a healthier populace, which can boost output and create a more diversified workforce. This might have a favourable effect on business performance and, in turn, stock market developments. The state of the world economy, especially health emergencies like pandemics, can have a big influence on stock markets. Investor sentiment can be influenced by how the government responds to health issues and its capacity to control and lessen their financial effects.

2.2.9 Defense

Efforts to uphold stability and national security are frequently linked to government spending on defense. Positive stock market movements may be influenced by an atmosphere that fosters security and boosts investor confidence. Large amounts of defense spending have the ability to take resources away from other areas, which could have an effect on investor perception and economic progress. To strike a balance between other economic goals and the needs of national security, efficient resource allocation is crucial. However, high defense spending can put a burden on the government's finances and possibly result in higher borrowing or budget deficits. Concerns regarding fiscal sustainability may have an impact on stock market performance, as investors may keep a close eye on government fiscal policy.

2.2.9 Agriculture

The economy as a whole may be greatly impacted by the agricultural sector's success. Government spending in this area might boost output, revenue, and job prospects, all of which could have a beneficial impact on the stock market. Investor confidence can be fostered by a robust agriculture industry that contributes to overall economic stability. A government's dedication to agricultural growth could be interpreted by investors as a sign of strength for the economy and could result in upward trends in the stock market. Government policies must be successful in making productive use of agricultural spending. Effective execution can yield favourable results; however, ineffectiveness could impede the intended influence on the stock market and agriculture industry.

2.3 Theoretical Review

2.3.1 The Theory of Contingencies

According to Pike (2009), adopting advanced, theoretically superior investment techniques and procedures is not the only way to increase resource allocation efficiency; the corporate context and the design and functioning of the capital budgeting system must also be taken into account. Pike (2009) concentrates on three elements of the corporate environment that are thought to be connected to how a company's capital budgeting system is set up and runs. The organizational features of a company are the first factor. Large businesses typically have decentralization and a highly standardized, administratively focused control structure. On the other hand, Haka et al. (2010) contends

that the more stable the environment, the more benefits firms will receive from utilizing advanced capital budgeting strategies. The study of Schall and Sundem (2010), which demonstrates that the usage of advanced capital budgeting procedures decreases as environmental uncertainty increases, serves as the foundation for their claim. Uncertainty in the surroundings is the second factor. Highly bureaucratic, mechanistic capital budgeting structures are less appropriate in operating environments that are more variable and unpredictable. According to Pike (2009), companies that operate in highly uncertain contexts are presumed to profit from sophisticated investing techniques, especially when evaluating risk. Behavior qualities are the final item to consider. Pike (1986) lists three factors: the organization's history, professionalism level, and management style. An analytical management style, a high level of professionalism, and a track record of consistent investment results are considered characteristics of an administratively focused capital budgeting control method. The capital effort and design may be influenced by the firm's financial situation.

As it will no longer be as easy to find an acceptable budget and there would be a need for more regular follow-up, Axelsson et al. (2002) claim that more effort will be given to budgeting in a poor financial condition. Haka et al. (2010) have adapted these principles to capital budgeting. They contend that one strategy for addressing the severe lack of resources is the application of sophisticated capital budgeting procedures. Another argument is that extremely lucrative organizations should benefit less from such a technique than would less successfully firms with a history of marginal ventures, as the

primary purpose of proper investment rules is to discern profitable from unsuccessful projects. The Axelsson group (2002).

2.3.2 The Theory of Incrementalism

According to Berry (1990), the theory of incrementalism and its numerous interpretations have dominated the literature on budgetary decisions. According to this notion, decision makers in charge of spending should apply the "Rule of Thumb" to handle the intricate technical aspects of their choices. The creator of this hypothesis, Wildavsky, believes that those who create the budget are focused on making relatively tiny adjustments to an existing basis that is designated as their fair share. Budgeting is therefore incremental to the extent that it produces small, frequent changes that are thought to preserve stability.

2.3.3 The Theory of Real Options

In 1984, Myers put forth the Real Options Theory. These ideas have continued to pique the curiosity of financial analysts and specialists ever since. Real option theory, as emphasized by Chance and Peterson (2002), deals with decisions on the actual investment such as capital budgeting initiatives. Because they reduce downside risk and take advantage of uncertainty, real options provide managers with a more effective means of allocating capital and maximizing shareholder value. It also claims that an investment's value can exceed its traditional discounted cash flow value if actual options are present. Demand and supply dynamics are to blame for the rise in interest in real options, according to Arnold and Schockley (2003). The necessity for management to explain the

company's strategic flexibility and position it to profit from unpredictability is reflected in the demand side for real options. An increasing amount of research on the real options method is reflected in the supply side.

A growing number of managers in sectors with significant capital expenditures, a great deal of unpredictability, and flexibility for example, real options are being considered by the banking, oil & gas, pharmaceutical, and biotechnology industries. Since real alternatives acknowledge that managers can get useful data after the project starts, they have a lot of potential.

2.4 Empirical of Review

Using ordinary least squares regression (OLS), Osinubi & Amaghionyeodiwe (2003) investigate the relationship between the Nigerian stock market and economic growth between 1980 and 2000. The research findings, which demonstrated a statistically significant positive correlation between economic growth and the stock market, recommend that measures aimed at promoting the stock market's rapid expansion be pursued. Additionally, cooperation amongst all economic sectors is necessary to ensure that Nigeria may reap the full benefits of the connections between the stock market and economic growth.

The causal relationship between the development of the stock market, the financial sector, and economic growth in London is examined by Guglielmo, Peter, and Alaa (2004). Using methods created by Toda and Yomamota (1995), it is demonstrated that a robust

stock market can, over time, promote economic growth. Furthermore, they bolster the ideas that a healthy stock market can stimulate economic expansion by accelerating capital accumulation and enhancing economic efficiency through more efficient resource distribution. The relationship between Nigeria's economy and stock market performance is examined by Riman, Esso, and Eyo (2008). To analyze their data from 1970 to 2004, they used the Johansson Vector Error Correction Model (VECM). The relevance of the Error Correction Model (ECM) indicates that there is a long-term association between the stock market and economic growth, according to the data. Shahbaz, Nadeem, and Ali's (2008) study examines the correlation between Pakistan's stock market performance and economic growth between 1971 and 2006. They tested the results using ARDL and Engle-Granger causality. Their research revealed a robust correlation between the expansion of the stock market and economic expansion. Long-term bidirectional causation between the development of the stock market and economic growth is confirmed by the Engle-Granger-causation estimation. In the near term, there is only one kind of causality, namely from the development of the stock market to the expansion of the economy.

Maku (2009) looked into the relationship between Nigeria's economic development and overall government spending during a 30-year period (1977-2006). Real GDP was regressed by the author on expenditures for consumption, government, private, and human capital investments. The outcome demonstrated a positive, but statistically non-significant, relationship between the growth rate of real GDP and human capital

investment as a percentage of real production. Based on his analysis, which shows that the variables have not maintained a consistent pattern across the study period due to a continuous random shock effect on the time series, Maku concluded that government spending have had no meaningful impact on economic growth in Nigeria. According to his research, even though the Structural Adjustment Programme (SAP) did not significantly contribute to Nigeria's economic recovery, the rate at which government spending as a percentage of real GDP has been rising since then. According to Maku, the increase can be ascribed to several factors, including inadequate oversight of the capital project contract awarding process by the government, inefficient allocation of government funds to constructive endeavors, and a dearth of accountability and transparency in government expenditures (Oluwatobi & Ogunrinola, 2011).

Utilizing the error-correction method, Nurudeen (2009) investigates the connection between Nigeria's economic growth and the development of its stock market. Economic growth has been demonstrated to be positively impacted by the development of the stock market, or market capitalization. The suggestions that are made within are to remove tax, legal, and regulatory barriers that impede the growth of the stock market; enhance the trading system to make it easier for investors to buy and sell shares; develop the nation's infrastructure to support business expansion and facilitate the raising of capital on the stock market; and implement policies that boost firms' productivity and efficiency and facilitate their access to capital on the stock market. Strengthening the Nigeria Security and Exchange Commission's ability to monitor the activities of stock market speculators

and checking the sharp practices of market operators (especially speculators) will help the commission better support the development of the stock market, rebuild the trust of market participants, and protect the interests of shareholders.

Seetanah (2009) uses stringent panel VAR techniques to investigate the intricate relationships between the development of the stock market, bank development, and economic growth for the instance of 27 developing countries studied over a 15-year period (1991–2007). According to the data, the development of the stock market contributes significantly to growth, albeit it does so at a lesser pace than other growth variables, especially the development of the banking sector. The positive, negligible association is the outcome.

In their 2010 study, Nazir, Nawaz, and Gilani investigate the relationship between Pakistan's economic growth and the development of the stock market between 1986 and 2008. Their approach made use of the Augmented Dicky-Fuller test. They employ the two primary metrics for measuring the evolution of the stock market, which are market size and market liquidity as measured by market capitalization. The outcome demonstrated that expanding a nation's stock market can lead to economic growth. The outcome shows a strong, favourable association. The impact of Nigeria's capital market on the country's socioeconomic development between 1981 and 2008 is examined by Donwa and James (2010). The GDP was used as a stand-in for socioeconomic development, and market capitalization, the total number of new issues, transaction

volume, listed equity, and government stock were among the capital market characteristics taken into account. It was discovered that the capital market had no effect on the country's GDP using the usual least square approach. It is positively correlated but not significantly so with GDP. Therefore, in order for the market to significantly contribute to the socioeconomic growth of Nigeria, the government is encouraged to implement steps to boost investor confidence and activity in the market. The effect of the Nigerian stock market on economic development and growth between 1990 and 2011 was studied by Odetayo and Sajuyigbe (2012). Data were gathered and analyzed using the ordinary least squares regression method with the assistance of STATA version 10 software tools. The outcome demonstrated the substantial influence of stock market indices on GDP. The report makes several recommendations, including that the government implement policies to increase investors' trust in the capital market through equitable transactions, expand the available investment options, supply basic infrastructure, and discourage investors from engaging in the "buy and hold" phenomenon. Utilizing time series data spanning 39 years from 1971 to 2010, Samson and Ezike (2012) conducted their research. They use an estimating strategy for VECM settings and the Engle-Granger and Johansen method of co-integration. According to the outcome, the Nigerian stock market has a long-term, major, and favorable impact on economic development. In order to maintain a stable business environment and encourage the flotation of new issues, the government must thus make more efforts to promote an active new issues market.

In their 2012 study, Alajekwu and Achugbu examine how Nigeria's stock market development has impacted the country's economic growth over a 15-year period, from 1994 to 2008. Economic growth and stock market development indexes are compared in this study. While value traded and turnover ratios were employed as stand-ins for market liquidity and market size, respectively, the stock market capitalization ratio was utilized to represent market size. As the turnover ratio has a very significant positive link with economic growth, the market capitalization and value traded ratios have very moderate negative correlations with growth in the economy. This suggests that market liquidity is influenced by market capitalization and that liquidity has a tendency to promote economic growth in Nigeria. The government ought to enact laws that encourage foreign investors to invest in Nigeria, since this might pique their interest and increase activity on the stock market. Using data from 1984 to 2011, Ihendinihu (2012) investigates potential causal relationships between Nigeria's economic growth and stock market performance. The data was analyzed using the Ordinary Least Square (OLS) Technique. The findings suggest that fluctuations in the stock market's performance in the short-term account for almost 88% of variations in economic development, with market capitalization (MKTCAP), value of transactions in the market (VALTRAN), and the all-shares index (ALLSVI) identified as important predictors. It is demonstrated that the long-term impact is 95%, with MKTCAP and ALLSVI exerting notable impacts. The -0.39 coefficient of the Error Correction Model indicates that operators' capacity to rebound from stock market performance shocks and win back investor trust in such situations will happen

slowly. As a result, the paper urges stock market operators and regulators to tackle important policy concerns that have the potential to increase market confidence and create a stable macroeconomic climate that benefits all capital market participants.

The effect of Nigeria's capital (stock) market on economic growth is studied by Kolapo and Adaramola (2012) during a 20-year period, from 1990 to 2010. Their findings demonstrate the co-integration of the Nigerian capital market and economic growth, based on the use of Granger causality and Johansen co-integration tests. Value of Transactions (VLT), Market Capitalization (MCAP), Total New Issues (TNI), Total Listed Equities and Government Stocks (LEGS), and Total New Issues (TNI) were the capital market indicators taken into consideration. The GDP was used as a proxy for economic growth. The outcome suggests that capital market development and economic expansion in Nigeria are long-term partners. This research shows that the capital market's operations typically have a favorable effect on the overall economy. Therefore, it is advised that in order to prevent sharp practices that compromise market integrity and destroy investor confidence, the regulatory body should start implementing policies that would encourage more businesses to access the market and also be more proactive in their surveillance function.

Using the unit root test, co-integration, and vector error correction models, Regmi (2012) investigates the sporadic association between the development of Nepal's stock market and economic growth during the years 1994-2011. The result implies that the growth of

Nepal's stock market has had a major impact on the country's economy. From this angle, it appears that in order to preserve and accelerate the economy's robust growth, thoughtful policy measures should be implemented to enhance and fortify the stock market's function. Using time series data covering a 10-year period, from 2000 to 2010, Okoye and Nwisienyi (2013) perform another study to investigate the effect of the stock market on the Nigerian economy. Multiple regressions and methods for estimating ordinary least squares are the model specifications used in the data analysis. Market value, market capitalization, and the all-share index were designated as the independent variables, and the gross domestic product was designated as the dependent variable. The outcome demonstrates that market capitalization, market value, and share index have a substantial impact on GDP. This suggests that changes in the share index, market value, and market capitalization of the stock market have an impact on the GDP. Stated differently, during the examined years, the stock market had a notable effect on the whole economy.

The question of whether the stock market in Nigeria fosters economic growth is examined in Owolabi and Ajayi's (2013) study. The data from 1971 to 2010 were used to perform an ordinary least square regression (OLS). As the study's findings demonstrated a favorable correlation between economic growth and the stock market, strategies aimed at promoting the stock market's rapid expansion should be pursued. In order to maximize the advantages of the connections between the stock market and economic growth in Nigeria, all economic sectors should cooperate with one another.

The impact of Nigeria's capital market on economic development and growth between 1999 and 2012 is examined by Oluwatosin and Taiwo (2013). The Nigerian Stock Exchange Review Reports, Security and Exchange Commission reports, and the Central Bank of Nigeria Statistical Bulletin were the sources from which the data were gathered. Utilizing regression analysis, the data was examined using the ordinary lease square approach. According to the outcome, there has been little to no effect of capital market indices on GDP. The conclusion reached was that while Nigeria's capital market has the ability to stimulate economic growth, low market capitalization, low absorptive capitalization, illiquidity, and financial theft, among other issues, have prevented it from having a significant impact on the country's economic expansion. i.e., In order to improve dealing in market capitalization, the study suggests that the government encourage more foreign investors to participate in the market and increase the number of investment instruments available in the market, such as derivatives, convertibles, swaps, and options. Regulatory authorities that uphold transparency, fair trading transactions, and dealing in the stock exchange are also recommended. In their empirical analysis of the capital transmission process, ongoing and total public sector spending on market capitalization, and transaction value, Ibor, Okpaje, & Emori (2018) investigate the impact of public sector spending on the growth of the Nigerian capital market. Using the multiple regression technique of ordinary least squares, secondary data were retrieved, summarized, and examined. The research revealed a noteworthy correlation between market capitalization and the total value of transactions and capital, recurrent, and overall

government expenditures. In order to enable recipients of public sector spending to direct some of their funds toward capital market transactions, the study made many recommendations, including that the government take action to fortify the capital market and raise public trust in its functioning.

According to Osagie and Osamede (2023), government expenditure (GE) has an impact on Nigeria's stock market performance (SMP) and other important economic sectors. Sources of time series data between 1980 and 2021 included the Central Bank of Nigeria (CBN) Statistics Bulletin. i.e., MCAP and ASI are used as proxies for SMP, whereas government spending was made up of payments for defence, health, education, and agriculture. The short- and long-term effects of the GE on SMP in Nigeria were assessed using the FM-OLS and ARDL methodologies. We performed preliminary descriptive statistics testing, correlation analysis, Engle and Granger co-integration analysis, and ADF unit root testing. The result shows that GE in the areas of military, agriculture, and education has a considerable long-term impact on SMP through the MCAP channel. With the ASI channel, GE on defense and agriculture has a short-term, substantial impact on SMP. This analysis shows that GE components play a crucial role in elucidating the impact of government spending on SMP in Nigeria. Which stock market proxy is utilized determines how much of an impact it has.

CHAPTER THREE

METHODOLOGY

3.1 Introduction

In order to address the research issues posed in the first chapter of this study, this chapter outlines the methodology and process that will be applied in this project. The research design, study population and sample, data sources, theoretical framework, model formulation, variable measurement and operationalization, and data analysis methodology are all carefully described.

3.2 Research Design

A Research design is the plan structure and strategy of investigation, conceived so as to obtain answers to research questions (Mugenda & Mugenda, 2003). This study will adopt the Ex-Post-facto and longitudinal research design which is very applicable in the management and social sciences. An Ex-Post-facto research which involves secondary data in which responses in nature of a factor and its effects on individuals are being studied, the researcher does not have the ability to manipulate the independent variables.

3.3 Population and Sampling Techniques of the Study

The entirety of the subject under study is known as the population. The Nigeria Stock Exchange group serves as the study's population, focusing on how government capital budgetary expenditure affects the country's stock market performance. This sample will

be a census study of government capital budgetary expenditure and stock market variables, focusing on public government expenditure on health, public government expenditure on education, public government expenditure on agriculture, public government expenditure on defence, and market capitalization across the 1990–2022 time period.

3.4 Sampling Techniques

To address the research problem and objectives of the study, the simple random sampling techniques will be use in order to estimate the chances that each variable can be chosen randomly and entirely by equal chance. i.e., each variable has the same probability of being selected at any time during the sampling process.

3.5 Sources of Data

The data for the study will be sourced from different edition of Central bank statistical bulletin, Nigeria stock exchange group and World Bank data base.

3.6 Model Specification

A linear regression model used by Ujunwa, (2012) will be adopted

MCAP= f (GEXH , GEXE, GEXA, GEXD) ……. (1)

The econometric form of the model of the study is stated below:

MCAP = f (GEXE, GEXH, GEXD, GEXA) ……..……. (2)

Where:

MCAP = Market capitalization

GEXH = Government expenditure on health

GEXE = Government expenditure on education

GEXA = Government expenditure on agricultural

GEXD = Government expenditure on defense

β_0, β_1, β_2, β_3 and β_4 are Parameters

μ_t = Error term

$\beta_0 + \beta_1, \beta_2 + \beta_3 + \beta_4$ GEXD - *Apiori* Expectation

$\beta_1 - \beta_4 > 0$

3.7 Method of Data Analysis

In order to give research effort significance and to draw a reliable conclusion, data analysis is essential. A set of recorded observations must be translated into a descriptive statement explaining the relationship between the independent and dependent variables. The ordinary least square estimate technique will be applied in order to account for the complexity and nature of the connection under examination. Additionally, the study will make use of descriptive statistics to explain the data's distribution, especially in relation to normality and other pertinent data characteristic effects. The statistical significance of

each study variable will be ascertained by analyzing the regression findings using the t-statistics and their probability values.

3.8 Operationalization of Variable

Item	Operational Definition	Types of Variables	Source
Market capitalization (MCAP)	It is the total market share price multiplied by the number of shares.	Independent variable	Nigerian Exchange Group (NGX)
Government expenditure on health (GEXH)	Aggregate of government capital budgetary expenditure on Health.	Independent variable	CBN Statistical Bulletin
Government expenditure on education (GEXE)	Total government capital budgetary spending on education.	Independent variable	CBN Statistical Bulletin
Government expenditure on agricultural (GEXA)	Total government capital budgetary spending on Agriculture.	Independent variable	CBN Statistical Bulletin
Government expenditure on defense (GEXD)	Total government capital budgetary spending on defense	Independent variable	CBN Statistical Bulletin

Source: Researchers' Compilation, 2024

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS OF RESULTS

4.1 Introduction

This chapter deals with the analysis and interpretation of the data based on the empirical approach adopted. The least square regression technique is used for the analysis. In order to present a robust investigation and analysis of the study, two general methods are used in the empirical analysis, namely statistical and econometric methodologies. The statistical method involves the use of descriptive statistics as well as correlation analysis to examine the initial characterization and relationship among the variables of interest; while the ordinary least square estimation techniques is used to estimate the empirical model drawn from the data in order to succinctly determine the effect of the independent variables on stock market performance.

4.2 Descriptive Statistics

Table 4.1: Descriptive Statistics

	MCAP	GEXE	GEXH	GEXD	GEXA
Mean	6046.776	159.8947	96.82579	144.6445	22.32711
Median	1062.100	70.64000	33.73500	54.00000	10.64500
Maximum	19077.40	646.7500	423.3300	642.0100	76.60000
Minimum	5.500000	0.200000	0.040000	4.210000	0.020000
Std. Dev.	7166.914	196.7300	126.0421	189.4082	24.59977
Skewness	0.611317	1.135975	1.233487	1.345938	0.812104
Kurtosis	1.610364	3.078540	3.347863	3.665551	2.349703
Jarque-Bera	5.424378	8.182548	9.827697	12.17450	4.846489
Probability	0.066391	0.016718	0.007344	0.002272	0.088634
Sum	229777.5	6076.000	3679.380	5496.490	848.4300
Sum Sq. Dev.	1.90E+09	1431999.	587805.0	1327392.	22390.50
Observations	38	38	38	38	38

Source: Researcher's Computation 2024 from E-view 9.0 Software

The summary statistics of the dependent and independent variables is presented in Table 4.1. The descriptive statistics shows much disparity between the mean values and the values for standard deviation. This is indicative of the presence of outliers in those variables with much disparity. The descriptive statistics reveals that the average MCAP (mean value) is 6046.776 which is relatively low. The median value of 1062.100 is lower than the mean value. Amongst all the variables, Government expenditure on agricultural (GEXA) has the lowest mean value.

All the variables are positively skewed towards the origin. Using the Jarque – Bera statistic and the probability values of the Jarque Bera statistics, all the variables are statistically significant at 5% level of significance.

4.3 Correlation Analysis

Table 4.2: Correlation Results

	MCAP	GEXE	GEXH	GEXD	GEXA
MCAP	1.000000				
GEXE	0.715840	1.000000			
GEXH	0.694272	0.791423	1.000000		
GEXD	0.671038	0.786222	0.787968	1.000000	
GEXA	0.624873	0.679909	0.675461	0.658063	1.00000

Source: Researcher's Computation 2024 from E-view 9.0 Software

The correlation coefficient between every one of the study's independent variables is shown in Table 4.2. It is recommended that the correlation coefficients between each pair

of independent variables not exceed 0.80. If they do, it could be inferred that the independent variables exhibit multicollinearity. As each independent variable's correlation coefficient is less than 0.80, the correlation matrix shows that there is neither low nor moderate correlation between the independent variables, indicating the absence of multicollinearity.

4.4 Presentation and Analysis of the Regression Results of the Effect of Government Capital Budgetary Expenditure on Stock Market Performance

The regression results are presented below in table 4.3. This shows the magnitude of the impact of the independent variables on the dependent variable. Also, shown by the regression result is the model fitness and the statistical significance of the variables.

Dependent Variable: MCAP
Method: Least Squares
Date: 03/17/24 Time: 06:12
Sample: 1984 2021
Included observations: 38

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	318.0919	601.8778	0.528499	0.6007
GEXE	77.26147	18.55102	4.164809	0.0002
GEXH	-8.441902	30.34310	-0.278215	0.7826
GEXD	-41.88688	16.05584	-2.608824	0.0135
GEXA	11.24561	37.99195	0.296000	0.7691

R-squared	0.877160	Mean dependent var	6046.776
Adjusted R-squared	0.862270	S.D. dependent var	7166.914
S.E. of regression	2659.783	Akaike info criterion	18.73196
Sum squared resid	2.33E+08	Schwarz criterion	18.94743
Log likelihood	-350.9072	Hannan-Quinn criter.	18.80862
F-statistic	58.91049	Durbin-Watson stat	1.028431
Prob(F-statistic)	0.000000		

Source: Author's computation Using Econometric View Software (EView), 2024.

The ordinary least square (OLS) regression result in Table 4.3 is for the time series data of 38years range from 1984 - 2021, indicating evidence of autocorrelation with Durbin-Watson stat of 1.028431, which is less than 2. This indicates that the OLS result is spurious and not adequate for inferential analyses. Thus, correction for autocorrelation was employed using the Cochrane-Orcutt Iterative procedure, AR (1).

Table 4.4: Ordinary Least Square Result for MCAP and Independent Variables after Cochrane-Orcutt Iterative Estimation

Dependent Variable: MCAP
Method: ARMA Maximum Likelihood (OPG - BHHH)
Date: 03/17/24 Time: 06:13
Sample: 1984 2021
Included observations: 38
Convergence achieved after 23 iterations
Coefficient covariance computed using outer product of gradients

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	2791.120	4793.167	0.582312	0.5646
GEXE	35.86760	9.700871	3.697358	0.0008
GEXH	-26.79235	11.46847	-2.336175	0.0261
GEXD	-1.322035	8.642880	-0.152962	0.8794
GEXA	5.490748	22.95506	0.239196	0.8125
AR(1)	0.887015	0.116178	7.634941	0.0000
SIGMASQ	3085536.	657292.0	4.694316	0.0001

R-squared	0.938305	Mean dependent var	6046.776
Adjusted R-squared	0.926364	S.D. dependent var	7166.914
S.E. of regression	1944.806	Akaike info criterion	18.18921
Sum squared resid	1.17E+08	Schwarz criterion	18.49087
Log likelihood	-338.5949	Hannan-Quinn criter.	18.29653
F-statistic	78.57901	Durbin-Watson stat	2.166878
Prob(F-statistic)	0.000000		

Inverted AR Roots	.89

Source: Author's computation Using Econometric View Software (EView), 2024.

According to the findings in Table 4.4, GEXE (Government expenditure on education) is statistically significant at the 5% level of statistical significance in predicting variations in stock market performance. Similarly, when analyzing variations in Stock market performance GEXH (Government expenditure on health) is significant. Government expenditure on agricultural (GEXA) and Government expenditure on defense (GEXD) are not significant. The model's parameters showed excellent performance. In order to account for the systematic variation in the dependent variables that is a result of the independent variables, the R-squared value of 0.938305 was used. The model is generally well-fitted in explaining the hypothesized functional relationship, as evidenced by the Adjusted R-squared value of 92.6364%.

The F value of 78.57901 and probability value of 0.00000 for the model's overall statistical significance showed that the model is statistically significant. The Durbin-Watson statistic of 2.166878 (approximately 2) indicates that the model utilized in the study to explain the effect of Government Capital Budgetary Expenditure on Stock Market Performance. This shows that there is absolutely no autocorrelation or spuriousness in the outcome.

4.5 Test of Hypotheses

For this study, four (4) hypotheses were formulated. The decision rule is to accept the null hypotheses (reject alternate) if the P-value is greater than 0.05 or reject the null

(accept alternate) if the P-value is lower than 0.05. Thus, the significance level for testing the hypotheses is 5%.

Hypothesis 1

H_{01}: Government expenditure on health has no significant influence on stock market performance in Nigeria

Decision Rule: with t value of -2.336175 and probability value of 0.0261 which is less than 0.05, as shown in table 4.5. This means that it is significant at 5% level of confidence. Therefore, we reject the null hypothesis which states that Government expenditure on health has no significant influence on stock market performance in Nigeria. However, the alternative hypothesis which states that Government expenditure on health has a significant influence on stock market performance in Nigeria is accepted.

Hypothesis 2

H_{01}: Government expenditure on education has no significant effect on stock market performance in Nigeria.

Decision Rule: with t value of 3.697358 and probability value of 0.0008 which is less than 0.05, as shown in table 4.5. This means that it is significant at 5% level of confidence. Therefore, we reject the null hypothesis which states that Government expenditure on education has no significant influence on stock market performance in

Nigeria. However, the alternative hypothesis which states that Government expenditure on education has a significant influence on stock market performance in Nigeria is accepted.

Hypothesis 3

H_{01}: Government expenditure on agricultural has no significant impact on stock market performance in Nigeria

Decision Rule: with t value of 0.239196 and probability value of 0.8125 which is greater than 0.05, as shown in table 4.5. This means that it is not significant at 5% level of confidence. Therefore, we accept the null hypothesis which states that Government expenditure on agriculture has no significant influence on stock market performance in Nigeria. However, the alternative hypothesis which states that Government expenditure on agriculture has a significant influence on stock market performance in Nigeria is rejected.

Hypothesis 4

H_{01}: Government expenditure on defense has no significant impact on stock market performance in Nigeria

Decision Rule: with t value of -0.152962 and probability value of 0.8794 which is greater than 0.05, as shown in table 4.5. This means that it is not significant at 5% level

of confidence. Therefore, we accept the null hypothesis which states that Government expenditure on defense has no significant influence on stock market performance in Nigeria. However, the alternative hypothesis which states that Government expenditure on defense has a significant influence on stock market performance in Nigeria is rejected.

Table 4.5: Summary of Hypotheses Testing

Hypotheses	T. Stat	Prob.	Remark
Government expenditure on health has no significant influence on stock market performance in Nigeria	-2.336175	0.0261	Reject Null
Government expenditure on education has no significant influence on stock market performance in Nigeria	3.697358	0.0008	Reject Null
Government expenditure on agriculture has no significant influence on stock market performance in Nigeria	0.239196	0.8125	Accept Null
Government expenditure on defense has no significant influence on stock market performance in Nigeria	-0.152962	0.8794	Accept Null

Source: Author's computation Using Econometric View Software (EViews), 2024.

4.6 Discussion of Findings

This study used variables like Government expenditure on health, Government expenditure on education, Government expenditure on agriculture, and Government expenditure on defense. The data's conclusions were examined as follows:

According to the results, the coefficient for Government expenditure on health is -2.336175 and 0.0261 is statistically significant at the 5% level. This indicates that Government expenditure on health has a significant influence on stock market performance in Nigeria. This indicates that an increase in GEXH units will result in a considerable decrease in stock market performance in Nigeria.

Furthermore, according to the study's findings, government expenditure on education has a positive coefficient (3.697358) and is statistically significant at the 5% level. This indicates that government expenditure on education have a positive significant impact on stock market performance in Nigeria. This indicates that an increase in GEXE units will result in a considerable increase in stock market performance in Nigeria of 0.08. This result is in tandem with the outcome of Abakah and Poku (2016).

In addition, the findings shows that government expenditure on Agriculture has a coefficient of 0.239196 and an insignificant value of 0.8125. This implies that government expenditure on Agriculture has no significant impact on stock market performance in Nigeria. This indicates that an increase in GEXA units will result in an

insignificant increase in stock market performance in Nigeria of 0.8125. The result is in disagreement with the study of Audu (2020).

Finally, the findings shows that government expenditure on defense has a coefficient of -0.152962 and a significant value of 0.8794. This implies that government expenditure on defense has a negative insignificant impact on stock market performance in Nigeria. This indicates that an increase in GEXD units will result in an insignificant decrease in stock market performance in Nigeria. The result is in disagreement with the study of Okoro (2013).

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The focus of this chapter is to summarize the findings, draw conclusions reached in the study and make recommendations based on research objectives and the overall perspective of the main findings. The chapter is arranged as follows: section 5.2 summary of findings, section 5.3 covers the conclusion; section 5.4 enumerates the recommendations.

5.2 Summary of Findings

This study sought to examine the effect of Government Capital Budgetary Expenditure on Stock Market Performance; to facilitate the study, various objectives were stated on the influence of Government expenditure on health, Government expenditure on education, Government expenditure on agricultural, and Government expenditure on defense on stock market performance in Nigeria within the period of 1984 to 2021. The ordinary least squares econometric tool was employed to empirically examine the relationship. In particular, the following specific findings were made from the analysis:

i. Government expenditure on health has a negative significant influence on stock market performance in Nigeria;

ii. Government expenditure on education has a positive significant influence on stock market performance in Nigeria;

iii. Government expenditure on agriculture has a positive insignificant effect on stock market performance in Nigeria;

iv. Government expenditure on defense has a negative insignificant impact on stock market performance in Nigeria;

5.3 Conclusion

This study looks at the effect of Government Capital Budgetary Expenditure on Stock Market Performance. Descriptive and correlation analyses were employed to assess the initial examination of the data. Ordinary Least Square was used to do the regression analysis. Based on the study's findings, the study concludes that Capital budgetary expenditures by the government are frequently a component of larger fiscal strategies meant to promote economic expansion. Government expenditure increases have the potential to boost aggregate demand and raise company profits and revenues. If investors believe that the company will perform better, this could result in higher stock prices.

5.4 Recommendations

Based on the empirical results obtained, this study recommends that:

i. The government should prioritize accountability and transparency When allocating and carrying out capital budgetary expenditures. Reducing

corruption and guaranteeing the effective use of funds, can maximize the benefits to the economy and stock market performance.

ii. There should be sufficient policy coordination between the monetary and fiscal authorities to preserve macroeconomic stability. Interest rate changes and inflationary pressures are two major variables influencing the performance of the stock market that coherent policy may help control.

iii. Giving top priority to infrastructure initiatives that could directly and indirectly influence the stock market and economy. To increase productivity, government should draw in investments, and spur economic growth, the Nigerian government should concentrate on initiatives that upgrade the country's transport, electricity, and telecommunications infrastructure.

iv. To reduce delays and cost overruns, the Nigerian government should enhance project planning, implementation, and monitoring systems. Infrastructure projects that are completed on time can have an immediate positive impact on the economy and stock market.

v. Taking a long-term view when creating capital budgets in order to support stock market expansion and sustained economic growth. To guarantee consistency and efficacy, match the nation's economic development goals with the top spending priorities of the government.

vi. Communication and cooperation between the public, business, and civil society sectors should be promoted in order to spot investment opportunities,

resolve issues, and create an atmosphere that supports strong stock market performance.

vii. Promoting economic and stock market diversification is necessary to lessen reliance on government spending as the main factor influencing stock market performance. In order to improve resilience and sustainability, this encourages the growth of other industries including manufacturing, agriculture, and services.

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APPENDIX

Dependent Variable: MCAP
Method: Least Squares
Date: 03/17/24 Time: 06:12
Sample: 1984 2021
Included observations: 38

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	318.0919	601.8778	0.528499	0.6007
GEXE	77.26147	18.55102	4.164809	0.0002
GEXH	-8.441902	30.34310	-0.278215	0.7826
GEXD	-41.88688	16.05584	-2.608824	0.0135
GEXA	11.24561	37.99195	0.296000	0.7691

R-squared	0.877160	Mean dependent var	6046.776
Adjusted R-squared	0.862270	S.D. dependent var	7166.914
S.E. of regression	2659.783	Akaike info criterion	18.73196
Sum squared resid	2.33E+08	Schwarz criterion	18.94743
Log likelihood	-350.9072	Hannan-Quinn criter.	18.80862
F-statistic	58.91049	Durbin-Watson stat	1.028431
Prob(F-statistic)	0.000000		

Dependent Variable: MCAP
Method: ARMA Maximum Likelihood (OPG - BHHH)
Date: 03/17/24 Time: 06:13
Sample: 1984 2021
Included observations: 38
Convergence achieved after 23 iterations
Coefficient covariance computed using outer product of gradients

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	2791.120	4793.167	0.582312	0.5646
GEXE	35.86760	9.700871	3.697358	0.0008
GEXH	-26.79235	11.46847	-2.336175	0.0261
GEXD	-1.322035	8.642880	-0.152962	0.8794
GEXA	5.490748	22.95506	0.239196	0.8125
AR(1)	0.887015	0.116178	7.634941	0.0000
SIGMASQ	3085536.	657292.0	4.694316	0.0001

R-squared	0.938305	Mean dependent var	6046.776
Adjusted R-squared	0.926364	S.D. dependent var	7166.914
S.E. of regression	1944.806	Akaike info criterion	18.18921
Sum squared resid	1.17E+08	Schwarz criterion	18.49087
Log likelihood	-338.5949	Hannan-Quinn criter.	18.29653
F-statistic	78.57901	Durbin-Watson stat	2.166878
Prob(F-statistic)	0.000000		

Inverted AR Roots	.89