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Does Capital Market Development Spur Economic Growth?: A Look At Africa's Largest Economy

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Abstract: Capital market enhances economic growth through formation and allocation of long-term capital. It avails listed companies ample platform for long-term finances needed for expansion and increased sustainable output capacities. Hence, it is sine quo none for overall socio-economic development. This paper examined capital market-economic growth nexus in Nigeria, Africa's largest economy, during the 1985-2015 periods. Analysis was anchored on relevant multiple regression model whose coefficients were estimated via the ordinary least squares (OLS) techniques. The paper sourced data from relevant publications of the Securities and Exchange Commission (SEC) and Central Bank of Nigeria (CBN). Economic growth variable was gross domestic product (GDP), while capital market indices were market capitalisation (MCAP), Value of transactions (VTS) and All-Shares Index (ASI). Results showed that in specifics, market indices had heterogeneous effects on growth of the economy but on aggregate, capital market development significantly induced growth of the economy during the study period. Thus, the paper concluded that capital market development spurred economic growth, and recommended sustained development of the capital market.

Keywords: Capital market, Economic growth, Unit root tests, OLS regression.

1. Introduction

Capital market development in relation to economic growth has long continued to draw attention in the literature (Levine & Zervos, 1996, 1998; Atje & Jovanovic, 1993; Anyanwu, 1998, Okwu & Obiakor, 2011 among others). A number of issues link efficient stock markets to growth and vice versa. While some have argued in favour capital market-led growth, others have argued otherwise. Capital market is deemed to play a major role in economic development which enhances efficiency in capital formation and allocation. Capital markets are vital component for economic development as they provide listed companies with a platform to raise long-term capital and also provide investors with a forum for investing their surplus funds. It engenders growth of economies through different essential roles such as channelling resources, promoting reforms to modernise the financial sectors, financial intermediation capacity to link deficit to the surplus sectors of the economy, and a veritable tool in the mobilization and allocation of savings among competitive uses (Alile, 1987). The market is the segment of the financial system which facilitates the channelling of long-term funds from surplus to deficit economic units achieved by selling securities, shares or bonds to those with surplus funds thereby stimulating capital formation and socio-economic development. In this context, the stock exchange market acts as a barometer for economic performance in the sense that it assists to allocate the necessary capital needed for sustainable growth of the economy.

Capital market activities effectively commenced in Nigeria on 5th June 1961 under the provision of the Lagos Stock Exchange Act 1961, which transformed into the Nigerian Stock Exchange in December 1977 as a result of the review of the Nigerian financial system. The Securities and Exchange Commission (SEC) was established in 1979 through the SEC Act 1979, to regulate the capital market, but commenced actual operations in 1980. Capital market promotes efficiency in capital formation and allocation, makes it possible for the government and industry to raise long-term capital for financing new projects and expanding and modernising industrial or commercial concerns.

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The Nigerian capital market, through initial public offers, confers companies with the ability to raise expansion capital by selling shares to the public. By selling shares to the public, the companies enlarge and diversify their equity base, increase exposure, prestige and public image, facilitate acquisition potential for shares of stock and tap into a wide pool of potential investors to avail themselves capital for future growth. Capital market has helped government and corporate entities to raise long term capital for financing new projects, and expanding and modernising industrial and commercial concerns (Nwankwo, 1991). Specifically, stock markets are vital component for economic development as they provide listed companies with a platform to raise long-term capital and also provide investors with a forum for investing their surplus funds. Economic growth without a well-developed domestic capital market would be detrimental to growth prospects of developing countries (World Bank, 1994).

Among the several developments and reforms in the capital market are the establishment, in April 1985, of the second-Tier Securities Market(SSM) to cater for the small to medium scale enterprises (Ahmed,1992), the introduction of an automatic clearing, settlement, and delivery system - Central Securities Clearing (CSCS) in 1997 to ease transactions and foster investors' confidence in the capital market, introduction of the Unit Trust Scheme, the first of which commenced operation in December 1990, equally important on the NSE to Reuter International System in order to disseminate relevant market information to subscribers. The SEC approved its establishment in 2000, and is now in operation.

Capital market-economic growth nexus has not been well researched in Nigeria. The available studies (Pat & Odia, 2010; Oluwatosin, Taiwo & Yusuf, 2013) leave some gap in the aspect of declining market capitalisation in Nigeria. This paper aims at contributing to bridging this gap. Moreover, zeal to examine the impact of these several reforms and other developments of the capital market on economic growth in Nigeria provoked this research interest. Therefore this paper attempts to examine the linkage path of capital market development indicators that facilitate and stimulate research into the links between capital market development and economic growth within the Nigeria context. Hence, this paper explored the causal link between the economic growth proxy (GDP), on the one hand, and, on the other hand, each of the market indices – market capitalisation, value of transactions (VST) and all shares index (ASI). The underlying hypothesis was that the capital market did not significantly cause growth of the economy during the period. The remaining parts of the paper are literature review in section two, methodology in section three, analysis and discussion in section four and conclusion and recommendations in section five.

2. Literature Review

2.1 Capital Market Segments

Capital market is a market where buyers and sellers meet to exchange a unique intrinsic commodity - shares, stocks, bonds- for the purpose of raising long-term capital for the modernization and expansion of projects by companies, governments, and allied parastatals. Stock market is different form stock exchange, which is an entity (a corporation or mutual organization) in the business of bringing buyers and sellers of stock together. Capital market is a financial market for buying and selling equity and debt instruments. It channels savings and investment between suppliers of capital such as retail investors and institutional investors, users of capital like businesses, government and individuals. Capital markets are vital to the functioning of an economy, since capital is critical component for generating economic output. In particular, stock markets can encourage economic growth by providing an avenue for growing companies to raise capital at lower cost. In addition, companies in countries with developed stock markets are less dependent on bank financing, which can reduce the risk of a credit crunch.

Activities in the market are segmented into two, namely: primary and secondary. The primary segment deals with issue of new securities. Companies sell new shares to raise finance in the form of an offer to potential and existing investors. The main participants are the issuing houses, institutional stock-brokers, merchant banks, insurance companies, mortgage banks,

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governments and its agencies. The secondary segment is where securities or stocks raised in the primary market are resold. It is acting as a secondary market for securities which may have been issued at some time in the past. The market enables owners of shares or bonds to sell their holding readily and assures them a degree of liquidity, which in turn enhances the effectiveness of the primary market. The segment is forum for the sale of securities by one investor to another investor. Hence, the efficient functioning of the market paves way for the primary market by making investors willing to purchase new securities with the motive of selling such in the secondary market which are used to raise funds in the capital market.

2.2 History and Development of the Nigerian Capital Market

The Nigerian Stock Exchange (NSE) came into existence in 1977 from the Lagos Stock Exchange (LSE) established in 1960. In 1961, the NSE/LSE commenced operations with 19 securities listed for trading. As at 2008, there were more than 320 listed securities on the Exchange. The NSE has a head office (Lagos, 1961) and branches established in some of the major commercial cities in Nigeria: Kaduna (1978), Port Harcourt (1980), Kano (1989), Onitsha (1990), Ibadan (1990), Abuja (1999), NES Ilorin (2007) Yola (2002) and Ogun state (2007). Each branch has a trading floor. The development of the Nigeria Capital Market dates back to the late 1950s when the Federal Government through its ministry of industries set up the Barback committee to advise it on ways and mean of setting up a stock market. Prior to independence, financial operators in Nigeria comprised mainly of foreign owned commercial banks that provided short-term commercial trade credits for the overseas companies with offices in Nigeria (Nwankwo, 1991). And their capital balances invested abroad in the London stock Exchange.

To accelerate economic growth of the Nigerian economy, the government embarked on the development of the capital market. The aim was to provide opportunities for borrowing and lending of long-term capital by the public and private sectors for general business expansion, as well as an opportunity for foreign-based companies to offer their shares to investors and provide avenues for the expatriate companies to invest surplus funds. The Government promulgated and implemented the Nigeria Enterprises Promotion Decree of 1972, aimed promoting capital formation, savings and investment in the industrial and commercial activities of the country. That resulted in increased level of activities in the stock market as Nigerians gained the commanding heights of the economy.

In ensuring development of the Nigerian capital market, the Central Securities Clearing System (CSCS) was introduced to provide an integrated central depository, clearing transfer of shares from seller to buyer and settlement of payments for bought securities for all stock market transactions. That was to avoid the manual transactions on shares, establish electronic transfer of shares to ensure faster stock market transactions. In 1997, the Nigerian Stock Exchange (NSE) established the Central Securities Clearing System (CSCS) and it is fully automated to capture all verified share certificates forwarded to it by company registrars. However continuous development of the capital market is important for mobilisation of savings from numerous economic units, providing adequate liquidity to investors, providing alternative source of funds for government, to encourage more efficient allocation of new investments through the price mechanism, encourage more efficient allocation of a given amount of tangible wealth through changes in the composition and ownership of wealth and promote rapid capital formation for economic growth and development.

2.3 Regulatory Functions of the Securities and Exchange Commission

The regulatory function ensures registration of only securities that comply with specific requirements offered to the public. This includes registration of Nigerian Stock Exchange operators to ensure that only fit and proper persons with requisite knowledge and qualification are allowed to operate in the market. This enables the commission to scrutinize and approve the rules of the market and key operating personnel and how such rules are enforced. Therefore, the regulatory function is designed to ensure all operators obey, to protect the integrity of the market and ensure investor's confidence is sustained. The

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Commission exercises its power of surveillance by monitoring the activities in the capital market. This ensures that unethical practices like price manipulations, insider abuse and other acts that may cause dis-reputation to the market are identified and sanctioned appropriately. This is to prevent fraudulent an unfair trade practices relating to the securities industry; protecting the integrity of the securities market against all forms of insider dealing and overseeing activities relating to trading in securities. Currently, the Securities and Exchange Commission (SEC) is putting up rules and guidelines for market players to enable regulators and regulated entities to put adequate framework for identifying potential capital market risks early enough to avoid associated multiplier effects. Further, SEC supervises the market and the operators in their activities as well as ensures that operators have sufficient capital to cover the risk they undertake in the course of their business.

The Commission investigates reported cases of unethical practices and sanctions any such actions appropriately. Obviously, the Commission has zero tolerance for any form of malpractice in the market and ensures that any fraudulent act engaged in by any stock broking firm against shareholders is investigated and sanctioned. The Commission has the responsibility of monitoring and scrutinizing potential market operators before they can function as market operators so as to maintain market integrity and sanctity. SEC is empowered to make rules to give effect to the provisions of the law and necessary provision for status enforcement and to regulate all offers of securities by public companies and entities. The Commission is responsible for regulating the activities of Securities Market with the primary objective of investors' protection and capital formation needed for the growth and development of the Nigerian economy.

2.4 Roles of the Capital Market in the Development of the Economy

The capital markets provides opportunities for companies to source funds needed for long-term investment purposes, provides avenue for the marketing of shares and other securities in order to raise fresh funds for expansion of operations leading to increase in national output. It provides a means of allocating the nations real and financial resources between various industries and companies. Through the capital formation and allocation mechanism, the capital market ensures an efficient and effective distribution of the scarce resources for optimal benefit to the economy. The market has enhanced awareness among investors, individuals and institutions in funds mobilisation. Also, the increasing number of shareholders associations has helped to create more awareness of capital market investment among individual Nigerians.

The Nigerian capital market, through the initial public offers (IPOs), enables companies with the ability to raise expansion capital by selling shares to the public. This, in turn, increases prestige and public image, facilitates acquisition of potential return for shares and stock; repayment of debt or working capital and tap into a wide pool of potential investors to provide capital for future growth. Many companies have benefited over the years. These include the Transcorp conglomerate, A.G. Leventis Nigerian plc, Honeywell plc, Ecobank Transnational Incorporation and Seplat Petroleum Development Company Plc. These companies have raised several billions of naira in through the market.

The capital market also helps in reducing the over reliance of the corporate sector on short term financing for long term projects and also provides opportunities for government to finance projects aimed at providing essential amenities for socio-economic development. The capital market has been a viable source of financing state and local government infrastructural projects and developmental strides through bonds which are financial instruments through which the capital market provides long-term debt financing to companies and government. Over the years, some states governments have gone to the capital market to source for funds to finance their developmental projects. For instance, Yobe State raised N2.5 billion in 2001 to finance urban roads, houses and drainage improvement. Ekiti State raised N4 billion in 2002 to finance the construction and rehabilitation of some of its urban and rural roads, establishment of palm plantation, rural electricity and expansion of water project. Lagos State raised N15 billion in 2003 to

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refinance short term facilities obtained from banks to fund developmental projects. Cross River State raised N4 billion to upgrade and expand Obudu Ranch Resort. The capital market aided the Federal Government of Nigeria in its privatisation programme by facilitating shares offers of the public enterprises to members of the public through the Nigerian Stock Exchange. The capital market also encourages the inflow of foreign capital when foreign companies or investors invest in domestic securities. It provides money needed for creative capital development and acts as a reliable medium for broadening the ownership base of family-owned and dominated firms.

2.5 Theoretical Underpinnings

Efficient Market Hypothesis (EMH), popularly known as the random walk theory developed by Fama (1965) as an academic concept which provides a framework for examining the efficiency of the capital market, is one of the theoretical exploits of capital market-economic growth relationship. The EMH predicts that market prices should incorporate all available information at any point in time, and explains that that current stock prices fully reflect available information about the value of the firm, and there is no way to earn excess profits (more than the market overall), by using this information which has very important implications for investors as well as for financial managers. The relevant test of efficiency is whether prices incorporate all information that is available at the time. One other relevant theory is the Neoclassical Growth Model developed by Solow (1956). The model posits that diminishing returns would finally cause economic growth to die down. The basic proposition of growth theory is that, in order to sustain a positive growth rate of output per capita in the long run, there must be constant advances in technological knowledge in the form of new goods, new markets, or new processes. In the growth theory, three factors are put forward, namely: labour growth, capital accumulation, and technical progress. The neo-classical growth theory expressed the sources of growth as consisting of the growth of labour force g(L), growth of capital stock g(K), and growth of productivity or technical progress (v). Constant returns are assumed for the growth, since the growth of capital stock also depends on national income, only technical progress and labour force growth determine output growth.

However, the EMH bears more relevance to this paper because it links capital market and economic growth. It provides a better understanding towards the relationship between capital market development and economic growth in Nigeria. Thus it provides a framework for examining the efficiency of the capital market. It provides considerable insights about the future performance of investments, bankruptcy potentials and the economy's prospects which is an evidence of capital market development on economic growth.

2.5 Review of Empirical Studies

While some studies have argued in favour capital market-led growth, others have argued otherwise. The World Bank (1994) found that stock market development does not merely follow economic development, but provides the means to predict future rates of growth in capital, productivity and per capita GDP. Integrated stock market promotes industrial growth by enhancing capital inflows; with openness and market integration, capital flows freely across borders to equalise the price of risk. The net effects are more liquidity, greater risk diversification and efficient allocation of resources. It is argued that for capital market to contribute to economic growth and development in Nigeria, it must operate efficiently. Nowbutsing (2009) examined the impact of stock market development on growth in Mauritius and found positive effects in the short run and long run. The study thus posits that stock market development spurs economic growth.

Boubakari and Jin (2010) tested the casual relationship between stock market and economic growth for five European countries (Belgium, France, Portugal, Netherlands and United Kingdom) using quarterly time series data for the periods 1995 to 2008. The study considered market capitalisation, total trade value and turnover ratio as market indices; and GDP as proxy for economic growth, with FDI as moderating variable. Through Granger causality tests, the study found that the market has significant positive effects on economic growth in countries with efficient and liquid stock markets

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while the reverse was the case in countries having inefficient and less liquid stock market.

Osinubi & Amaghionyeodiwe (2003) investigated the growth potentials of stock market in Nigeria. Based on 1980-2000 data sets, the effects were analysed using least squares regression models. The study found positive link between economic growth and stock market development and suggested the pursuit of policies geared towards rapid development of the stock market. However, Pat and James (2010) found that capital market indices have not impacted significantly on GDP. Oluwatosin, Taiwo and Yusuf (2013) made similar findings, though noted that capital market has growth-inducing potentials that were yet to manifest owing to low market capitalisation, low absorptive capitalisation, illiquidity, and misappropriation of funds among workers. Okereke-Onyuike (2000) enumerated the advantages of capital market financing to include no short repayment period as funds are held for medium and long term period or in perpetuity, and funds to state and local government without pressures and ample time to repay loans. She posits that the cheap source of funds from the capital remain a critical element in the sustainable development of the economy.

3. Methodology

3.1 Design, Data and Sources

This paper is hinged on exploratory perspective as it contributes to the capital market-economic growth nexus discourse. Quantitative data were used for analysis. The data are gross domestic product (GDP) figures as economic growth proxy and explained variable; and market capitalisation (MCAP), Value of Transaction (VTS), and all-share index (ASI) as market indices and proxy for capital market development. The data sets spanned 1985-2015 periods. The time series data sets were sourced from the Capital Market Bulletin of Nigeria's Securities and Exchange Commission (SEC), and Statistical Bulletin of the Central Bank of Nigeria (CBN).

3.2 Functional Relationship and Analytical Model

Hinged on one-period lag concept influence of stochastic variables, we express the capital market-economic growth functionally as:

$GDP_t = f(MCAP_{t-1}, VST_{t-1}, ASI_{t-1}, \mu_{t-1})$

where t and $t-1$ are current and immediate preceding time periods respectively, μ is a vector of stochastic variables, f denotes functional or dependency relation, MCAP, VST and ASI are as previously defined.

Mathematically, underlying aggregate econometric model explored for the analysis is:

$$GDP_t = \beta_0 + \beta_i \sum_{t=1}^{29} CMI_{t-1} + \mu_{t-1})$$

where β_0 is the intercept, β_i ($i = 1, 2, 3$) is row vector of coefficients of capital market indices coefficients, *CMI* is row vector of capital market indices, time periods range from 1 to 29 ($t = 1, 2, 3, ..., 31$), and Σ is the summation symbol.

Alternatively, we specified the model as:

$GDP_t = \beta_0 + \beta_1 MCAP_{t-1} + \beta_2 VST_{t-1} + \beta_3 ASI_{t-1} + \mu_{t-1}$

For specifics, we disaggregated as model as follows:

$GDP_t = \beta_0 + \beta_1 MCAP_{t-1} + \mu_{t-1}$ ……. *Hypothesis 1*

$GDP_t = \beta_0 + \beta_2 VST_{t-1} + \mu_{t-1}$ ……. *Hypothesis 2*

$GDP_t = \beta_0 + \beta_3 ASI_{t-1} + \mu_{t-1}$ …….. *Hypothesis 3*

Parameters (intercept and coefficients) of the model were estimated using Ordinary Least Squares (OLS) techniques. Estimated coefficients of the market indices were evaluated for statistical significance used associated t-statistics and p-values. F-statistic with its p-value was employed to evaluate the significance of aggregate effect of the market indices, while value of coefficient of multiple determination (R^2) was used to determine the goodness of fit of the model. We conducted such relevant diagnostics as unit root test, using Augmented Dickey-Fuller (ADF), to check stationarity properties of the time series data sets (relevant transformations, where necessary), and ensure non-spurious regression results. When dealing with time series data, it is important to check for the existence of unit root in the data series. If the time series data sets are not stationary, there can be high R^2, even if there is no meaningful relation explained and explanatory variables. A non-stationary process generates the problem of spurious or misleading regression results when unrelated variables are considered.

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4. Analysis, Results and Discussion

4.1 Unit Root Tests

Results of the unit root tests are shown in the tables below.

Table 1: Unit Root Test Result at First difference (1st), Intercept

Variable	ADF test Statistic	Critical value at 1%	Critical Value at 5%	Lag-Length	P-Value	Conclusion
GDP	-0.487270	-3.711457	-2.981038	1	0.8786	Non-Stationary
MCAP	-4.524204	-3.699871	-2.976263	0	0.0014	Stationary
VTS	2.052225	-3.769597	-3.004861	5	0.9997	Non-Stationary
ASI	-3.770183	-3.737853	-2.991878	3	0.0093	Stationary
Unit root test result at Second difference, intercept						
Variable	**ADF test Statistic**	**Critical value at 1%**	**Critical Value at 5%**	**Lag-Length**	**P-Value**	**Conclusion**
GDP	-7.867358	-3.711457	-2.981038	0	0.0000	Stationary
VTS	-4.261063	-3.769597	-3.004861	4	0.0034	Stationary

Source: Authors' computation, 2016

The ADF unit results in Table 1 show that the time series values of Gross Domestic Product (GDP) and Values of Transactions (VTS) were non-stationary at first (1st) difference, but became stationary at second (2nd) difference. Time series values of Market Capitalisation (MCAP) and All Shares Index (ASI) were stationary at fist (1st) difference. Time series values of the four variables (GDP, MCAP, VST and ASI) are all integrated of same order. That is, time series values of the variables were non-stationary at level; but at 1st difference GDP and ASI were stationary, while GDP and VTS were stationary at 2nd difference. Ordinary Least Squares (OLS) regression analysis is appropriate when all the variables are integrated of the same order. Results of the regression analysis are shown in Table 2.

Table 2: Results of Regression Analysis

Dependent Variable: GDP Method: Least Squares Sample: 1 31

Included Observations: 31

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	339.4242	19.4153	17.4823	0.0000
MCAP	0.0376	0.0068*	5.5737	0.0000
VTS	-0.0001	6.78E-05	-1.5746	0.1279
ASI	0.0003	0.00015	1.8160	0.0814
R-squared = 0.8803		F-statistic = 61.2753*		S. E. of Regression = 0.7372
Adjst. R-Squared = 0.8659		Prob(F-statistic) = 0.0000		Durbin-Watson stat = 1.8213

*Source: Regression Analysis Output; *Significant at the 5% level*

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Table 3: Estimated Model

GDP = 339.4242 + 0.0376MCAP – 0.001VST + 0.0003ASI + ε	
Specifics	
GDP = 339.4242 + 0.0376MCAP + ε *Std. Error: (0.0068)**	*Hypothesis 1*
GDP = 339.4242 – 0.001VST + ε *Std. Error: (0.0000678)*	*Hypothesis 2*
GDP = 339.4242 + 0.0003ASI + ε *Std. Error: (0.00015)*	*Hypothesis 3*

*Source: Regression Analysis Output; *Significant at the 5% level*

As shown in tables 2 and 3, on specifics, only Market Capitalisation (MCAP) had statistically significant positive effect on growth of the Nigerian economy during the study period. This is evidenced by the p-value (0.0000) of the t-statistic associated with the coefficient of MCAP (0.0376), which is less than the conventional 5 % level (p-value = 0.0000 < 0.05). The, we hypothesise that the capitalisation of the stock exchange market significantly enhanced growth of the economy during the period under review. As evidenced in the respective p-values (0.1279 and 0.0814 < 0.05), each of Value of Shares in Transaction (VST) and All Shares Index (ASI) did not induce significant growth in the Nigerian economy during the period. The results indicate that ASI had positive but not significant effect while VST had negative and insignificant effect as shown by their respective coefficients, 0.0003 and -0.0001. Hence, we posit that specifically, while Value of Shares in Transaction (VST) did not significantly retard growth of the economy during the period, All Shares Index (ASI) did. However, the market indices jointly enhanced growth of the economy during the period. The statistical evidence is the F-statistic (61.2753) whose p-value (0.0000) is less than the conventional 5% level (p-value = 0.0000 < 0.05). Further, as indicated by the R-squared of 0.88038 (about 88%) and adjusted R-squared of 0.8659 (about 87%), the market indices exhibited high power in explaining variations in growth of the economy during the 1985-2015 periods. Hence, the model showed a good fit. Therefore, we posit that capital market development significantly induced growth of the Nigerian economy during the period. This finding is consistent with some of the previous studies (World Bank, 1994; Osinubi & Amaghionyeodiwe, 2003; Nowbutsing, 2009; Boubakari & Jin, 2010), but not with the findings by Pat and James (2010) and Oluwatosin, Taiwo and Yosuf (2013). The time series values of the market indices were considerably free from the problem of serial correlation, as evidenced by the Durbin-Watson statistic value of 1.8213.

5. Conclusion and Recommendations

In this paper, we have examined capital market development-economic growth nexus in Nigeria. The diagnostics showed stationarity of times series values of the economic growth as well as and capital market proxies were possible when transformed differently - 1st and 2nd differences. Based on the findings, we concluded that the capital market indices (MCAP, VST and ASI) had heterogeneous effects on growth of the economy during the 1958-2015 periods. On their individual merits, only market capitalisation (MCAP) significantly induced growth of the economy. Though All Shares Index (ASI) induced posit growth in the economy, the contribution was not significant. Similarly, Value of Shares in transaction did not significantly retard growth of the economy. On the basis of the overbearing influence of aggregate effect of the market indices on growth of the economy, and considerably high power in explaining variations in gross domestic product (GDP) during the period, we also conclude that, in totality, capital market development

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significantly enhanced growth of the Nigerian economy during the period of the study.

Consequently, this paper emphasises the need to ensure sustained increasing capitalisation of the market as well as all shares index at all times since so doing ultimately translates to accelerated growth of the economy. One of the possible approaches to achieve this is by engendering stable and conducive macroeconomic environment so as to attract more blue chip multi-national companies (MNCs) to offer their shares for listing on the Nigerian Stock Exchange (NSE) market. More local companies, including the small and medium enterprises, should be encouraged to get listed on the exchange market. This entails revisiting the existing listing requirements and conditions. Further, listed companies should engender commensurate dividend policies to encourage investors or shareholders to embrace investment returns horizon. This will likely reduce volume of shares traded, share transactions and, ultimately reverse the growth-retarding effect of the value of shares in transaction.

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Appendix
Regression Analysis Results

Dependent Variable: GDP
Method: Ordinary Least Squares
Sample: 1 31
Included observations: 31

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	339.4242	19.41533	17.48227	0.0000
MCAP	0.037647	0.006754	5.573702	0.0000
VTS	-0.000107	6.78E-05	-1.574577	0.1279
ASI	0.000280	0.000154	1.816037	0.0814

R-squared	0.880283	Mean dependent var	477.5816
Adjusted R-squared	0.865917	S.D. dependent var	201.3351
S.E. of regression	0.737212	Akaike info criterion	11.56596
Sum squared resid	135879.1	Schwarz criterion	11.75456
Log likelihood	-163.7065	Hannan-Quinn criter.	11.62503
F-statistic	61.27534	Durbin-Watson stat	1.821279
Prob(F-statistic)	0.000000		

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