

The Effects of Capital Market Fundamentals on Economic Growth in Nigeria: An Insight.

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Abstract—This study seeks to examine the impact of the Capital Market Fundamentals on the Economic Growth of Nigeria from 2010-2020. This means that the performance of the stock market is an impetus for economic growth and development. The economic growth was proxy by Gross Domestic Product (GDP), while the Capital Market variables considered include: Total New Issues (TNI), Market Capitalization (MCAP), Total Volume of Transaction (TVT), and Total Listed Equities and Government Stocks (TL). Using Multiple Regression Techniques, the study found that Total New Issues, Total Listing are positively, strongly and significantly contributing to the economic growth of Nigeria. while the findings on Market Capitalization, Total Volume of Transaction were insignificantly related to the Economic Growth of Nigeria. It is however, recommended that Total New Issues, Total Listing should be greatly increased, as it will no doubt improve the Economic Growth of Nigeria. Furthermore, the regulatory authorities like the Central Bank of Nigeria (CBN) and Securities and Exchange Commission (SEC) should continue with the novel initiatives, that will encourage more companies to access the market. In addition, they should also be more proactive in their surveillance roles so as to check or avert sharp practices which undermine market integrity and erode investors confidence in the market.

Index Terms— Capital Market, Capital Market Fundamentals, Economic Growth, Gross Domestic Product.

I. INTRODUCTION

The capital market is a highly specialized and organized financial market and indeed essential agent of economic growth because of its ability to facilitate and mobilize saving and investment. The emergence, growth, and developme of the market can be traced back to 1946-1960 (the prei-independence and

foundation period). Then the period between 1960s-1970s (referred to as Market Formalization). The third phase was from 1980s-1990s (known as the period of Expansion and Indigenization). The fourth phase, from 2000s to date (is referred to as the phase of Digitization and Modernization). In Nigeria, the institutional framework through wich the capital market functions include: the Securities and Exchange Commisiion (SEC), the Nigerian Stock Exchange (NSE), Stock Brockers, Issuing Houses, and Investors.

To a great extent, the positive relationship between capital accumulation and real economic growth have been affirmed in economic theories Anyawu (1993). The functioning of the capital market affects liquidity, acquisition of information about firms, risk diversification, savings mobilization, and corporate control (Anyanwu, 1997). Okereke- Onyiuke (2000) posits that the cheap source of funds from the capital market remain a critical element in the sustainable development of the economy. Long-term capital is required for enhancement in the contribution of agriculture, mining and quarrying, building and construction, transport and communication, manufacturing and other economic activities to the Growth Domestic Product (GDP) that will provide lots of benefits for the present and future needs of a nation.

The indices to measure or ascertain economic growth can be attributable to the increase in the production of goods and services, over time and within an economy. The growth is measured by the percentage increase in Real Gross Domestic Product (GDP). The GDP is a fundamental instrument of job creation, higher incomes, and rise in the living standards.

The aftermath of the global financial market between 2007-2008 and the disruptive effect of COVID 19 slowed down businesses across the world. For instance, the global financial crises which began in the United State Of America (USA) in 2008 had a great impact on the capital markets globally. According to Njiforti (2015), the global meltdown influenced the performance of the Nigerian capital market, resulting, in the loss of capital assets and investments. The study showed how the performance of the Nigerian capital market was linked to external reserves and the volatility of the exchange during the period of global economic crisis. To further buttress the assertion above, Arumona et al (2020), in carrying out a study on the relationship between the capital market variables and economic growth opined that the recent financial crisis has significant repercussions for the financial system, necessitating more research into the patterns.

This study intends to focus on the Nigerian capital market by xraying the methods and procedures of raising long-term funds. The Gross Domestic Product (GDP) will be used as the measure for economic growth as dependent variable, while the capital market appreciation is to be represented with Total New Issues (TNI), Market Capitalization (MCAPL), Total Value of Transaction (TVT), and Total Listing on the Nigerian Stock Exchange (TL) as the independent variables. Year 2015-2020 is the period covered by this study. This period was characterised by some successes as well as challenges in Nigeria and globally.

The outcome of this study will be beneficial potential investors, investors, financial analysts, investment analysts, governments, regulators, and corporate business entities, in examining the efficacy of the capital market. It will also serve as a reference point for the evaluation of options available for assessing long-term, non-debt financial capital which will enable companies to avoid over reliance on debt financing, thus improving corporate to-debt-equity ratio prices. Furthermore, giving the dearth of empirical studies in this area in Nigeria, the study will also be useful in stimulating further intellectual or academic discourse in this area. Finally, it would also add to the available literature in this area of study while also providing for other researchers who may want to expand the scope of this study.

II. LITERATURE REVIEW

2.1 Capital Market Fundamentals

2.1.1 Concepts

As a fundamental component of the global financial system, capital markets are vital for the growth of both emerging and developed economies. The markets serve as a bridge between investors (those who have capital) and corporate business entities and governments (as those who need capital). The capital market facilitates the selling and buying of long-term investments like – stocks (equity), mutual funds, derivatives, bonds, debentures, and so on. From the wide variety of the liquidity and the instruments the capital markets provide, they are very essential to the growth and development of the global economic landscape.

2.1.2 Theoretical Framework

2.1.3 The Random Walk Hypothesis (RWH)

The Random Walk Hypothesis is a financial theory which states that the stock market prices evolve according to a random walk and thus the prices of the stock market cannot be predicted. This concept can be traced to a French Broker, in person of Regnault Jules, who published a book in 1863. He was the first to theorise that daily stock price changes are independent of the past prices and essentially like a random walk. He applied and relied on the statistical philosophies of the 19th century mathematician (Adolphe) to financial speculation, to arrive at a conclusion by treating market price movements as probabilistic rather than deterministic. Also, a French mathematician – Louis Bachelier whose Phd dissertation titled “The Theory of Speculation” (1900) included some remarkable insights. In his observation, the prices of French government bond (referred to as “rentes”) fluctuated in ways that appeared perfectly random over short periods and further hypothesized that consecutive changes in price are independent of one another. Paul Cootner (1964), in his book “The Random Character of Stock Market Prices” also developed the same ideas. While Cootner agreed that short-term price movements are highly unpredictable, he was of the view that investors can use information about the fundamentals to beat the market. He then came up with the idea of “restricted random walk”. This idea was popularised by Malkiel (1973) in his

book with the titled “A Random Walk Walks Down Wall Street”. Earlier contributions by Fama (1965) in his article “Random Walks in Stock Market Price” was a less technical version of his PhD of his thesis. Fama’s study gave an insight that active trading and stock-picking are unlikely to consistently beat the broader market average because markets are efficient and unpredictable. His groundbreaking research work provided the theoretical foundation for index funds and passive and passive investing strategies. Kendall (1953) much earlier proposed the theory that stock market prices move randomly in his paper in 1953. This hypothesis concludes that changes in stock prices look erratic, like a random walk of a drunkard, over time. His groundbreaking study became crucial in laying the mathematical groundwork for two major cornerstones of modern finance (The Random Walk Hypothesis and The Efficient-Market Hypothesis).

2.1.4 Expected Return Theory

E.F. Fama presented the Efficient Market Theory (EMT) in terms of expected return. According to the theory, stock prices reflect all available information at a point in time so that the return on an investment is consistent with its risk. All available information about the price of a stock is reflected in its price on a particular day. On this basis, the return an investor expects to earn on this stock at its current price on that day should exactly equal the return he should earn on any other asset of a similar risk. This is because, if an asset earns a higher risk-adjusted expected rate of return than another asset of a similar risk, its price will be pushed up and its expected return will fall. Thus, in an efficient market, the price of a stock will be driven to an equilibrium market price so that its expected return equals the return on other assets of similar risk.

2.1.5 The Efficient Market Hypothesis (EMH)

The Efficient Market Hypothesis in finance asserts that financial markets are informationally efficient. Hence, one cannot consistently achieve returns in excess of average market returns on a risk-adjusted basis, given the information available at the time the investment was made.

There are three major versions of this hypothesis – “weak”, “semi-strong”, and “strong”. The weak-form of Efficient Market Hypothesis (EMH) claims that prices of traded assets (such as – stocks, bonds, or property)

already reflect all past publicly available information. The semi-strong-form of this hypothesis claims that prices reflect all publicly available information and that prices instantly change to reflect new public information. The strong-form of the Efficient Market Hypothesis (EMH) additionally claims that prices instantly reflect even hidden or “insider” information. Critics have blamed the belief in rational markets for much of the 2000s financial crisis. In response, proponents of this hypothesis were of the opinion that market efficiency does not mean having no uncertainty about the future, that market efficiency is a simplification of the world which may not always hold true, and that the market is practically efficient for investment purposes for most individuals. This hypothesis is based on the following assumptions:

- i. There’s a large number of market participants . they analyze and value stocks independently for each year.
- ii. The new information about stocks comes to the capital market in a random manner, and each information is

In a nutshell, based on the highlights from the three theories above, the Efficient Market Hypothesis (EMH) shows how the capital market operates. Here, investors have adequate information about the activities of the financial market. These informations include the past publicly available information, the changes on these information and any hidden hidden or “insider” information. The Random Walk Hypothesis (RWH) on its own part, believes that stock market prices evolved according to a random walk and as such, the prices of the stock market cannot be predicted. The Expected Return Theory (ERT) is not left out as it believes that on a particular day, all available information about the price of a stock is reflected in its price and as such equilibrium is advocated to be created.

2.2 Empirical Review: Nigeria

The link between Capital Market and Gross Domestic Product has been empirically investigated by scholars and researchers in Nigeria and globally. Osinubi and Amaghionyeodiwe (200) examined the relationship between the Nigerian Capital Market and Gross Domestic Product (GDP) during the period 1980-2000. Unfortunately, their result did not support the claim that the Capital Market appreciation promotes Gross Domestic Product (GDP).

Adam and Sanni (2005) examined the role of the Stock Market in Nigeria's economic growth in Nigeria, using Granger-Casualty test and regression analysis. The study discovered a one-way casualty between Market Capitalization and Gross Domestic Product (GDP). and a two-way casualty between Market Turnover and Gross Domestic Product (GDP). They also observed a positive and significant relationship between Turnover Ratios and Gross Domestic Product (GDP). The sauthors opined that government should encourage the development of the Capital Market, since it has a positive relationship with economic growth.

Obamiro (2005) investigated the role of the Nigerian Capital Market in the light of Gross Domestic Product (GDP). According to him, when stock market development index was factored into the regression, the statistical significance of other financial deepening indicators decreased. This was indicative of the fact that the stock market development had a stronger impact on economic economic growth than other financial indicators. reported a significant positive effect of Capital Market on Gross Domestic Product (GDP). The author went further to suggest that government should create a more conducive and enabling environment, so as to increase the effect of the stock market, and to attain higher economic growth.

Ezeoha, et al (2009) investigated the nature of the relationship that exists between Capital Market appreciation and the level of domestic private investment and foreign private investment flows in Nigeria. The study found that Capital Market appreciation promotes domestic private investment flows, thus suggesting the enhancement of the economy's production capacity as well as promoting the growth of national output. The authors also further discovered that an active capital market drives economic growth by providing essential liquidity, allowing capital formation, as well as offering opportunities for investors to diversify their risks.

Afees and Kazeem (2010) critically and empirically examined the causal linkage between the stock market and economic growth in Nigeria between 1970 and 2004. The indicators of the stock market appreciation used were Market Capitalization Ratio (MCAP), Total Value Traded Ratio (TVT), and Turnover Ratio (TR) while the groeth rate of Gross Domestic Product (GDP) was used as a proxy for economic growth using

Granger-Causality (GC) test. The empirical evidence obtained from the estimation process suggest a directional causality between turnover ratio and economic growth, a uni-directional causality from Market Capitilization to economic growth and no causal linkage between total value traded. The result of the causality test is sensitive to the choice of the variable used as a proxy for capital market. Overall, the result of Granger-Causality (GC) test suggested that capital market drive economic growth (unidirectional causality). The evidence from the study gave credence to a finance-led growth hypothesis for Nigeria, indicating that larger and well functioning capital markets can have positive impact in fluencing long-term economic output.

2.2.1. Empirical Review: Other Countries

Demeriades, et al (2001) utilised time series data from five (5) developed countries to examine the relationship between capital market and gross domestic product (GDP) controlling for other effect of the banking system and capital market volatility. Their result supported the view that, although, banks and capital market may promote economic growth, the effect of bank is more. They suggested that the contributions of capital market to Gross Domestic Product (GDP) might have been exaggerated by studies that uses cross-country regression.

Mohtadi and Argawal (2004) examined the capital market and gross domestic product of developing countries using fusing a panel data approach that covered 21 emerging markets over twenty years (1977-1997). They found that turnover ratio is an important and statistically insignificant determinant of investment by firms and that these investments in turn are significant determinant of aggregate growth. The result of their study showed that bothy turnover ratio and market capitalization are important variables as determinant of economic growth.

Nieuwerburgh, et al (2006) in Belgium examined the long-term relationship between capital market appreciation and gross domestic product. Their result showed a strong evidence that the capital market development led to economic growth in Belgium, more especially between 1873 to 1935, referred to as the period industrialization in the country. The study also brought to the fore the strength of the relationship the stock market and the real economy is not constant. They opined that the relationship shifts over time as a

response to either major institutional or regulatory changes. In the course of their investigation, the authors also found (using cointegration techniques) that supporting the supply-leading hypothesis—where a developed stock exchange acts as an engine for economic growth rather than just growing in response to it.

In India, Mishra, et al (2010) carried a study on the impact of capital market efficiency on the gross domestic product using time series data on market capitalization, total market turnover, and stock price index over the period spanning the first quarter of 1991 to the first quarter of 2010. Their study revealed that there is a linkage between capital market efficiency and gross domestic product in the country. This linkage was established through high rate of Market Capitalization (MCAP) and Total Market Turnover (TMT). The large size of capital market as measured by greater market capitalization is positively correlated with the ability to mobilize capital and diversify risk on an economic wide basis. The increasing trend of market capitalization in India would certainly spur capital market efficiency and thereby contribute to the economic growth of India. Xraying these three theories above, the Efficient Market Hypothesis (EMH) suits this study. This owing to the fact that, financial market players are always interested on the adequacy of information available in the financial market, and especially when the information include the past publicly available information, the changes on this information and any other hidden or “insider” information.

III. RESEARCH METHODOLOGY

3.1 Scope of the Study

This section gives an exposition on the methodology used for the study. The focus is on Nigeria, with emphasis on the nexus between the Capital Market Fundamentals and the Gross Domestic Product (GDP), for the period 1985 – 2015. The data used for this study are secondary in nature. They are obtained from Central Bank of Nigeria (CBN) Statistical Bulletin, the National Bureau of Statistics and the Nigerian Stock Exchange (NSE) Fact Book.

The study adopted the expo factor research design. The reason being that it helps in finding out the causal effects of Market Capitalization (MCAP), Total

Value of Transaction (TVT), Total New Issues (TNI), and Total Listing (TL).

3.2 Research Design

This study adopts ex-post facto and causal research design. This study made use of ex-post facto and causal research design since the study relied heavily on secondary data that are quantitative in nature and these data had already been collected by the study population, also, the use of causal research design is because the study examine the cause-effect relationship between corporate governance and capital structure of listed manufacturing companies in Nigeria.

3.3 Techniques and Tools of Data Analysis

The study uses Multiple Regression Technique will be used to ascertain the level of impact of Capital Market Fundamentals on the Gross Domestic Product in Nigeria, while Ordinary Least Squares (OLS) will be used to analyse the data through Statistical Package for Social Science (SPSS) 16. The model specifications for the study consist of Gross Domestic Product (GDP), which is the dependent variable and the Capital Market Fundamentals – Market Capitalization (MCAP), Total New Issues (TNI), Total Value of Transaction (TVT), and Total Listing (TL) on the Nigerian Stock Exchange will constitute the independent variables.

3.4 Model Specification

The Multiple Regression Techniques to be used to estimate the relationship are as follows:

$$GDP_t = \beta_0 + \beta_1(TNI)_t + \beta_2(MCAP)_t + \beta_3(TVT)_t + \beta_4(TL)_t + e_t$$

Where:

TNI= Total New Issues

GDP= Gross Domestic Product

MCAP= Market Capitalization

TVT= Total Value of Transaction

TL= Total Listing on the Nigerian Stock Exchange

β_0 = Constant/Intercept

β_1 to β_4 = Slope/Coefficient

μ = error term.

In the light of the above, the first model is the functional model from which the second model – the Ordinary Least Square (OLS) was derived.

IV. DATA PRESENTATION AND ANALYSIS

4.1 Introduction

This section presents the results of the empirical study. It is concerned with the presentation, analysis and interpretation of data collected from the primary resources. Osuala (2005) opines that scientific problems can be solved only on the basis of data, and a major responsibility of the researcher is to set up a research design capable of providing the data necessary to the solution of his problem. Such data must be presented, analyzed and interpreted in such a way that will convey its meaning to the user. To be useful, the data must be interpreted bearing in mind the condition under which it was done. Consistency of results should be considered in arriving at a conclusion regarding the applicability of the research. Thus, the

presentation, analysis and interpretation of the raw data of an investigation are the means by which the research problem is answered and the stated hypotheses are tested.

For the purpose of this study, the data collected were coded and presented in tables. Multiple regression analysis; specifically, the Ordinary Least Square method (OLS) was used in testing the stated hypotheses.

4.2 Descriptive Statistics

The descriptive statistics for each of the variables were determined to show the minimum, maximum, mean and standard deviation values. Descriptive statistics helps readers to understand the measures of central tendency and measures of variances associated with the variables of the study.

Table 4.1: Descriptive Statistics

Variables	N	Minimum	Maximum	Mean	Std. Deviation	Skewness
LN GDP	33	10.36	13.48	12.6432	.59328	-1.546
TNI	33	159.80	1935080	352848.4	643640.9	1.598
MCAPL	33	4025.70	IE+007	1778759	3351059	2.261
TVT	33	215.00	1679144	221870.8	429282.7	2.193
TL	33	157.00	310.00	252.3030	34.43607	-.774

Source: Extract from SPSS printout result

Table 4.1 shows that the mean of Gross Domestic Product, Total new issue. Market capitalization, Total value of transaction and Total listing are 12.64, 352848.4, 1778759, 221870.8 and 252.3030 respectively. A comparison of the mean responses with the maximum values for each of the variables indicates that the Nigeria presently operates at a Gross domestic product of 14 percent. The minimum value for GDP is 10.36, while the maximum value is 13.48. the minimum value for total new issue is 159 while the maximum value is 1935080, the minimum value for market capitalization is 4025, while the minimum

value for total value of transaction is 215 and a record of 157 for total listing. Total new issue has the highest standard deviation and it is expected to have the least contribution to the endogenous variable: Total listing has the lowest standard deviation and is expected to have the highest contribution to the dependent variable of the study.

The correlation matrix is used to determine the correlation between the dependent and independent variables of the study. The table below represents the correlation matrix for the sample observations.

Table 4.2: Correlation Matrix

Variable	LN GDP	TNI	MCAPL	TVT	TL
LN GDP	1				
TNI	.633**	1			
MCAPL	.550**	.832**	1		
TVT	.575**	.899*	.884**	1	
TL	.628**	.164	.271	.255	1

Source: Extract from SPSS printout result

Correlation is significant at the 0.01 level (2-tailed)
Table 4.2 indicates that there is a positive correlation between Gross Domestic Product and all the independent variables (Total new issues, Market Capitalization, Total value of transaction, Total listing) of the study. As it can be rightly seen in the table, all the independent variables were significantly

related with dependent variable at 1% level of significance. While the relationship between all the independent variables were positively related. The relationships between the independent variables themselves were expected to be weak except for few that were strongly related.

Table 4.3: Model Summary

Model	R	R ²	Adjusted R ²	Std. Error of the Estimate	R ² Change	F Change	df1	df2	Sig. f Change
1	.836	.699	.656	34799	.699	16.253	4	28	.000

Source: Extract from SPSS printout result

Table 4.3 above shows the combined correlation of the independent variables and the dependent variable at 84 percent indicating a strong positive relationship. An R² of 0.699 indicates that 69.9 percent of the variation in Gross Domestic Product can be explained by variability in Total new issues, Market capitalization, Total volume of transaction and Total listings. In addition, the Fishers statistics of 16.253 which is significant at one percent indicates that the Gross domestic Product model is fit. Therefore, the results of this study can be relied upon.

The analysis of variance gives a total of 11.264 suggesting that there is a linear relationship between the two independent variables and the dependent variable. The value of F which is statistically significant at a level of 0.000 means that there is a 99.999 percent probability that the relationship among the variables is not due to mere chance.

4.3 Inferential Statistics

In order to test the stated hypotheses, a multiple regression analysis was conducted with financial performance as the dependent variable and auditor size, and auditor independence as the independent variables.

Table 4.4: Analysis of Variance (ANOVA)

Model	Sum of Squares	Df	Mean Square	F	Sig
Regression	7.873	4	1.968	16.253	0.000 ^a
Residual	3.391	28	.121		
Total	11.264	32			

Source: Extract from SPSS printout result

Table 4.5: Model Summary

Model	R	R ²	Adjusted R ²	Std. Error of the Estimate	Durbin Watson
1	.836	.699	.656	34799	1.283

Source: Extract from SPSS printout result

The result in table 4.5 shows that the co-efficient of determination (R²) has a value of 0.699. This means that Total new issues, Market capitalization, Total volume of transaction and Total listing occupy 69.9 percent in the factors that account for the Gross Domestic Product of Nigeria and other factors account for the remaining 30.1 percent. It can be inferred that Capital Market Fundamentals to a large extent influences the Gross Domestic Product of Nigeria. Durbin (1970), states that when the Durbin Watson statistic value is above 0.5 or 50 percent, independent

observation is assumed. In other words, there is no auto correlation among the residuals of the study. The Durbin Watson statistic value of 1.283 therefore indicates that there is no autocorrelation among the residuals of this study.

The hypothesized relationships were tested; properties of the casual paths, including standardized path coefficient, t-values and p-values for the equation in the hypothesized model are presented in the table below.

Table 4.6, Summary of Regression Result

Variables	Co-efficient	t-Statistics	P-values	Tolerance / VIF
Constant	9.975	21.0711	0.000	
TNI	7.48	3.318	0.003	0.180/5.565
MCAPL	-1.2	-.307	0.761	0.207/4.832
TVT	-3.3	-.827	0.415	0.129/7.761
TL	0.010	5.252	0.000	0.897/1.115

Source: Result output from SPSS 15

The regression model can therefore be specified as follows:

Gross Domestic Product (GDP) $9.975 + 7.48 (\text{TNI}) - 1.2 (\text{MCAPL}) - 3.3 (\text{TVT}) + 0.010 (\text{TL}) + 0.34799$

The value of the regression co-efficient for the intercept reports the particular Gross Domestic Product denominator for Nigeria, while the remaining co-efficient describe the impact of each independent variable on Gross Domestic Product.

The tolerance values and the variance inflation factor (VIF) are two measures generally agreed by various authors as being good factors for determining multicollinearity between the independent variables of a study. If the variance inflation factors of all the independent variables are less than 10, multicollinearity does not exist and the model is said to fit. Another measure for determining multicollinearity is, the tolerance values. A tolerance value of 1 or above signifies multicollinearity, while tolerance values of less than 1.00 in all the observed variables signifies the absence of multicollinearity (Cassey et al., 1999; Neter et al., 1996).

The variance inflation factors of both independent variables and that of the control variable are consistently less than 10 which is the benchmark for determining multicollinearity ($5.565 < 10$, $4.832 < 10$, $7.761 < 10$ and $1.115 < 10$). In addition, the tolerance values are less than 1.00 which is another benchmark for determining multicollinearity ($0.180 < 1.00$, $0.207 < 1.00$, $0.129 < 1.00$ and $0.897 < 1.00$). This shows the appropriateness of fitting the model of this study with two independent variables and the control variable. It also shows the complete absence of multicollinearity between the independent variables and the control variable. Thus, the results of this study can be applied with the assurance that it measures what it purports to measure, that is, the relationship between Total new issue and Gross Domestic Product, Market capitalization and Gross Domestic Product, Total

volume of transaction and Gross Domestic Product and Total listing and Gross Domestic Product

4.3.1 Total new issue and Gross Domestic Product

From the table, it is observed that the t-value for Total new issue (TNI) is 3.318 and a beta value of 7.48 which is significant at 1%. This signifies that Total new issue is positively, strongly and significantly influencing Gross Domestic Product of Nigeria. It implies that when there is an increase in Total.new issues, the Gross Domestic Product will increase by ₦7.48.

The result therefore provides an evidence of rejecting hypothesis 1 of the study which states that Total New issues has no significant impact on Gross Domestic Product of Nigeria.

4.3.2 Market Capitalization and Gross Domestic Product

From the table, it is observed that the t-value for Market Capitalization (MCAPL) is -.307 and a beta value of -1.2 which is significant at 76%. This signifies that Market Capitalization has no significant influence on the Gross Domestic Product of Nigeria. It implies that whether there is an increase or decrease in market capitalization, it has no effect on the Gross Domestic Product of Nigeria.

The result therefore provides an evidence of failing to reject null hypothesis 2 of the study which states that Market Capitalization has no significant impact on Gross Domestic Product of Nigeria.

4.3.3 Total Volume of Transaction and Gross Domestic Product

From the table, it is observed that the t-value for Total Volume of Transaction (TVT) is -.827 and a beta value of -3.3 which is significant at 42%. This signifies that Total Volume of Transaction has no significant influence on the Gross Domestic Product of Nigeria. It implies that whether there is an increase or decrease in

Total Volume of Transaction, it has no effect on the Gross Domestic Product of Nigeria.

The result therefore provides an evidence of failing to reject null hypothesis 3 of the study which states that Total Volume of Transaction has no significant impact on Gross Domestic Product of Nigeria.

4.3.4 Total Listings and Gross Domestic Product

From the table, it is observed that the t-value for Total Listing (TL) is 5.252 and a beta value of 0.010 which is significant at 1%. This signifies that Total listing is positively, strongly and significantly influencing Gross Domestic Product of Nigeria. It implies that when there is an increase in Total number firms listed in the Nigerian stock exchange, the Gross Domestic Product will increase by N0.010.

The result therefore provides an evidence of rejecting hypothesis 4 of the study which states that Total listing has no significant impact on Gross Domestic Product of Nigeria.

Table 4.7: Marginal Effects of Capital Market Fundamentals

Measure	Marginal Effects	Ranking
TNI	7.48	1
TL	.010	2
MCAPL	-1.2	3
TVT	-3.3	4

Source: Extract from SPSS printout result

The marginal effects table shows that Total new issue has the strongest influence on Gross Domestic Product. As the result shows, a degree of increase in Total New issues carries a 7.48 that there will be an increase in the Gross Domestic Product. This result is consistent with a number of researches that regard Total new Issues. However, this does not mean that Total listing, Market capitalization and Total volume of transaction has no influence on Gross Domestic Product; it only shows that Total New Issues is more of a determinant factor of Gross Domestic Product than other variable used in the study. Finally, the study revealed that there are other extraneous variables which account for the Gross Domestic Product of Nigeria to the tune of 30.1 percent. The researcher suggests that these other variables may include: All share index and others.

V. SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary

This research work is concerned with capital market appreciation and the gross domestic product: evidence from Nigeria. It started with an overview of the Nigerian capital market and the key activities going on in the market. It adopted total new issues (TNI), market capitalization (MCAP), total value of transaction (TVT), and total listing (TL) as proxy for capital market appreciation. In another development, the concept of gross domestic product (GDP) was explicated which serves as the recognized proxy for economic development.

In addition, chapter two dealt with the literature review defining and discussing the concept of Nigerian capital market and gross domestic product (GDP) in details. It later traced among others, the market's origin, classifications, importance and roles. Its respected regulatory organ-Securities and Exchange Commission (SEC) was not left out as its watchdog roles were expatiated. It went a further step to include the available literatures reviewed by both Nigerian and foreign researchers. The chapter two concluded by underpinning the efficient market hypothesis (EMH) from the three available theories as the theoretical framework for this study.

More so, chapter three presented the research methodology and the techniques for data collection. The data collection sources were secondary from the Central Bank of Nigeria (CBN) Statistical Bulletin, the National Bureau of Statistic and the Nigerian Stock Exchange (NSE) Fact Book, and the gross domestic producer (GDP) of Nigeria for periods 1980-2011.

Further more, in chapter four, all the data collected that involved capital market variables and gross domestic product (GDP) were presented and analyzed. In this same chapter, the research hypotheses formulated in chapter one was tested and the findings were discussed.

Finally, chapter five, which stands as the last but not the least chapter of this research work, looks at the summary, conclusion and recommendations.

5.2 Conclusion

Based on the findings of this study, generally, it can be concluded that the Nigerian capital market variables are inadequate to achieve improvement in the gross

domestic product (GDP) but with other factors represented by 0.34799 standard error of estimate. Although, the purpose of this research work is to examine the impact of capital market fundamentals on the gross domestic product: evidence from Nigeria, the result from the analysis shows that the selected capital market variables only two were significantly positively related to Gross Domestic Product (i.e. Total new Issues. Total listing have positive, strong and significant influence on Nigerian Economy) while the remaining two were insignificantly related to Gross Domestic Product (i.e.. Market capitalization, Total Volume of Transaction did not have any significant contribution to Nigerian Economy within the period under review). This implies that with total new issues (TNI), and total listing (TL), the Nigerian economy will be taken to the door of excellence. While Market capitalization and Total volume of Transaction can be improved upon.

5.3 Recommendations

Based on the findings of this study (The Effects of capital Market on the Economic Growth in Nigeria: An Insight), the following are the actionable recommendations:

1. First, there's the need to ensure macroeconomic policy consistency. This can be achieved through policy alignment by the government and its agencies (like Federal Ministry of Finance and Central Bank of Nigeria) in maintaining consistent fiscal and monetary policies which will stabilize interest rates and inflation, prevention of anti-growth policies from crowding out the gains made by the capital market.
There is also the need to encourage public participation to encourage public participation. This can be done by encouraging all the three tiers of government to explore the window of utilizing the capital market as a source of some other developmental capital projects. This will boost market capitalization and investor trust.
2. Second, the need for the enhancement of market liquidity and volume of transaction by expanding investment instrument and scaling down stringent procedures. To accomplish this, the Securities and Exchange Commission (SEC) and The Nigerian Exchange (NGX) should diversify the market away from basic equities vide the

introduction and promotion of options, derivatives, and several other financial instruments, with a view to strengthening the scope of the market.

It is equally important for the regulators to scale down stringent procedures, so as to eliminate barriers of companies that want to list on the exchange to raise long-term capital publicly.

3. Third and lastly, the need to strengthen regulatory frameworks and investor confidence. This can be achieved through investor protection and transparency. To achieve this, it is pertinent for the regulators (SEC, FRC or NGX) to enforce strict corporate governance, so as to build retail and institutional investor confidence. To promote active and dynamic market participation, the "buy-and hold" stagnation should also be discouraged.

It is also necessary to pay attention to and encourage sector-specific incentives, which can be driven by the Central Bank of Nigeria and the Nigerian Investment Promotion Council. They should develop tailored policies that direct corporate bond investments and equity towards either critical or capital-intensive sectors of the economy, such as -manufacturing, energy, agriculture or infrastructure.

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