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CAPITAL MARKET PERFORMANCE AND ECONOMIC GROWTH IN NIGERIA

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Abstract

This study examines the impact of capital market performance on economic growth of Nigeria for the period 1986 – 2013. Economic growth was proxied by gross domestic product while capital market performance was represented by market capitalization, total new issues, volume of transaction and listed equities. Data was collected using secondary source of data only. The technique employed was multiple regression as tool of analysis for the study. The findings of the study reveal that the capital market performance has positively and significantly impacted on the Nigerian economy within the period of the study. The study therefore, recommends among others that the Central Bank of Nigeria (CBN), the Nigerian Stock Exchange (NSE) and Security and Exchange Commission (SEC) should ensure free flow of information in the market. This is necessary in order to attract more investors and increase new issues which will automatically increase the quantum of market capitalization that will result in increasing the performance of the Nigerian capital market and hence, improves the Nigerian economy.

1.1 Introduction

The Capital market in any country is one of the major pillars of long-term economic growth and development. The market serves a broad range of clientele, including different levels of government, corporate bodies and individuals within and outside the country. Capital formation entails accumulated savings out of the

current incomes of either organization or individual. It is investment in fixed assets which in part is financed with monies raised through the capital market (Al-Faki, 2006). The Capital market has been one of the major means through which foreign funds are injected into most economies and the tendency towards a global economy is more visible there than anywhere else. It is therefore, quite valid to state that the growth of the capital market has become one of the barometers for measuring the overall economic growth of a nation (Emenuga, 1998).

Although interest in identifying a formal link between financial development and economic growth is fundamental, the basic intuition behind this relation is relatively easy to surmise. This is due to the fact that the main goal of the capital market is to allow the free channeling of funds from the surplus sector unit to the deficit sector unit of the economy. It plays a major task in physical and human capital investment which, are essential elements of economic growth and development. From this point of view, one should expect that as the capital market develops and deepens, then efficient allocation of the financial resources for the investment is facilitated and thus the frontier of production possibilities is increased (Adam & Sanni, 2005).

Economic growth in a modern economy hinges on an efficient financial sector that pools domestic savings and mobilizes foreign capital for productive investments. Financial markets play an important role in the mobilization of financial resources for long term investment through financial intermediation. The financial market, which comprises the capital and money markets as well as other submarkets, plays crucial roles in the functioning of any modern economy. However, for the purpose of this study emphasis will be on the capital market. The capital market is believed to be an important sector of every economy whether it is developed or developing. This is because of the fact that the capital market performs a vital role in the growth of the economy by providing the avenue through which foreign investors make investment in the country which in turn may boost the growth of the economy inform of foreign Direct Investment (Daniel,1999).

The capital market mobilizes long-term debt and equity finance for investments in long-term assets. Capital markets also help in boosting the financial system as well as improving the economic growth of a country. The capital market supplements traditional lending activities of the financial institutions such as banks by providing risk capital (equity) and loan capital (debt). By means of these instruments, the market is able to mobilize long-term savings and provide capital to investors to finance long-term investments thereby broadening ownership of productive assets (Daniel, 2004).

Given the benefits associated with having well-functioning financial systems, a number of African countries have endeavored to put in place various measures aimed at developing the financial sector. Financial sector reforms have therefore been widely used as policy measures to encourage the development of domestic financial systems as well as the dismantling of barriers to international capital flows. African financial markets have been increasingly integrated with the other world capital markets. The encouraging drive towards globalizing capital flows in Africa has led to the growing relevance of emerging capital markets in the continent (Harris, 1997).

The impact of the capital market performance is determined by a number of elements, which include how financial assets are priced, such as the size of the stock market, in terms of market capitalization, number of listed equities, transactions in buying and selling of securities (liquidity) which in this case refers to the volume of transactions and new issues of securities.

Financial development is used as a barometer of measuring the economic growth of most countries (King & Levine, 1993, Levine & Zervos, 1998a). The recent revival of interest in the linkage between capital market performance and economic growth stems from the insight of endogenous growth model because the traditional growth literature was suited to explore the relationship between financial intermediation and economic growth because of focuses on productivity and not on the rate of growth.

There are several controversies surrounding the role of financial intermediation and economic growth. (Levine, 1991; Levine & Zervos, 1998; Khan & Senhadji, 2000; Adam & Sanni, 2005) have argued that the financial system facilitates economic growth. Schumpeter (1912) similarly argued that in a well-functioning financial system, banks help to facilitate economic growth by enhancing technological innovation through identification and funding of entrepreneurs with the best chances of successfully implementing innovative products as well as production process. Levine (1991) argued that developed capital markets reduce both liquidity shock and productivity shock of businesses. Similarly, Levine and Zervos (1998a) and Khan and Senhadji (2000) both stressed that the establishment of the capital market has played a significant impact in the economic growth of most emerging market economics.

Despite the various studies been conducted to link capital market performance to economic growth, to the best of our knowledge only few studies investigated the

influence of capital market performance and economic growth in Nigeria. Even though this was done from the perspective of market capitalization, total new issues, volume of transaction and listed equities on Nigeria economic growth, though all the findings are mixed and unresolved. Therefore, our study is set to fill this obvious gap by examining the impact of capital market performance on economic growth in Nigeria. For the purpose of this study capital market performance is proxied by market capitalization, total new issue, volume of transaction and listed equities and economic represented by gross domestic product (GDP).

The main objective of the study is to examine the impact of capital market performance on economic growth in Nigeria. However the specific objectives are to:

i. Determine the impact of market capitalization on the Gross Domestic Product (GDP).
ii. Assess the effect of total new issues on the gross domestic product.
iii. Identify the contribution of the volume of transaction to the gross domestic product in Nigeria.
iv. Examine the impact of total listed equities stocks on the gross domestic product in Nigeria.

In line with the objectives of the study the following hypotheses have been formulated in null form:

H_{01}: Market capitalization has no significant impact on Nigeria's gross domestic product.
H_{02}: Total new issues have no significant effect on the Nigeria's gross domestic product.
H_{03}: Volume of transaction has not significantly affected the Nigeria's gross domestic product.
H_{04}: Total listed equities have no significant impact on Nigerian gross domestic product.

The study will be of immense contribution to regulatory authorities such as the CBN, NSE and SEC in coming up with sound financial policies and reforms that will boost the performance of the capital market. This would strengthen public companies by ensuring that corporate governance practices in Nigerian public companies are aligned with international best practices through improved financial disclosure of information and adoption of International Financial Report Standards. Finally, future studies may want to share this experience by

extrapolating some of the data as well as the statistical inferences that this study has come up with.

2.1 Literature Review and Theoretical Framework

This section covers some of the relevant areas such as the conceptualization of the capital market variables like market capitalization, new issues, volume of transaction and equity stocks as well as the dependent variable known as gross domestic product (GDP). Furthermore, it also reviews previous studies on capital market development and economic growth by various scholars.

Several literatures on capital market development and economic growth produce mixed results. These mixed findings include among others Goldsmith, (1969); King & Levine, (1993); Demirguc-Kunt & Levine, (1996); Shah & Thomas, (1997); Levine & Zervos, (1998); LaPorta, Lopez, Shleifer & Vishny, (2001). Goldsmith, (1969);King & Levine, (1993); and Shah & Thomas, (1997) have found at that capital market performance significantly influences economic growth. Contrarily Demirguc-Kunt & Levine, (1996); Levine & Zervos, (1998); and Laporta, Lopez, Shleifer & Vishny, (2001) conferred that capital market have impacted positively on the economic growth of a country.

Recent studies suggest that, over the past two decades, stock market liquidity has been a catalyst for long-run growth in developing countries. Without a liquid stock market, many profitable long-term investments would not be undertaken because savers would be reluctant to tie up their investments for long periods of time. In contrast, a liquid equity market allows savers to sell their shares easily, thereby permitting firms to raise equity capital on favourable terms. The empirical evidence, however, strongly supports the belief that greater stock market liquidity boosts economic growth.

Adam and Sanni (2005) examined the role of the stock market in the economic growth of Nigeria using Granger causality test. The study revealed that the stock market contributed positively and significantly to Nigeria's economic growth. Contrary to the view of Schumpeter, Levine, Levine and Zervos a, Khan and Senhadji, and Adam and Sanni, have been the argument by some scholars that the financial system does not really matter in the growth of the economy. Shliefer & Summers, (1988); Stern, (1989); Nyong, (1997); Osinubi & Amaghionyeodiwe, (2003) all did not accord the financial system any significant impact on economic growth. Schliefer and Summer (1988) argued that market development may hinder economic growth by promoting counter-productive corporate take overs. Osinubi and Amaghionyeodiwe (2000) examined the relationship between the Nigerian Stock market and economic growth between the periods of 1980 – 2000.

The results of their study did not support the claim that the stock market development promotes economic growth.

Goldsmith (1969) predicates his path breaking study of financial market development and growth by investigating the effect of the financial structure and development on the economic growth of a country. Thus, he sought to assess whether or not finance exerts a causal influence on growth or the mixture of markets and intermediaries operating in an economy influences economic growth. Toward this end, he carefully compiled data on 35 countries over the period 1860 to 1963 on the value of financial intermediary assets as a share of economic output.

Goldsmith suggests that the size of the financial intermediary is positively correlated with the quality of financial functions provided by the financial sector. Goldsmith (1969) met with varying degrees of success in providing confident answers to these questions. After showing that financial intermediary size relative to the size of the 40 economic rises as countries develop, Goldsmith graphically documents a positive correlation between financial development and the level of economic activity. Furthermore, he ultimately does not take a stand on whether financial development causes growth or not. In terms of the relationship between economic growth and the structure of the financial system, he is unable to provide much cross-country evidence because of the absence of data on securities market's development for a broad range of countries. Despite the robustness of the study, the model seems to be characterized by lots of weaknesses which fault the work. Some of these include the following: the sample of the study collected was too small because it involved only thirty five countries, It also does not examine whether financial development is associated with productivity growth and capital accumulation or not. The study's opinion about the close association between the financial system size and growth does not identify the direction of causality. The study does not shed light on whether or not financial markets, non-bank financial intermediaries, or the mixture of markets and intermediaries matter for economic growth.

In the early 1990s, King and Levine (1993) built on Goldsmith's work. They studied 77 countries over the period 1960-1989, systematically control for other factors affecting long-run growth, examined the capital accumulation and productivity growth channels, constructed additional measures of the level of financial development, and analyzed whether or not the level of financial development predicts long-run economic growth, capital accumulation, and productivity and growth. In terms of measures of financial development, they first examine the depth of financial intermediaries which is simply a measure of the

size of financial intermediaries. It equals liquid liabilities of the financial system (currency plus demand and interest-bearing liabilities of banks and nonbank financial intermediaries) divided by GDP. They also simulated another variable that measures the relative degree to which the central bank and commercial banks allocate credit.

The intuition underlying this measure is that banks are more likely to provide financial functions than central banks. There are two notable weaknesses with this measure, however. Banks are not the only financial intermediaries providing valuable financial functions and banks may simply lend to the government or public enterprises. King and Levine also examine the amount of credit extended to private enterprises as this affect economic growth.

King and Levine find very consistent results across the different financial development indicators. They then assessed the strength of the empirical relationship between each of these indicators at the level of financial development averaged over the 1960-1989 period and three growth indicators also averaged over the 1960-1989 period. The three growth indicators are as follows: the average rate of real per capital GDP growth, the average rate of growth in the capital stock per person, and total productivity growth. King and Levine indicate that there is a strong positive relationship between each of the financial market development indicators and economic growth. However, this model witnessed a great set back because it both ignores the issue of causality and the numbers of countries used in the model are few. Finally, one cannot use such population as has been used in the study to make a conclusion about a general phenomenon because the countries involved are diverse in nature.

Shah and Thomas (1997) can be considered as representative of a view supporting the role of stock market development for economic growth. According to them, the stock market in India is more efficient than the banking system on the account of the enabling government policies and that stock market development has a key role to play in the reforms of the banking system by generating competition for funds mobilization and allocation. Hence, an efficient capital market would contribute to long-term growth. The result of their study was positive because the study was basically confined to the Indian economy.

Levine and Zervos posit that the initial level of stock market liquidity and the initial level of banking development, otherwise called bank credit, are positively and significantly correlated with future rates of economic growth, capital accumulation, and productivity growth over the next 18 years even after controlling for initial income, schooling, inflation, government spending, the

black market exchange rate premium, and political stability. Bank credit equals bank credit to the private sector as a share of GDP. These results are consistent with the view that stock market liquidity facilitates long-run growth (Levine, 1991; Holmstrom and Tirole, 1993; Bencivenga et al., 1995). The results are however inconsistent with models that emphasize the negative aspects of stock markets liquidity (Bhide, 1993).

However, there are a number of weaknesses associated with the Levine and Zervos approach. First, while they show that stock market liquidity and bank development predict economic growth, they do not deal formally with the difficulties in measuring liquidity as discussed by Grossman and Miller (1988). Their work does not measure the direct costs of conducting equity transactions. In addition, their study does not take into account the eventuality of the arrival of information and the processing of that Information may differ across countries and thereby induce cross-country differences in trading that do not reflect liquidity as defined by theory. While Levine and Zervos confirm their results using some additional measures of liquidity, measurement issues remain unresolved. It should be noted that the liquidity indicators measure domestic stock transactions on a country's national stock exchanges. However, in Nigeria, a lot of literatures exist on the capital market and economic growth (Ogwumike & Omole, 1996; Osinubi & Amaghionyeodiwe, 2003; Adam & Sanni, 2005; Ezeoha, Ebele & Okereke, 2009). The authors also examined the relationship between capital market development and economic growth.

Adam and Sanni (2005) examine the role of the stock market in Nigeria's economic growth using Granger-causality test. They discovered a one-way causality between GDP growth and market capitalization and a two-way causality between GDP growth and market turn-over. They inferred a positive and significant relationship between the GDP and the capital market.

Osinubi and Amaghionyeodiwe (2003) examined the relationship between the Nigerian stock market and economic growth during the period, 1980-2000. Their results did not support the claims that stock market developments promote economic growth. This negative of result was due to the fact that the nature of data collected and the technique of data analysis adopted would have resulted to the outcome of their findings. Perhaps, if better samples of data were collected that was not only restricted to the manufacturing industry the result of this study would have been different from what was obtained.

Ezeoha, Ebele and Okereke (2009) investigated the nature of the relationship that exists between capital market development and the level of investment flows in

Nigeria. The study discovers that capital market development promotes domestic private investment flows. Thus, this enhances the economy's production capacity as well as the promotion of national output. One of the findings of this study is that this does not encourage foreign private investment in the country and therefore more need to be done in order for the market to be able to attract foreign investment. This situation could be explained by the poor or lack of an enabling business environment as well as poor government policy framework. Also the global financial meltdown which has affected most financial markets of the world is partly responsible.

Kenneth (1962) opines that endogenous growth theory is about investment in human capital, size of capital stock, innovation and knowledge. All these are significant contributors to economic growth. The theory focuses on positive externalities and spillover effect of a knowledge-based economy which will lead to economic development. Endogenous growth has an impact on the long-term growth rate of an economy. However, for the purpose of this studthe endogenous growth theory has been adopted. This is informed by the fact that the Endogenous growth theory links human capital, capital market growth and innovation to economic growth unlike exogenous growth theory which concentrates only on economic growth.

3.1 Methodology, Model Specification and Robustness Test

Correlational research design has been adopted for the purposes of this study. The design is utilized because it enables exploring relationships between two or more variables. Also, it is appropriate for testing the hypotheses of the study anchoring the capital market and the economy which are crucial concern of this study. The population of the study constitutes all the companies quoted on the Nigerian Stock Exchange, because the study has to do with the performance of the capital market on the Nigerian economy. Census sampling technique is adopted, in which case the contribution of all the companies in aggregate is taken into consideration. The data used in this study has been collected from secondary sources. The data is extracted from the Nigerian Stock Exchange fact books (NSE) and Central Bank of Nigeria (CBN) Statistical bulletin. Multiple regression was used as technique of data analysis to examine whether the capital market indices (market capitalization, total new issues, volume of transaction and total listed equities) have impacted significantly on the economic growth of Nigeria-Gross Domestic Product during the period of the study.

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

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

Where:
GDP = Gross Domestic Product
a_0 = Regre\ssion 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

In order to cleanse the data for the study and improve the validity of inferences from the statistical results, the robustness tests conducted include autocorrelation test using Durbin Watson statistics and multicollinearity test using Variance Inflation Factor and Tolerance Value

4.1 Results and Discussion

Multiple regression has been used to estimate the relation between the independent variables of capital market performance (market capitalization, total new issues, volume of transaction and listed equities) and the dependent variable (Gross Domestic Product). The technique of ordinary least square has been used to estimate the regression coefficient in the model as:

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

The results are presented in three sections. Section one presents basic statistics for the data extracted for the study. Section two presents the regression results and the last section presents the combined impact of capital market performance on Nigeria's economic growth.

4.2 Descriptive Statistics

The sample descriptive statistics is first presented in table 1; the correlation matrix is presented in table 2, while the tolerance and variance inflation factor are presented in table 3. Table 1 shows the mean, standard deviation, minimum, maximum, skewness and kurtosis values of the variables used in the study.

Table 1: Descriptive Statistics

VARIABLE	MEAN	STD. DEV.	MIN	MAX	SKEWNESS	KURTOSIS
GDP	3.2544	1.56639	6.75	204.00	0.711	0.16
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

Table 1: indicates that on the average, during the period of the study the gross domestic product is about N325, while total new issues, market capitalization, volume of transaction and listed equities have a mean of N188, N135, N278 and N259 respectively. Market capitalization has the lowest standard deviation of 3.10 signifying its high contribution to the performance of the capital market in terms of economic growth. Listed equities have the highest standard deviation of 29.44 which indicates that it contributes the lowest towards the economic growth. This can be confirmed by the significant F values of the individual contributions of the independent variables to the economic growth of Nigeria. The next table that follows presents tolerance and variance inflation factor values for the test of multicollinearity between the explanatory variables.

Table 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

The tolerance value and the variance inflation factor (VIF) are two advanced measures of assessing multicollinearity between the independent variables of the study. In table 4.3, the variance inflation factors are consistently smaller than ten indicating complete absence of multicollinearity (Neter et al; 1996 and Johansen, 1999). This shows the appropriateness of fitting the model of the study within the four independent variables. In addition, the tolerance values are consistently smaller than 1.00 thus further substantiating the fact that there is no multicollinearity between independent variables (Tobachmel and Fidell, 1996).

4.3 Correlation Matrix

The correlation matrix is used to determine the relationship between the dependent and independent variables of the study. Table 3 presents the correlation matrix for the sample observations.

Table 3: Correlation Matrix

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

Table 3 indicates that here is a positive relationship between Gross Domestic Product and total view issues, market capitalization, volume of transaction and listed equities. This implies that capital market is contributing positively to the performance of the Nigerian economy growth. The association between them is positive and highly significant. On the other hand, the relationship between the independent variables, as shown by the correlation matrix, indicate that the association between them is not strong but negligible which reaffirming therefore the absence of multicollinearity.

Capital Market Performance and Economic Growth of Nigeria

The results of the Ordinary Least Square in relation to the impact of capital market performance on Nigeria's economic growth are presented and discussed. The study uses four capital market indices; market capitalization, total new issues, volume of transaction and listed equities as proxy of capital market performance. The regression results are presented in table 4.

Table 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 (0.002)*
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 Results 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)

The model indicates that all the three proxies of capital market performance have significant impact on the GDP at 1% level of significance while the remaining one listed equity is at 5% level of significance. The implication of these results is that the higher the level of capital market performance the better it is for economic growth in Nigeria. The first hypothesis of the study states that market capitalization has no significant impact on Nigeria's gross domestic product.

The regression result in table 4 reveals that market capitalization as an explanatory variable accounts for the explained the variations in terms of the economic growth of Nigeria. This implies that as market capitalization increases this in turn will have a significant impact on economic growth, simply because of the fact that as investment increases the level of foreign direct investment also increases. This is because investment levels in the country's capital market are bound to increase and the number of investors will as well increase by the same proportion. Eventually, this will finally boost the activities of the capital market which will impact on the economic growth of the country. However, the result shows that market capitalization is significant to Nigeria's gross domestic product at 1% level of significance. This provides the basis for rejecting hypothesis one of the study. The finding is in line with those of Levine and Zervos (1996) and contrary to that of Harris (1997).

Secondly, the regression result also reveals that total new issues as one of the independent variables has significant effect on the Nigerian gross domestic product. The implication of this is that as new issues of securities are floated in the market this increases the number of shares traded in the stock exchange. This in turn increases the amount of trading activities of the market and finally transcend in improving the economic growth of the country. It has also been discovered that total new issues is significant at 1% level of significance which provides another reason for rejecting hypothesis two of the study. This finding contradicts (Ewah, Esang and Bassey, 2000) and supports that of (Atje and Jovanovic, 1993).

Thirdly, the hypothesis of the study is also rejected for the fact that the result of the study provides evidence that the volume of transaction is significant at 1% level of significance on the economic growth of Nigerian. The implication of this result is that the volume of transaction demonstrates that a rising stock price increases the wealth of the economy by encouraging increase in demand for securities and eventually investment. Furthermore, the volume of transaction as well increases which ultimately has a significant impact on economic growth in Nigeria.

Finally, hypothesis four of the study is also rejected for the fact that the result produces evidence of total listed equities is significant at 5% level of significance on the Nigerian economic growth. This implies that listed equities plays a very important role in the economic growth of a nation because the efficiency of the capital market depends on the operating activities of the stock market and the more the number of quoted companies the better for the market as well as for economic growth. The finding is in line with those of Barlett (2000) and contrary to that of Nyong (1997).

Cumulatively, the explanatory variables have totally associated up to 84%, with the explained variable. This signifies that the performance of the capital market is positively and significantly related with the Nigerian economy. It implies that the higher the performances of the Nigerian capital market the higher the growth attainable in the Nigerian economy.

The R^2 which is the coefficient of determination (R^2) shows 71%. This signifies that the independent variables have cumulatively explained the dependent variable (GDP) up to 71% and the remaining 29% is covered by other factors. The implication of this is that the model of the study is fit and the explanatory variables are appropriately selected. However, this can be confirmed by the value of the adjusted R^2 66% because even after other abnormalities are adjusted the value is still significant.

Finally, the F statistic of 13.8 is significant at 1% level of significance which implies that capital market performance has positively, strongly and significantly impacted on Nigeria's economic growth. The Durbin – Watson (DW) of 2.032 signifies autocorrelation of residuals will not pose a problem to the validity of statistical inferences of this study.

4.4 Policy Implication of the Findings

Given the empirical results reported above, the following policy implications are drawn. Firstly, since capital market performance is proxied by market capitalization, total new issues, volume of transaction and listed equities have statistical positive impact on economic growth, it implies that market capitalization increases the ability of firms to raise capital. Thus, firms will be able to increase investment and expand production of goods and services which translates to higher growth rate. It could therefore be postulated that once the real sector is buoyant in terms of financing its elements. It should be expected that the sector will expand and productivity will increase and that cost of production will decline because of the competitive situation, availability of products, fall in prices

etc. However, this goes a long way in increasing the GDP as well as favouring other economic indices such as favourable balance of payment, decline in inflation, higher purchasing power of currency etc.

Secondly, total new issues have also contributed positively to the economy based on its standard deviation as shown in table 2. This implies that, it has a significant impact on economic growth in Nigeria because as new issues are floated on the floor of the exchange (Stock Market) this also increases the volume of transaction traded on the stock market. This in turn increases the amount of trade made in a year and equally increases the level of funds traded in that period. This also increases the number of securities traded and invariably improves the economic growth of the country.

Thirdly, the volume of transaction has also impacted positively on economic growth as seen empirically in table 4. This implies that as more volume of transactions are recorded in the capital market this affects the performance of the market significantly and positively. Ultimately this translates into the number of turnover of securities which in turn contributes to the economic growth of Nigeria. We can then infer that volume of transaction has a positive and direct relationship to the economic growth of the nation and the development of the capital market. Economic growth relies heavily on the quantum of volume of transaction in the market in order to compete with global standards. Therefore, the Nigerian capital market still has a lot to deal with in order to compete with the capital markets of developed countries.

Finally, listed equities are believed to be the least in terms of its contribution to the economy as can be seen in table 2. The amounts of listed equities have been fluctuating and this affects the activities and performance of the market. This is as a result of the global financial crisis which the market finds itself in during the last few years. This has affected the economic growth of the country by also contributing positively and significantly. Therefore, more needs to be done by the government in order to improve and restore the confidence of investors back to the market.

5.1 Conclusions and Recommendations

Based on the findings of the research, the study concludes as follows:

First, the study has provided evidence on the four independent variables; market capitalization, total new issues, volume of transaction and listed equities in explaining and predicting economic growth in Nigeria. The study concluded that the four variables have played a significant role in influencing the capital market

performance on Nigeria's economic growth. Secondly, the study also establishes significant positive relationship between total new issues and economic growth. It is therefore concluded that as new issues are raised and floated in the market, this in turn increases the number of shares traded and economic growth equally expands as well as impacting on the GDP. Thirdly, the study documents a significant positive relationship between volume of transaction and the gross domestic product. This concludes that the volume of transaction is an important factor in determining the magnitude of trading of shares in the capital market and it goes a long way in improving the performance of the market and as well increases the efficiency of the market which invariably improves the economic growth of Nigeria. In addition, in respect of listed equity, the study concludes that listed equity of Nigerian capital influences the performance of the market and improves economic growth.

Based on the findings and conclusions of the study, the following recommendations are hereby presented:

i. Firstly, there is need for improvement in the declining market capitalization by encouraging more foreign investors to participate in the market, maintain state of the art technology that will ensure a free flow of information in the market to attract more investors as well as increase new issues which will automatically increase the quantum of market capitalization. There is also the need to restore confidence in the market by the Securities and Exchange Commission and the Nigerian Stock Exchange through ensuring transparent and fair trading transactions and dealings in the stock exchange. Government should remove impediments to market growth in form of legal and regulatory barriers because they are sometimes disincentives to investment.

ii. Secondly, as observed the total listed equities in the NSE are still very low compared to other stock markets like those of South Africa and Egypt. Therefore, to increase the number of listed companies there is need to ensure stable macroeconomic environment, to encourage foreign multinational companies or their subsidiaries to be listed on the Nigerian stock exchange and also to improve the trading system in order to increase the ease with which investors can purchase and sell shares.

iii. Furthermore, the government should invest more and develop the nation's infrastructure in order to create an enabling environment for businesses to grow and for productivity and efficiency to thrive which will bust economic activities.

iv. Thirdly, total new issues are very important to the growth of any capital market. Therefore, government should employ appropriate trade policies such as establishing National Association of Securities Dealers (NASD) that promote the inflow of international capital and foreign investment, so as to enhance the production capacity of the nation. The Government should restore the confidence of shareholders (investors) due to the declining fortune of the stock market.

v. Finally, the volume of transaction needs to be boosted by NSE through introducing more derivatives, convertibles, futures and options in the markets in order to meet up with other markets of the world.

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