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Impact of Capital Market on Economic Growth in Nigeria, 2000-2020

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ABSTRACT

The aim of this study was to determine the impact of capital market on economic growth in Nigeria, 2000-2020. The objectives of the study include; to ascertain the impact of Market Capitalization on Gross Domestic Product of Nigeria, to evaluate the effects of Governmennt Development Stock on Gross Domestic Product of Nigeria, to investigate the impact of All Share Index on Gross Domestic Product of Nigeria and to examine the impact of Total Value of Transaction on Gross Domestic Product of Nigeria. The study used ex post facto research design, descriptive statistics, unit root test and Auto Regressive Distributed Lag Model as analytical techniques. It was found out that market capitalization exert a positive and significant influence on Gross Domestic Product of Nigeria. Government development stock has positive and significant effect on Gross Domestic Product of Nigeria. All Share Index has positive and significant effect on gross domestic product of Nigeria. And total value of transaction has positive and significant effect on Gross Domestic Product of Nigeria. The study recommended that there is need for the government through the central bank to implement policy that will increase the level and size of market capitalization in the capital market. Such increase in capital market will provide the needed funds for investors for further investments and hence increased productivity in Nigeria. The positive impact of number of deals also calls for proper policies to be implemented so as to attract more investors to invest in the market. There is also need to relax some stringent registration and operating procedures to enable more people and organizations to participate in the market. Also, there is need to institute policies that will further increase the value of market transaction in the market. As stated earlier there is need to remove hindrances on the part of prospective investors so as to increase both the volume and value of transactions in the market. An increase in the value of transaction will in turn lead to economic growth in Nigeria. This study will trigger tremendous increase in economic growth of Nigeria, as stakeholders will make apposite reforms in the capital market as contained herein.

Keywords: Economic, Growth, Capital Market, Nigeria

INTRODUCTION

Capital is vital for manufacturing and economic performance, enabling efficient production and supporting social well-being. It is formed through savings from private and public sectors, with the capital market playing a key role in this process. The capital market consists of financial institutions and infrastructure that mobilize and allocate long-term funds in the economy [1]. It enables businesses and governments to issue stocks and bonds, raising capital from other economic entities. This organized market plays a crucial role in economic growth by facilitating savings and investment. Accessing long-term finance through the capital market is vital for sustainable economic growth and rapid development [2], [3], emphasize that a developed capital market is a key feature of a modern economy, performing essential functions that drive economic growth. The Nigerian Capital Market (NCM) was established in 1960 with the Lagos Stock Exchange, which became operational in 1961 [4]. In 1977, it was reorganized and renamed the Nigerian Stock Exchange. [5], noted that the capital market's growth dates back to 1946, when government stocks worth over 300,000 pounds sterling were floated, although a formal secondary

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trading market was not yet in place. In 1959, the Central Bank of Nigeria issued N4 million (2 million pounds sterling) in development loan stock to promote economic growth. In 1986, Nigeria adopted the IMF Structural Adjustment Programme (SAP), significantly altering economic policies and leading to reforms in the late 1980s and early 1990s [6]. This programme aimed to transform the Nigerian economy rapidly within two years. The Nigerian Stock Exchange (NSE) is a self-regulatory organization that establishes and enforces rules for its members, which include financial institutions, stockbrokers, and reputable individual Nigerians contributing to the stock market and economy [7]. All stakeholders, including management, staff, and stockbrokers, must follow strict codes of conduct emphasizing integrity, discipline, and patriotism. Licensed stockbrokers transact on behalf of the investing public [8].

Capital markets are essential for linking savers with companies and governments to channel long-term resources [9]. They include primary markets, where new stocks or bonds are sold, primarily through government bonds and corporate equity or bonds [10]. The main entities purchasing the bonds or stock include pension funds, hedge funds, sovereign wealth funds, and less commonly wealthy individuals and investment banks trading on their own behalf. In the secondary markets, existing securities are sold and bought among investors or traders, usually on an exchange, over – the – counter, or elsewhere [11]. The existence of secondary markets increases the willingness of investors in primary markets, as they know they are likely to be able to swiftly cash out their investments if the need arises. A second important division falls between the stock markets (for equity securities, also known as shares, where investors acquire ownership of companies) and the bond markets (where investors become creditors) [12].

Statement of the Problem

The Nigerian capital market has undergone reforms to enhance fund mobilization and resource allocation. Despite these efforts, concerns remain about its performance and superficial activities, largely due to inadequate investor protection and insufficient evaluation of key performance factors. Nigeria's capital markets struggle with low market capitalization, limiting their ability to mobilize resources for economic growth. This study aims to identify issues and propose solutions to enhance the capital market's impact on the economy.

Objectives of the Study

The broad objective of this study is to appraise the impact of capital market on economic growth in Nigeria. The specific objectives include to;

1. Ascertain the level of influence which Market Capitalization exerts on Gross Domestic Product of Nigeria.
2. Ascertain the extent to which government development stock affects the Gross Domestic Product of Nigeria.
3. Investigate the effect of All Share Index on Gross Domestic Product of Nigeria.

Research Questions

The following research questions were meant to guide this study:

1. To what degree does Market Capitalization influence Gross Domestic Product of Nigeria?
2. To what extent does Government Development Stock affect Gross Domestic Product of Nigeria?
3. To what extent does All Share Index affect Gross Domestic Product of Nigeria?

Statement of Hypotheses

The following hypotheses were formulated for this study:

H_{O1}: Market Capitalization has no positive and significant influence on Gross Domestic Product of Nigeria.

H_{O2}: Government development stock has no positive and significant effect on Gross Domestic Product of Nigeria.

H_{O3}: All Share Index has no positive and significant effect on Gross Domestic Product of Nigeria.

Significance of the Study

This research study will be of immense significance to the following groups:

Practitioners in the Nigerian Capital Market: It will enlighten them on the diverse means to mobilize capital for the market and the recommendations from this study will suggest for them on the strategies to adopt in capital mobilization.

General Public: The general public will be enlightened on the concept of capital market as well as its role in economic development. It will as well enlighten them on the problems faced by the capital market and the possible ways they contribute to its growth and development.

Scholars: Finally, students and other researchers will widen their scope from the information contained in this project work.

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Scope of the Study

This research work on the impact of capital market on economic growth in Nigeria covered from 2000 to 2020, while the variables under study were market capitalization, all share index, government development stock and gross domestic product. The base year 2000 was selected for the study due to the fact that during the first half of the 2000s, the Central Bank of Nigeria instituted reforms that led to a reduction in the number of banks but a great increase in their size.

REVIEW OF RELATED LITERATURE

Conceptual Review

Capital Market

Capital Market has been described by [13], as a market for dealings; i.e lending and borrowing in long term loan able funds. [14], argues that capital market is a network of specialized financial institutions with series of mechanism, processes and infrastructures that in various ways, facilitate the bringing together of suppliers and users of medium to long term capital for investment and economic development projects. [14], defines capital markets as a network of specialized financial institutions, series of mechanism, process and infrastructure that, in various ways facilitate the bringing together of suppliers and users of medium to long term capital for investment in economic development project. According to Harrod-Domar's growth model, savings and investment are a necessity for growth to take place. The growth of a country would depend on the level of Savings (S) and the productivity of capital investment which is also known as the capital-output ratio. [15], sees the capital market as the driver of any economy to growth and development because it is essential for the long term growth capital formation. It is crucial in the mobilization of savings and channeling of such savings to profitable self-liquidating investment. The Nigerian capital market provides the necessary lubricant that keeps turning the wheel of the economy. It not only provides the funds required for investment but also efficiently allocates these funds to projects of best returns to fund owners. This allocation function is critical in determining the overall growth of the economy. Therefore, by altering the quality of these services, the functioning of stock markets can alter the rate of economic growth [16]. [17], posits that the cheap source of funds from the capital market remain a critical element in the sustainable development of the economy. She 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, funds to state and local government without pressures and ample time to repay loans. The capital market is the complex of institution and mechanisms through which economic units desirous to invest their surplus fund, interact directly or through financial intermediaries with those who wish to procure funds for their businesses. [17], describes the capital market as constituting of market and institutions that facilitates the issuance and secondary trading of long-term financial instruments. The Capital market is that constituent of the Financial Market that facilitates the mobilization of long-term investment capital for the financing of business enterprises as well as Government long term investment projects [18]. The term Capital Market refers to a specialized financial institution that provides a channel for the borrowing and lending of long-term funds (i.e. over one year). It is a well-organized financial institution that facilitates the transfer of financial resources from those that have surplus funds (savers) to those that needed the use of theses funds (i.e. Government and private sector businesses) to undertake long-term investment [19].

Market Capitalization

Market capitalization is the aggregate market value of a company [20]. Since it represents the market value of a company, it is computed based on the current market price (CMP) of its shares and the total number of outstanding shares, or the company's float. Market cap is also used to compare and categorize the size of companies among investors and analysts. Market capitalization is an important market indicator of the value of shares and the value of companies in general [21]. Most studies suggest that the macroeconomic environment has an important effect on the stock market capitalization rate [22], [23]. Market capitalization is the total monetary value of all outstanding shares of a company [24]. It is calculated by multiplying the current share price by the number of outstanding shares. Market analysts normally apply this figure to represent a company's size, as many stock market indexes are weighted by market capitalization. Owing to the fact that market capitalization is a function of share price, it can vary greatly from month to month, or even from day to day [24], [25]. [26], are of the view that market capitalization is equal to the share price multiplied by the number of shares outstanding. Since outstanding stock is bought and sold in public markets, capitalization could be used as an indicator of public opinion of a company's net worth and is a determining factor in some forms of stock valuation. Market cap reflects only the *equity* value of a company. A firm's choice of capital structure has a significant impact on how the total value of a company is allocated between equity and debt [27]. A more comprehensive measure is enterprise value (EV), which gives effect to outstanding debt, preferred stock and other factors. [28], note that market capitalization is used by the investment community in ranking the size of companies, as opposed to sales or total

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asset figures. It is also used in ranking the relative size of stock exchanges, being a measure of the sum of the market capitalizations of all companies listed on each stock exchange.

Government Development Stock

Research highlights the link between government development stock and economic growth. [29], found that the financial stock market impacts growth, while [30] showed that stock market liquidity correlates positively with economic growth and productivity across 41 countries from 1976 to 1993. [27], find a significant link between stock market development and economic growth, highlighting factors like market capitalization, liquidity, and return volatility. Their research shows that financial markets boost economic growth by supplying firms with new resources. [28], reported that in the early stages of development, financial intermediation induced economic growth. The financial stock market facilitates higher investments and the allocation of capital, and indirectly the economic growth. Sometimes investors avoid investing directly to the companies because they cannot easily withdraw their money whenever they want. But through the financial stock market, they can buy and sell stocks quickly with more independence. [31], measured stock markets development along with different magnitude and have suggested strong statistically significant relationship between Government development stock economic growth. An efficient stock market contributes to attract more investment by financing productive projects that lead to economic growth, mobilize domestic savings, allocate capital proficiency, reduce risk by diversifying, and facilitate exchange of goods and services. Stock market liquidity is still a reliable indicator of future long-term growth.

All Share Index

[32], is of the view that All Share Index (ASI) is a statistical data computed to measure the changes in the value of commodities and securities. The index is derived from the price of all or some market constituents, usually expressed in percentage change from base period. All Share Index are used as benchmarks to measure the performance of investments [33]. All Share Index also known as stock market index, is a listing of stocks and a statistic reflecting the composite value of its components. It is a measure of the magnitude and direction of general price movement. [34], reveals that All Share Index tells you how well a particular segment of stocks is doing. It is a quick measure to judge the overall direction of the market and the scope of its movements. All Share Index is practically is a statistical parameter to reflect the composite value of a market characteristic. The NSE All-share Index is a total market (broad-base) index, reflecting a total picture of the behaviour of the common shares quoted on the Nigerian Stock Exchange. It is calculated on a daily basis, showing how the prices have moved. The AllShare Index of the Nigeria Stock exchange is one such index and is an indicator designed by the Banking Sector Capitalization (BSC) shows a high degree of association between the two variables. The All-Share Index tracks the general market movement of all listed equities on Nigerian Exchange, including those listed on the Growth Board, regardless of capitalization.

Contextual Review

Key Players in the Nigerian Capital Market

The key actors in a well-organized Stock Exchange include the Dealers/Stockbrokerage Firms, Company Registrars, Issuing Houses, Mutual Fund Managers, Investment Bankers, the Stock Exchange, the Security and Exchange Commission (which regulates the activities of the Exchange), the Central Security Clearing and Settlement (CSCS) system, the Investing Public, Accountants (Auditors) and Solicitors [31].

a) Stock Brokers: A stockbroker is a licensed member of a Stock Exchange that buys and sells financial securities for their clients/customers. That is, a Stockbroker is an agent that simply buys or sells securities on the behalf of an investor. This simply means that a Stockbroker executes trade on the instruction of his/her customer. Because he/she is trading on the behalf of someone (the investor), he/she gets his/her compensation by levying some form of tax (i.e. a commission) from the proceeds of the trade. On the other hand, a dealer buys and sells financial securities on his/her own account [35]. In other words, a dealer enters the market as a buyer or seller of securities using his/her own financial resources. Thus, his/her compensation depends on the outcome of the trade. If he/she can buy at a lower price and sells at a higher price, then he/she will make a capital gain. If the reverse holds, then he/she is liable to make a capital loss which he/she has to bear up alone. In some cases, an individual/institution can act in the capacity of a Stockbroker as well as a dealer in securities. In this case, the institution or individual is referred to as a Dealer-Broker. In a Dealer-Broker setting, the individual can buy or sell securities for him/her self or for some other person with the hope of making a commission [36].

b) Registrars: Registrars are a group of operators in the capital market that are charged with the responsibility of keeping records on the ownership of a company's securities [37]. They ensure that details on the transfer of ownership of securities from one investor to another are well recorded to avoid confusion on claims arising from benefits associated with holding such securities [38]. During the allotment stage of an oversubscribed issue of securities, Registrars prepare a range of analysis on how the securities should be allotted. They also prepare the

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list of investors that qualify to receive dividend from the Company's annual dividend disbursement to shareholders.

c)Issuing Houses: An Issuing House is normally a licensed corporate body that acts as an agent for an issuer of securities in the primary market. Marketing of the securities issued by an issuer is very crucial in the Capital market. Issuing Houses perform this function by helping the issuer in packaging and marketing the offer of securities to the general public. They can normally underwrite the offer of securities by providing the issuer with the required financial resources and eventually sell the securities to the general public [39]. That is, instead of the issuer having to wait until the securities are sold, an Issuing House can buy the securities at a discount thereby making the needed funds immediately available to the issuer. Sometimes, instead of underwriting the offer, an Issuing House can simply use its best effort in selling the securities to the general public. In this situation, an Issuing House will not undertake any responsibility for securities that are not bought.

d) Mutual Fund Managers: Mutual Funds or Unit Trust Funds are non-bank financial institutions that mobilize financial resources from the general public for investment in the capital market [40]. As a result of his/her expertise in portfolio management, a Mutual Fund Manager reduces the risk of investors by diversifying investment from the pool of funds into various securities. Thus, by pooling resources from many individual investors and investing in various securities in the capital market, a Mutual Fund Manager reduces idiosyncratic risk through portfolio diversification.

e) The Stock Exchange: A Stock Exchange is licensed non-bank financial institution that provides a platform for transactions involving the buying and selling of financial securities in the Secondary Market [28]. It is a place where debts and equity securities of varying types are traded to facilitate capital mobilization [41].

In short, the Stock Exchange does the work of a Secondary Market by facilitating a formal trading arrangement for financial securities.

f). The Security and Exchange Commission (Sec): Government plays a central role in the capital market by creating the basic institutions that regulate and supervise principal market participants. The Security and Exchange Commission (SEC) is the apex regulatory body of the Capital Market. In many countries with well established Capital Markets, there is always the need for the establishment of a body charged with the responsibility of regulating corporate and individual capital market operators.

g) The Central Security Clearing and Settlement (Cscs): The Central Security Clearing and Settlement (CSCS) system is a subsidiary corporate body of a well-established Stock Exchange that performs the role of clearing and settlement of transactions involving the buying and selling of securities. This function is done by maintaining a record of all traded securities on behalf of shareholders. It facilitates the delivery (i.e. transfer of shares from sellers to buyers) and settlement (Payment) of securities transacted in a well-organized Stock Exchange [19].

h) Investing Public: An investor is an individual or an institution that buys financial securities with the sole purpose of making some financial returns from the investment. Investors cannot buy securities directly from the Stock Exchange except through a licensed stock broker. When an investor is desirous of buying securities from the Capital Market, he/she approaches a Stock Broker who will execute his/her mandate in the market [42].

i) Accountants (Auditors) And Solicitors: Accountants and Solicitors are also very important players in the Capital Market. The full disclosure requirements for listed Companies in the Capital market necessitated the regular publication of financial statements of listed companies [43]. Prior to the publication of such financial statements, certified accountants (Auditors) are required to authenticate the extent to which such financial statements can reliably inform the true picture of the Company's financial position. This is meant to provide an accurate guide for investors' decision making. Listed Companies also needed the services of Solicitors to interpret the legal implications of some of the rules and regulations guiding their participation in the capital market. These rules and regulations may either be those of the Securities and Exchange Commission (SEC) or those of the Sock Exchange. In either case, a legally minded person is required by Listed Companies for the interpretation of the laws regulating their activities in the capital market [43].

Impact of Capital Market in the Growth of Nigerian Economy

One of the important requisite for the accelerated development of an economy is the existence of a dynamic financial market. A financial market helps the economy in the following manner [44].

I. **Saving mobilization**: Obtaining funds from the savers or surplus units such as household individuals, business firms, public sector units, central government, state governments etc. is an important role played by financial markets.
II. **Investment**: Financial markets play a crucial role in arranging to invest funds thus collected in those units which are in need of the same.

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III. **National Growth**: An important role played by financial market is that, they contributed to a nations growth by ensuring unfettered flow of surplus funds to deficit units. Flow of funds for productive purposed is also made possible.
IV. **Entrepreneurship growth**: Financial market contribute to the development of the entrepreneurial claw by making available the necessary financial resources [45].
V. **Industrial development**: The different components of financial markets help an accelerated growth of industrial and economic development of a country, thus contributing to raising the standard of living and the society of well being. [46], highlighted the functions of the capital market as thus:

Intermediary Functions: The intermediary functions of a financial markets include the following:
Transfer of Resources: Financial market facilitate the transfer of real economic resources from lenders to ultimate borrowers.
Enhancing income: Financial markets allow lenders to earn internet or dividend on their surplus invisible funds, thus contributing to the enhancement of the individual and the national income [47].
Productive usage: Financial market allow for the productive use of the funds borrowed. The enhancing the income and the gross national production.
Capital Formation: Financial market provide a channel through which new savings flow to aid capital formation of a country [5].
Price determination: Financial markets allow for the determination of price of the traded financial assets through the interaction of buyers and sellers. They provide a sign for the allocation of funds in the economy based on the demand and supply through the mechanism called price discovery process.
Sale Mechanism: Financial markers provide a mechanism for selling of a financial asset by an investor so as to offer the benefit of marketability and liquidity of such assets.
Price determinants: Financial market allow for the determination of price of the traded financial asset through the interaction of buyers and sellers. They provide a signal for the allocation of funds in the economy, based on the demand and supply through the mechanism called price discovery process.
Sale mechanism: Financial markets provide a mechanism for selling of a financial asset by an investor so as to offer the benefits of marketability and liquidity, of such assets.
Information: The activities of the participants in the financial market result in the generation and the consequent dissemination of information to the various segments of the market. So as to reduce the cost of transaction of financial assets.

Financial Functions

Providing the borrower with funds so as to enable them to carry out their investment plans.
Providing the lenders with earning assets so as to enable them to earn wealth by deploying the assets in production debentures [1]. Providing liquidity in the market so as to facilitate trading of funds.

Problems of the Nigerian Capital Market

The Nigerian capital market, like the national economy, has been faced with many problems. These problems are both endogenous and exogenous. The exogenous problems are those outside the direct control of the market but which are regulation-induced. The endogenous problems are those that are internal to the market but which are amenable to changes with improved operational procedures including the adoption of information technology. Some of these problems are discussed below [48].

(i) Small Size of the Market

Among the major problems facing the Nigerian financial market is the size of the market. The small size of the Nigerian Stock market has been traced to apathy of Nigerian entrepreneurs to go public due to the fear of losing control of their businesses. Another factor is the weak private sector which is a serious constraint militating against healthy growth of the stock market [49].

(ii) Problem of Illiquidity of the Market

The liquidity of a stock market relates to the degree of access, which investors have in buying, and selling of stocks in such a market. The more liquid a stock market is, the more investors will be interested in trading in the market. The lack of adequate number of investors in the Nigerian stock market is a reflection of problem of illiquidity in the market [4]. At an average ratio of 2 per cent per year, the turn-over ratio, a measure 'of the value of shares traded relative to local market capitalization is very low in Nigeria, compared with 10.0 per cent, 9.0 per cent and 4.6 per cent in Botswana, Zimbabwe and Mauritius, respectively. The low trading activities are also a result of the ownership structure. Until 1995, when the Nigerian Investment Promotion Commission Decree 16 and the Foreign Exchange (Monitoring and Miscellaneous) provisions Decree 17 were promulgated to replace the Nigerian Enterprises Promotion Decree of 1984 and Exchange Control Act of 1962, the Nigerian stock market was restricted largely to local investors apart from the original investors in foreign companies who were already in

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the market before the indigenisation Decree of 1972 [50]. New foreign capital had little or no access to the market. The good performance of Botswana, Zimbabwe and Mauritius has been traced to the open-door investment policy of these countries. In addition," the buy and hold" attitude of Nigerian investors contributed to the problem of illiquidity. The holdings of original investors and the public sector are normally not traded except for terminal investment. This often leaves only the proportion of shares held by few individuals and institutional investors for trading on the market, thus, limiting the liquidity of the market.

(iii) Slow Growth of Securities Market

[51], are of the view that lack of cooperation between the-Securities and Exchange Commission (SEC) and the Nigerian Stock Exchange (NSE) has been responsible for slow growth of the securities market. For example, one of the major criticisms of SEC was that it did not allow the issuing houses and stockbrokers to undertake the pricing of equities. With the transfer in 1993 of pricing and allotment of initial public offer to market operators, positive movement was observed in share prices. The issue of cost of raising fundsin the market is also important. The cost of transaction could be said to be a measure of efficiency in the market. Transaction cost in the Nigerian capital market is enormous [52]. The costs which an average investor would have to meet in the course of raising funds include; brokerage fees; stamp duties, and other charges that may be imposed by the SEC, apart from other fees payable to stockbrokers. Therefore, the cost of going public, raising additional equity or obtaining loan facility from the capital market is high. It has been estimated that the cost of raising US$ 1 million equity capital in Nigeria is about 4 per cent of the value, whereas, the cost of raising the same amount in Kenya, Zimbabwe and Ghana is 2.35 and 2.3 percent, respectively.

(iv) Delay in Delivery of Share Certificates

Prior to April, 1997 when the Central Securities Clearing System (CSCS) started operation, the delay in delivery of share certificates to investors and intra–firm settlements used was a problem in the market. Many of the unclaimed certificates and dividend warrants that are being published regularly are as a result of the delay in delivery of certificates. With the introduction of CSCS, shareholders are now able to take advantage of capital appreciation while transaction period-has been reduced. [8], is of the view that the objective of the CSCS system is to achieve real-time transaction reporting, through automated order routing and executing system, which allows post-trade comparison and analysis, and ensures audit trail of all the market transactions.

(v) Problem of Manual Call-Over

The manual call-over whereby all stockbrokers have to be physically present on the floor of the Exchange for trading in securities had also contributed to the slow growth of the market. With the recent introduction of Automated Trading System (ATS), it is expected that stockbrokers will be able to do business more efficiently and thus contribute to the growth of the market.

(vi) Double Taxation

The Nigerian stock market is faced with the problem of double taxation. In a capital market, the operating tax policies have implications for the supply anddemand for financial assets. Depending on its nature and structure, taxation couldeither enhance or retard capital market growth. Tax can be a source of hindrance todevelopment when it is high or levied at multiple stages. Currently in Nigeria, there are income tax, capital gain tax, withholding tax and company income tax. All thesetaxes together have the tendency of retarding investment because of their burden oninvestors. Most often, countries that have experienced growth in their stock markethave come to realize the role which taxation plays in the promotion of investment inthe stock market [47].

(vii) Lack of Effective Underwriting

Lack of effective under-writing is one of the problems confronting the Nigerian capital market. [41], are of the opinion that underwriting could be in the form of firm contract, or stand-by arrangement and when an issue is large, there would be need for an underwriting syndicate. An observed deficiency of the Nigerian securities market is the non-existence of effective underwriting. Though the issuing houses claim to undertake underwriting as part of their functions, and a consortium of underwriters often exist when shares are being offered, underwriting business has hardly taken place in the real sense of it. Underwriting entails effective placing of entire issues, and establishing or maintaining a stable trading market for the under-written securities for which there would always be a lead or managing underwriter [5]. Only a few of the existing issuing houses can undertake such functions that guarantee the underwriting of the shares not absorbed by the investors up to a certain percentage. The underwriters are in fact the 'market makers' who purchase the securities concerned on their own account to maintain a price when the market price of the offered security falls under the issue price. When such problem arises, the lead or managing underwriter would be expected to buy all such securities and distribute them to the other members of the underwriting syndicate or consortium according to predetermined ratio.

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(viii) Problem of Macro Economic Instability

Lastly, the problem of macroeconomic instability in the country has continued to be a hindrance in the development of the Nigerian capital market. Macroeconomic policies that would ensure long-term stability are essential in attracting a sustainable long term investments. Such policies should be conducive to both savings and investment to ensure confidence in the economy. Policies must ensure an attractive long term yields for equities in comparison with other domestic and foreign investment alternatives [47]. Frequent fluctuations in exchange rates and negative real rates of return on investments often force investors to move to other investment outlets or out of the economy entirely.

Prospects for Improved Performance of the Nigerian Capital Market

Developments in the Nigerian capital market represent positive indication of the prospects and promise the market has for the future. Resolving the outstanding problems of the market is a major task that must be accomplished for the future development of the market. To this effect, a number of reforms have already been undertaken to refocus the market *so* as to meet future challenges [24]. For instance, in pursuance of its deregulation policy which began with the introduction of SAP in 1986, several efforts have been made by the government to ensure that the Nigerian capital market operates like its counterparts in other economies. The deregulation of interest rates has had positive effect on the number of private enterprises sourcing funds from the market and it has also affected the volume and market capitalization [1]. In 199 1, the government deregulated the pricing of securities in the market by disengaging the SEC from securities pricing. In effect, the pricing of new stocks on the market was left in the hands of stock brokers and issuing houses. Further steps have also been taken to improve the settlement process and brokerage services, before the introduction of the Central Securities Clearing System (CSCS) in April, 1997, the process of transacting shares used to be unnecessarily long and worrisome to investors [6]. With the CSCS, which is a computerized depository, clearing and settlement system that acts as the clearing house for all shares traded on the Exchange the NSE has evolved a gradual dematerialization of share certificates, thus de-emphasising the use of share certificate as evidence of share ownership. An assessment of the CSCS indicates that the settlement and delivery systems of transactions in the market have been reduced from 3-6 months to *6* days. In order to encourage continuous stock trading throughout working hours and allow dynamic pricing system, the Nigerian Stock Exchange replaced the old manual call-over method of trading with the Automated Trading System (ATS) [44]. The ATS is a computerized electronic system in which dealers from their work stations are linked to a central server at data control room of the NSE. It is expected that the electronic based trading system would enhance the efficiency of trading, transparency in the market, realistic pricing of securities and generate new trading opportunities for dealing members. Apart from that, it will also establish a trading link with all regional markets in Africa and other parts of the world. The ATS project was designed to bring the Nigerian securities market at par with international standards and enhance settlement and delivery of transactions in the market. [45], noted that the removal of legal restrictions on foreign investors is also a positive development. The promulgation of the Nigerian Investment Promotion Commission Decree No. 16 and the Foreign Exchange (Monitoring and Miscellaneous) provisions Decree No. 17 of 1995 were made to replace the Nigerian Enterprises Promotion Decree of 1989 and the Exchange Control Act, of 1962. The enabling environment created by these legislations opened up the economy to foreign investors and also removed barriers restricting foreign investors' access to the capital market. The new Decree repealed the previous indigenisation Act which: limited foreign participation in the capital market, allowed unrestricted foreign interest in Nigerian quoted companies, allowed free repatriation of capital, dividends, capital gains, and other interests from investments in securities, allowed unhindered transactions in the foreign exchange market and provided for foreign investors to buy shares of Nigerian companies in any convertible currency [46]. Other efforts made at repositioning the Nigerian capital market were the constitution of the Dennis Odife panel in 1996 to review the structure and evaluate the performance of the capital market. The Panel's recommendations resulted in the promulgation of the all-embracing Investment Services Decree of 1999 to amend, modify and codify the provisions of the principal laws and regulations within the capital market as well as the re-establishment of SEC as the apex regulatory agency in the market [48]. The panel recommended the establishment of the Abuja Stock Exchange, which has commenced operation, in addition to twelve capital trading points in other parts of the country. It is expected that the new Exchange will enhance competition and make the market fully functional and effective.

Theoretical Framework

Endogenous Growth Theory

The endogenous growth theory, also known as the neo-classical growth theory, was first devised by Robert Solow in 1956. The theory holds that economic growth is primarily the result of endogenous and not external forces [31]. [35], are of the view that the endogenous growth theory holds that investment in human capital, innovation, and knowledge are significant contributors to economic growth. The theory also focuses

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on positive externalities and spillover effects of a knowledge-based economy which will lead to economic development. The endogenous growth theory primarily holds that the long run growth rate of an economy depends on policy measures. The centre piece of the standard neoclassical growth model developed by Solow is an aggregate production function of the form: Yt = f(Kt, Lt, At). According to [53], Y represent output, K equals capital, L is labour and A is an index of technology or efficiency while t represents time trend. [53] posits that f has the usual neoclassical properties; in particular, it is characterized by constant returns to scale, decreasing returns to each input, and a positive and constant elasticity of substitution. The fundamental dynamic equation of the model relates the evolution of the capital stock to a constant rate of saving and a constant rate of depreciation. Labour and the level of technology grow at endogenous exponential rates. This model assumes that countries use their resources efficiently and that there are diminishing returns to capital as labour increases. From these two premises, the neo-classical model makes three important predictions; first, increasing capital relatives to labour creates economic growth, since people can be more productive given more capital. Second, poor countries with less capital per person will grow faster because each investment in capital will produce a higher return than rich countries with ample capital. Third, because of diminishing returns to capital, economies will eventually reach a point at which no new increase in capital will create economic growth [38]. This point is called a steady state. If there were no technological progress, growth in this model would eventually come to a halt. However, the formulation of the model is chosen so as to allow increases in efficiency to offset the diminishing returns to capital. In endogenous growth theory, the growth rate depended on one variable: the rate of return on capital [39].

Efficient Market Hypothesis

The Efficient Market Hypothesis (EMH) is an investment theory which states that share prices fully reveal all available information regarding all stocks in the market [5]. This implies that it is near impossible to overrun the market consistently under a risk-adjusted criterion. This is because market prices are expected to react to new information only. It is often in an unbiased fashion and thus provides unbiased estimates of underlying values [52]. [24], in support of the theory opines that stocks and financial market securities always trade at their fair value, thus implying that investors can never buy stocks at undervalued prices or sell at an overrated price. Efficient Market Hypothesis (EMH) was developed by [54], in an attempt to provide a framework for examining the efficiency of the capital market. Now, it remains one of the theoretical exploits of capital market economic growth association. The EMH was founded on the supposition that prices of securities in financial or monetary markets completely mirror all available information, because in a well-organized market, prospects or opportunities for all unexploited profit are eradicated or eliminated. An essential factor in this way of thinking is that not everybody in a financial or monetary market must be properly informed about a security or have rational or sensible expectations for its price to be driven to the position at which the well-organized markets state or condition holds [37]. Financial markets are structured so that numerous participants can play. As long as a small number of participants keep opening their eyes for unexploited profit prospects, they will eliminate the profit opportunities that appear, because they make profits in so doing [55]. The EMH makes sense, because it does not require all and sundry in a market to be cognizant of what is happening to every security. In a well-organized market, all prices are always correct or accurate and reproduce market fundamentals (items that have a direct impact on future income streams of the securities). The study is anchored on the endogenous growth theory as it describe economic growth which is generated by factors within the production process such as economies of scale, increasing return or induced technological changes, government policies, political stability, market distortions, human capital etc., can significantly affect economic growth as opposed to exogenous factors such as increase in population.

Empirical Review

[56], investigated the role of the Nigeria stock market in the light of economic growth. Regression analysis was adopted for the study while it was reported that a significant positive effect of stock market on economic growth. It was recommended that government should create more enabling environment so as to increase the efficiency of the stock market to attain higher economic growth. [49], investigated the nature of the relationship that exists between stock market development and the level of investment (domestic private investment and foreign private investment) flows in Nigeria. Multiple regression was adopted for the study. The authors discovered that stock market development promotes domestic private investment flows thus suggesting the enhancement of the economy's production capacity as well as promotion of the growth of national output. However, the results showed that stock market development has not been able to encourage the flow of foreign private investment in Nigeria. [57], developed an aggregate index of capital market development and used it to determine its relationship with long-run economic growth in Nigeria. The study employed a time series data from 1970 to 1994. Four measures of capital market development, the ratio of market capitalization to GDP (in percentage), the ratio of total value of transactions on the main stock exchange to GDP (in percentage), the value of equities transaction relative to GDP and listings were used. The four measures were combined into one overall composite index of capital market

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development using principal component analysis. A measure of financial market depth (which is the ratio of broad money to stock of money to GDP) was also included as control variable. The result of the study was that capital market development is negatively and significantly correlated with long-run growth in Nigeria. [38], examined the empirical association between stock market development and economic growth in India. Regression analysis was adopted for the study. Whereas the authors found support for the relevance of stock market development to economic development during pre-liberation, they discovered a negative relationship between stock market development and economic development for the post liberalization period. [1], appraised the impact of capital market efficiency on economic growth in Nigeria, using time series data on market capitalization, money supply, interest rate, total market transaction, and government development stock between 1961-2004 using multiple regression and ordinary least squares estimation techniques. The result of the study showed that the capital market in Nigeria has the potential to induce growth, but it has not contributed meaningfully to the economic growth of Nigeria because of low market capitalization, low absorptive capacity, illiquidity, misappropriation of funds among others. [9], examined the roles of stock market on Nigeria's economic growth using Grangercausality test and regression analysis. The authors discovered a one-way causality between GDP growth and market capitalization and a two-way causality between GDP growth and market turnover. They also observed a positive and significant relationship between GDP growth turnover ratios. The authors advised that government should encourage the development of the capital market since it has a positive effect on economic growth. [58], also examined the relationship between Nigeria stock market and economic growth during the period 1980- 2000 using ordinary least squares regression (OLS). The result indicated that there is a positive relationship between the stock market and economic growth and suggest the pursuit of policies geared towards rapid development of the stock market. [43], utilized the error correction approach to examine whether stock market development increases economic growth in Nigeria and it was found that stock market development has positive and significant effect on economic growth in Nigeria. [6], empirically analyzed the impact of the Nigeria's capital market on her socio-economic development from the period of 1981to 2008. The study adopted regression analysis and discovered that capital market indices (market capitalization, total new issues, volume of transactions, total listed equities and government stock) have no significant impact on socio-economic growth. [39], carried out a study on emerging stock market performance and economic growth. The study adopted vector Autoregressive (VAR) model and deduced that macroeconomic activity was a main cause for the movement of stock prices in the long run and that the stock market plays a role as a leading economic indicator of future economic growth in the short run. [50], investigated the effect of financial reform on capital market development in Nigeria over the period 1986 to 2010. The study used ordinary Least square (OLS) techniques and Chow-break-point Test. The result revealed that the financial reform of 1995 impacted significantly on the capital market development in Nigeria. However, finding revealed that the variables that represent the development of the banking sector, the activities of the Central Bank and other financial institutions interacted negatively with market capitalization which implies that the activities of those institutions deterred the development of the capital market. [47], empirically analyzed the effect of insecurity on capital market performance and economic growth in Nigeria. The study used data on peace index (PINDEX) and peace score (PSCORE) as proxy for insecurity, market capitalization as proxy for capital market performance and gross domestic product (GDP) a proxy for economic growth and total of listed equity and government stock as control variable collected from the global peace index (GPI), central bank of Nigeria (CBN) annual report, securities and exchange (SEC) annual report and Nigerian stock Exchange (NSE) annual report for a period of five years (2007-2011). Multiple regression analysis technique was employed while the result showed a negative relationship between capital market performance, economic growth, and insecurity in Nigeria. Particularly, the result showed that peace index is statically significant to capital market performance while peace score is not. However, peace score is statistically significant to economic growth while peace index is not statically significant. The study recommended that government at all level should not rest until peace is restored in the country so as to enable the capital market contribute positively to economic growth, at the same time help in the attainment of vision 2020. [44], examined the impact of the Nigerian capital market on its economic growth from the period of 1990-2010 using Johansen co-integration and Granger causality tests on economic growth proxied by Gross Domestic Product (GDP) and capital market variables Market Capitalization (MCAP), Total New Issues (TNI), Value of Transactions (VLT), and Total Listed Equities and Government Stocks (LEGS). Their results showed that the Nigerian capital market and economic growth are co-integrated. This implies that a long run relationship exists between capital market and economic growth in Nigeria. The causality test results revealed a bidirectional causation between the GDP and the value of transactions (VLT) and a unidirectional causality from Market capitalization to the GDP and not vice versa. The standard error test results revealed that the activities in the capital market impacts positively on the economic growth of the country. They recommended therefore that the regulatory authority should initiate policies that would encourage more companies to access the market and also be more proactive in their surveillance role in order to check sharp practices which undermine market

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integrity and erode investors' confidence. [7], evaluated the impact of capital market on economic growth in Nigeria using the Vector Auto Regression technique on annual data from 1981 to 2010 and the results of the empirical investigation revealed that market index and market capitalization were statistically significant at 10%, and an increase in the coefficient value market index and market capitalization brought about 33.7 and 44.8 percentage increase in reel GDP while the Johanson co-integration revealed the existence of long run relationship between stock market and real GDP. The study recommended that there is need to restore confidence to the market by regulatory authorities through ensuring transparency and fair trading transaction and dealing in the stock exchange in order to address the reported case of abuse and sharp practices by some companies in the market. [19], examined the impact of Nigerian capital market on economic growth and development between 1999 and 2012. The study explored secondary data collected from security Exchange Commission reports, Nigerian Stock Exchange Review Reports, and central Bank of Nigeria Statistical bulletin. Analytical technique employed was ordinary least square regression analysis while the result showed that capital market indices had not significantly impacted on the GDP in Nigeria. This was attributed to low market capitalization, low absorptive capitalization, illiquidity, and misappropriation of funds among others. The study therefore recommended that government should restore confidence to the market through regulatory authorities which would portray transparency, fair trading transactions and dealing in the stock exchange, improve dealing in the market capitalization by encouraging more foreign investors to participate in the market and also to increase investments instruments such as derivatives, convertibles, swap and option in the market. [5], discussed the impact of capital market on economic growth in Nigeria. The ordinary least square (OLS) regression analysis was used in the study. From the findings, it was obtained that capital market has positive and significant impact on economic growth in Nigeria. [35], investigated the impact of capital market on economic growth in Nigeria covering 1985-2012 using multivariate co-integration and error correction methodology. Their finding reported that two of the stock market variables (new issues (TONIS) and value of transaction (VALTRAN) exhibited positive and statistically significant relationship with economic growth, while two of the stock market variables (Market capitalization (MKTCAP) and Total listing (TOLIST) exhibited inverse and statistically significant relationship with economic growth in Nigeria. This stimulate dialogue on the implication for policy simulation. They recommended that the relevant regulatory agencies should focus on enhancing efficiency and transparency of market to improve investor's confidence. They added that policy institutions should be active in making systemic checks and appropriate policy innovations to ensure capital market led economic growth. [18], empirically investigated the effect of audit expectation gap in Nigeria capital market. In the study, a cross sectional survey was conducted in Lagos and Abuja stock Exchange to capture the perception of key users of financial statements in Nigerian capital market. The study employed the Chi-square (x2) test techniques and discovered a wide expectation gap in the areas of auditors' responsibility for fraud prevention and detection in Nigeria. [46], examined the impact of capital market on economic growth in Nigeria. Ordinary least square was adopted for the study while the finding revealed that the Nigerian capital market is significant to economic development as value of transaction traded on the Nigerian Stock Exchange affects gross domestic product positively. [8], empirically examined the impact of the capital market on the Nigeria economy from 1981-2011. The study used Gross Domestic Product (GDP) as proxy for economic growth while the capital market variables considered were; Market capitalization (MCAP), total new issues (TNI), value of transactions (VLT), and total Listed Equities and government stocks (LEGS). Johansen co-integration and Granger causality tests were applied. The result showed the clear relative positive impact the capital market plays on the economic growth and invariably on the economy. [27], analyzed the impact of capital market development on economic growth in Nigeria using the Vector Error Correction (VEC) granger causality and the Vector Error Correction Mechanism (VECM) were analyzed between the periods of 1981 to 2013. The VEC causality test indicated a bidirectional causality between economic growth and capital market development in Nigeria. The Forecast Error Variance Decomposition further indicated that the predominant variations in the innovations of the variables are the shocks of themselves relative to shocks in all other variables in the VEC Model. The VEC estimation revealed that the speed of adjustment of the market relative to the economy is slow and unimpressive, considering the speed of turnover ratio and market liquidity and the ability of the market to respond to the unexpected changes are weak. They recommended that an improved macroeconomic environment as well as instituting reform policies should be embarked to expand the size, scope and network externalities of the Nigerian capital market both within and outside the country. [4], investigated capital market and economic growth in Nigeria from 1986 to 2005 using OLS estimation technique. The finding suggested that there was a direct perfect association among the variables. The result also showed that none of the variables individually predicted GDP. [59], studied the impact of capital market on economic growth in Nigeria for the period 1980 to 2013. The researcher applied the ADF, co-integration, and the Error Correction Mechanism technique (ECM), the unit root test results showed that the variables were stationary at various levels. The result revealed that the variables were co-integrated. The parsimonious results showed that total value of transaction, market

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capitalization and total holdings of development stock impacted on economic growth but not meaningfully. [43], examined the Nigerian capital market as a catalyst for sustainable economic development. The study applied OLS and revealed that the Nigerian capital market is significant to economic development as value of transaction traded on the Nigerian Stock Exchange affects gross domestic product positively. [35], evaluated the relationship between capital market and economic Growth in Nigeria using Vector Error Correction techniques on an annual time series data spanning from 1981 to 2014. The results of the normalized co-integrated series revealed that market capitalization rate, total value of listed securities, labor force participation rate, accumulated savings and capital formation are significant macroeconomic determinants factors of economic growth in Nigeria. They therefore recommended that for the capital market to realizes its full potentials, its environment must be enabled to promote and encourage investment opportunities for both local and international investors, since the stock market operates in a macroeconomic environment. Consequently, an improvement in the Nigerian trading system with the aim of increasing the ease with which investors can purchase and sell shares, could guarantee the stock market liquidity. [31], studied the impact of capital market on economic growth in Nigeria from 2005 to 2014. OLS econometrics technique was employed as the main analytical technique. The findings suggested that, capital market performance indicators impacted insignificantly on GDP. [30], used OLS techniques to examine capital market and economic growth in Nigeria from 1985 to 2015. Analysis was anchored on relevant manifold regression model whose coefficients were estimated via the ordinary least squares (OLS) techniques. Results revealed 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. [60], investigated the impact of capital market on economic growth in Nigeria from 1986 to 2016. They employed Auto Regressive Distributed Lag bound testing and VAR Granger causality econometric tools of estimation to test the variables in the model. The result of the estimation revealed a stable long run association between the explained and explanatory variables as supported by the greater bound value of 10.58. The finding of the ARDL revealed that market capitalization has positive significant association with economic growth; also, stock traded total value indicated a negative insignificant link with economic growth, all in the short run. The findings further showed that market capitalization and stock traded total value percent of GDP exhibited a negative insignificant link with economic growth in the long run within the period of the study. Findings of VAR Granger test revealed that, causality was seen from MCAPGDP to GGDP. [45], studied IFRS adoption and capital markets. Through a review of relevant literature. The study which centred on IFRS adoption effects on the functioning and operations of capital markets adopted regression analysis and found out that enhanced liquidity of markets and minimized information asymmetry improved foreign holdings and turnover of capital markets. [28], critically studied the association between the capital market and economic growth in [9]. Unit root, Co-integration and ECM methods of econometrics were employed. The finding showed that total new issue, market capitalization, and total listing positively impact on the economy. Meanwhile, the value of the transaction has impacted on real gross domestic product negatively. [9], examined the impact of stock market development on economic growth in Nigeria from 1985 to 2014 using the Johansson's co integration and the error correction model on economic growth proxy by the Real Gross Domestic Product (RGDP) and Labour (LAB), Capital (CAP), Market Capitalization (MCAP) and Turnover Ratio (TURN) as proxy for stock market development in terms of size and liquidity. The results of the Johansson co integration test established the existence of a long run relationship between stock market development and economic growth in Nigeria. The empirical results revealed that the stock market is significant in determining economic growth in Nigeria using the error correction model. They recommended that policy makers should ensure improvement in the market capitalization, by encouraging foreign direct investment participation in the market. Small and medium entrepreneurs should be encouraged to access the market for investible funds given their close affinity with the grass root funds mobilization ability. [48], explicitly examined capital market and economic growth in Nigeria from 1986 to 2016 using the Augmented Dickey-Fuller test and Auto-regressive Distributed Lag model as analytical tools. The ADF unit test results revealed stationarity of the variables at order zero and one, which satisfied the requirement to employ the ARDL Bounds testing approach. The ARDL Bounds test revealed the existence of long run relationship among the variables. Moreover, the results revealed that market capitalization had positive and significant effects on economic growth both in the short and long run. Number of deals also had a positive and significant effect on economic growth in the long run but negative and insignificant effect on economic growth in the short run, while the volume of transaction had negative and significant effect on economic growth in both the long run and the short run. The study concluded that capital market has impacted on economic growth in Nigeria and recommended among others that there should be improvement in the moribund market capitalization, by encouraging more foreign investors to participate in the market, maintain state of the art technology like automated trading and settlement practices, electronic fund clearance and eliminate physical transfer of shares. Also, regulatory authorities should restore confidence to the market by ensuring transparency and fair trading dealings and transactions in the market to

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enhance economic growth. [52], examined the impact of capital market on the economic growth of Nigeria using data from 1985 to 2015 extracted from the Central Bank of Nigeria Bulletin with the application of the linear regression method of econometric analysis to capture the capital market variable, market capitalization, all share index, trade volume and trade value while GDP at current basic price was used as proxy for the Nigerian economy. Their major findings revealed that all the predictors exhibit a significant relationship with economic growth in Nigeria at 5% level of significance and show a high degree of correlation with the dependent variable except number of deals and value of deals which displayed a fair correlation with the dependent variable. The study recommended that the capital market will need to embrace innovation and adopt fairness in information management in other to attract investors and the confidence of the investing public. [42], examined capital market and performance of Nigeria economy from 1985 to 2017 using the Johansen Co-integration, Error correction and Granger Causality methodology. The results of the Johansen Co-integration test revealed that there was a long run positive relationship among the variables, while the results of the Granger Causality test showed two significant unidirectional causalities flowing from gross domestic product to total market capitalization and to total value of new issues respectively. Thus, the study posits that capital market is a strong driver of economic growth in Nigeria for both public and private entities for medium and long-term investment. As such, a sound institutional framework for the regulation of the actors in the market so as to inspire investors' confidence and for the sustainability needs to be emphasized. [41], examined capital market performance and economic growth in Nigeria for the period 1987-2014, using the Augmented Dickey Fuller test, Johansen co-integration, Granger causality test and Vector Auto-regressive (VAR) model on economic growth proxied by gross domestic product (GDP) while capital market performance was measured by market capitalization, total new issues, volume of transaction and listed equities. The results of the Johansen co-integration test were showed that the variable were co-integrated with at least one co-integrating vector, while the results of the Granger causality test showed that the causality between economic growth and capital market runs unilaterally from the capital market performance indicators to the GDP. From the results, it was inferred that the movement of stock prices in the Nigeria Stock Exchange reflect the macroeconomic conditions of the country and can therefore be used to predict the future path of economic growth. The study shows that the capital market performance has positively and significantly impacted on the Nigerian economy within the period. The study, therefore, recommends among others that the financial and monetary authorities 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 improving the performance of the Nigerian capital market and by extension the economy. [20], analyzed the impact of market opening on economic growth in Nigeria using a robust set of econometric approach involving unit root test, co-integration, vector error correction model and granger causality. They reported that there is evidence that current value of economic growth responds to disequilibrium from past values of real gross domestic product, stock market development, foreign direct investment, trade openness, inflation and banking sector development in the long run. The result also showed that past values of real gross domestic product, foreign direct investment and trade openness promotes economic growth in the short run. The study, therefore concluded that there are bi-directional causalities both in the short term and the long term between the dependent and explanatory variables. Based on the findings, they recommended that policy makers in Nigeria should pay more attention to factors that can boost stock market development, foreign direct investment, trade openness, inflation and banking sector development in order to impact economic growth more positively in line with theoretical evidence that market opening positively impacts economic growth especially in frontier and emerging markets such as Nigeria.[26], empirically analyzed capital market and economic growth in Nigeria. The study adopted Phillips Perron test statistics, the Johansen Cointegration techniques, Pairwise Granger Causality techniques and the Error Correction Methodology on a log linear multiple regression framework. Annual time series data used were obtained from secondary sources, mainly from the CBN Statistical Bulletin from 1985 to 2019 on capital market variables (Market Capitalization (MCAP), Total Value of Transaction Traded (TVT) and All Share Index (ASI) were used as explanatory variables while Economic growth in Nigeria the dependent variable was proxy as real gross domestic product (RGDP). The Phillips-Perron test statistics results showed that all the selected economic and capital market variables (InRGDP, InMCAP, InTVT and InASI) were stationary at first difference. In other words, they were found to be stationary at order one I(1), while the Johansen unrestricted co-integration rank test results showed that there exists at least four and one co-integrating equations respectively as both the Trace and Max-Eigen statistics revealed long run relationship between InRGDP, InMCAP, InTVT and InASI. The empirical results showed that the entire explanatory variables of the economic and capital market met their expected signs except the all share index with a negative sign. The results also revealed that the log of market capitalization (InMCAP) and the log of total value of transaction traded (InTVT) had positive impact on the log of real gross domestic product (InRGDP) in Nigeria. [36], carried out a study on the impact of capital market on economic growth in Nigeria. The study adopted

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Ordinary Least Square method (OLS) in analyzing the time series variables obtained for the study. The result of the findings showed that all the variables of interest were significant in explaining the behavior of capital market on the growth of Nigeria Economy except Labour force. More so, the result showed that the the model employed for the analysis is adequate and best in fitting the variables obtained. [61], investigated the impact of capital structure and firm performance of manufacturing firms in Nigeria. The study used fixed effect regression model to test the significant impact of capital structure on firm's performance. The findings revealed that capital structure has positive and significant effect on financial performance of selected firms in Nigeria. [21], examined the impact of capital structure on financial performance from 2014 – 2019. The study applied econometric models for panel data analysis and used pooled OLS estimation, fixed effect, and Random effect Methodology along with the Hausman test and Ramsey RESET. The research investigated the company's performance by four accounting measures namely: Return on Equity (ROE), Return on Assets (ROA), Earnings per share (EPS) and Tobin's Q. Pearson's correlation and regression techniques were adopted for the study. The research found a significant negative relationship amongst capital structure variables with the financial performance measured by ROA, EPS, and Tobin's Q. However, the results revealed that long term debts and total debts decreased the financial performance, while short term debts facilitated financial performance. [62], researched on the impact of capital structure on financial performance of Kurdistan manufacturing firms. Multiple linear regression included return on equity as independent variable, capital structure, liquidity, size and growth as the independent variables. These variables were used to establish whether capital structure decisions affect profitability of manufacturing firms in Kurdistan. The results obtained from the regression equations established a negative relation between total debt, size and financial performance. [63], carried out a research on optimization of capital structure and return on assets of listed non-financial firms in Nigeria from 2009 to 2018. Data for this study were obtained from the annual reports of sampled firms and multiple regression of ordinary least square technique of pooled regression, fixed effects and random effects was used for the analysis. The results revealed that return on assets (ROA) is negatively related to both debt to capital employed (DCE) and equity to capital employed (ECE). [64], investigated the effect of capital structure on financial performance of oil and gas companies quoted on the Nigerian stock exchange. Secondary data were carefully sourced from the financial statement/annual reports of the oil and gas companies quoted on the Nigerian Stock Exchange. The data span from 2005 to 2018. E-views 10.0 software was used to analyse the data collected. Findings from data analysed showed that total debt to total assets has no significant effect on return on assets of oil and gas companies quoted on the Nigerian Stock Exchange and that total debt to total equity has a significant effect on return on equity of oil and gas companies quoted on the Nigerian Stock Exchange. [13], studied the effect of capital structure on financial performance of firms in Kenya from 2008 to 2013. The study adopted an explanatory non-experimental research. Secondary data were obtained from the published annual reports and financial statements of the listed companies at the NSE covering the years 2008 to 2013. The collected data was entered into the Statistical Program for Social Sciences (SPSS) and multiple regression analysis method was used to analyze and test the hypotheses. The findings showed that equity and long term debt have a positive and significant effect on financial performance, while short term debt has a negative and significant effect on financial performance. [6], carried out a study on meta-analysis of capital structure and firm performance. Using secondary data, the analysis was divided into two main parts with concerned to the overall strength of the relationship, the effect size and the potential paper-specific characteristics influencing the magnitude of impacts between leverage and firm performance (moderators of the relationship). The study adopted regression analysis and found out that corporate performance is negatively related to capital decisions, which inclines toward trade-off model with agency costs and pecking order theory. The estimation induces rather small effect size that implies sufficiently large sample size to be effectively investigated. [65], investigated the effect of capital structure on the financial performance of non-financial firms quoted at the Nairobi Securities Exchange. The study was conducted on 16 non-financial firms that were in operation in Kenya and quoted at the NSE between 2013 and 2017. Secondary data utilized was obtained from audited financial statements derived from company websites and NSE handbook covering the period 2013 to 2017. Correlation and regression analysis were employed in the statistical analysis that was carried out with the aid of STATA version 15. The findings showed that capital structure has a direct influence on the financial performance of firms listed at the Nairobi bourse. The results showed that the financial performance of firms increases with the increase in the changes in debt in the capital structure. [6], studied impact of capital structure on firm performance in Nigeria using the dynamic panel model on panel data of 115 listed non-financial firms in Nigeria. The study revealed a statistical significant relationship exists between capital structure and firm performance particularly when debt financing is moderately employed. However, the paper found evidence of non-monotonic relationship between capital structure and firm performance when firms in Nigeria employed excessive debt financing which impinged on the performance of firms. [66], examined the impact of capital structure on corporate performance in Nigeria using Ordinary Least Square (OLS) analytical technique. The results from the study showed a negative and insignificant impact of

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capital structure on corporate performance of the consumer goods firm sector of Nigeria. That long-term debt ratio to total asset had a negative and insignificant impact on returns on assets, while total debt ratio to equity also had a negative and insignificant impact on returns on assets. [67], investigated capital structure and firm's profitability in Nigeria from 2011 to 2018. Data of ten (10) randomly selected listed firms of the Nigeria Stock Exchange were derived from the firms' published financial reports for the period covered. Panel regression results revealed that Debt to Asset Ratio(DAR) is positively significant on Return On Asset(ROA) (Proxy for profitability),while other proxies of capital structure shows that Debt to Equity(DER), Liquidity Ratio(LIQ), are not statistically significant, Short Term Debt to Total Asset Ratio (SDTA) showed a negative connection, Firm Size (FS) has a weak correlation with profit and Long Term Debt to Total Asset Ratio (LDTA) do not influence firms' profitability of the consumer goods sector of Nigeria economy. [68], investigated the influence of capital structure on the profit of ten selected manufacturing firms in Bangladesh over five years' period using panel regression. The results showed that debt and equity has a positive impact on the firms' performance while debt to equity ratio has a significant negative impact on the performance of the selected manufacturing firms in Dhaka Stock Exchange, Bangladesh. [10], measured the influence of capital structure on the profitability of twenty-two (22) hotels in India within 2006 – 2017 periods. The regression analysis showed a positive impact of debt on hotels' performance in India.

Summary of Review

Table 1: Summary of Empirical Review

1	[57]	Relationship with long-run economic growth in Nigeria.	Regression analysis	The result of the study was that capital market development is negatively and significantly correlated with long-run growth in Nigeria.
2	[56]	Relationship between Nigeria stock market and economic growth during the period 1980- 2000	Ordinary least squares regression (OLS)	The result indicated that there is a positive relationship between the stock market and economic growth and suggest the pursuit of policies geared towards rapid development of the stock market.
3	[56]	Role of the Nigeria stock market in the light of economic growth.	Regression analysis	It was reported that a significant positive effect of stock market on economic growth. It was recommended that government should create more enabling environment so as to increase the efficiency of the stock market to attain higher economic growth.
4	[38]	Empirical association between stock market development and economic growth in India	Regression analysis was adopted for the study	They discovered a negative relationship between stock market development and economic development for the post liberalization period.

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5	[9]	Roles of stock market on Nigeria's economic growth	Grangercausality test and regression analysis.	The authors discovered a one-way causality between GDP growth and market capitalization and a two-way causality between GDP growth and market turnover. They also observed a positive and significant relationship between GDP growth turnover ratios.

Source: Researcher' Compilation, 2021

Table 2: Summary of Empirical Review

6	[43]	Effect of stock market development on economic growth in Nigeria	Error correction approach	It was found out that stock market development has positive and significant effect on economic growth in Nigeria.
7	[1]	Impact of capital market efficiency on economic growth in Nigeria	Multiple regression and ordinary least squares estimation techniques.	The result of the study showed that the capital market in Nigeria has the potential to induce growth, but it has not contributed meaningfully to the economic growth of Nigeria because of low market capitalization, low absorptive capacity, illiquidity, misappropriation of funds among others.
8	[6]	Impact of the Nigeria's capital market on her socio-economic development from the period of 1981to 2008.	The study adopted regression analysis	The study discovered that capital market indices (market capitalization, total new issues, volume of transactions, total listed equities and government stock) have no significant impact on socio-economic growth.
9	[39]	Emerging stock market performance and economic growth.	The study adopted vector Autoregressive (VAR) model	It was deduced that macroeconomic activity was a main cause for the movement of stock prices in the long run and that the stock market plays a role as a leading economic indicator of future economic growth in the short run.

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10	[47]	Effect of insecurity on capital market performance and economic growth in Nigeria.	Multiple regression analysis technique	The result showed a negative relationship between capital market performance, economic growth, and insecurity in Nigeria. Particularly, the result showed that peace index is statically significant to capital market performance while peace score is not. However, peace score is statistically significant to economic growth while peace index is not statically significant.

Source: Researcher' Compilation, 2021

Table 3: Summary of Empirical Review

11	[50]	Effect of financial reform on capital market development in Nigeria over the period 1986 to 2010.	Least square (OLS) techniques and Chow-break-point Test.	The result revealed that the financial reform of 1995 impacted significantly on the capital market development in Nigeria. However, finding revealed that the variables that represent the development of the banking sector, the activities of the Central Bank and other financial institutions interacted negatively with market capitalization which implies that the activities of those institutions deterred the development of the capital market.
12	[44]	Impact of the Nigerian capital market on its economic growth from the period of 1990-2010	Johansen co-integration and Granger causality tests	Their results showed that the Nigerian capital market and economic growth are co-integrated. This implies that a long run relationship exists between capital market and economic growth in Nigeria. The causality test results revealed a bidirectional causation between the GDP and the value of transactions (VLT) and a unidirectional causality from Market capitalization to the GDP and not vice versa.
13	[7]	Impact of capital market on economic growth in Nigeria	Vector Auto Regression technique	The results of the empirical investigation revealed that market index and market capitalization were statistically significant at 10%, and an increase in the coefficient value market index and market capitalization brought about 33.7 and 44.8 percentage increase in real GDP.

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14	[19]	Impact of Nigerian capital market on economic growth and development between 1999 and 2012.	Analytical technique employed was ordinary least square regression	The result showed that capital market indices had not significantly impacted on the GDP in Nigeria. This was attributed to low market capitalization, low absorptive capitalization, illiquidity, and misappropriation of funds among others.

Source: Researcher' Compilation, 2021

Table 4: Summary of Empirical Review

15	[18]	Effect of audit expectation gap in Nigeria capital market.	Chi-square (x2) test techniques	The study discovered a wide expectation gap in the areas of auditors' responsibility for fraud prevention and detection in Nigeria.
16	[46]	Impact of capital market on economic growth in Nigeria.	Ordinary least square	It was revealed that the Nigerian capital market is significant to economic development as value of transaction traded on the Nigerian Stock Exchange affects gross domestic product positively.
17	[49]	Relationship that exists between stock market development and the level of investment (domestic private investment and foreign private investment) flows in Nigeria.	Multiple regression was adopted for the study.	The authors discovered that stock market development promotes domestic private investment flows thus suggesting the enhancement of the economy's production capacity as well as promotion of the growth of national output.
18	[5]	Impact of capital market on economic growth in Nigeria.	OLS regression technique	From the findings, it was obtained that capital market has positive and significant impact on economic growth in Nigeria.

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19	[35]	Impact of capital market on economic growth in Nigeria covering 1985-2012	Multivariate co-integration and error correction methodology.	Their finding reported that two of the stock market variables (new issues (TONIS) and value of transaction (VALTRAN) exhibited positive and statistically significant relationship with economic growth, while two of the stock market variables (Market capitalization (MKTCAP) and Total listing (TOLIST) exhibited inverse and statistically significant relationship with economic growth in Nigeria.

Source: Researcher' Compilation, 2021

Table 5: Summary of Empirical Review

20	[8]	Impact of the capital market on the Nigeria economy from 1981-2011.	Johansen co-integration and Granger causality tests were applied.	The result showed the clear relative positive impact the capital market plays on the economic growth and invariably on the economy.
21	[69]	Impact of capital market development on economic growth in Nigeria	VEC granger causality and VECM	The VEC causality test indicated a bidirectional causality between economic growth and capital market development in Nigeria. The Forecast Error Variance Decomposition further indicated that the predominant variations in the innovations of the variables are the shocks of themselves relative to shocks in all other variables in the VEC Model.
22	[4]	Capital market and economic growth in Nigeria from 1986 to 2005	OLS estimation technique.	The finding suggested that there was a direct perfect association among the variables. The result also showed that none of the variables individually predicted GDP
23	[59]	Impact of capital market on economic growth in Nigeria for the period 1980 to 2013.	ADF, cointegration, and the Error ECM, the unit root test	The results showed that the variables were stationary at various levels. The result revealed that the variables were cointegrated. The parsimonious results showed that total value of transaction, market capitalization and total holdings of development stock impacted on economic growth but not meaningfully.
24	[43]	Nigerian capital market as a catalyst for sustainable economic development.	OLS	The study revealed that the Nigerian capital market is significant to economic development as value of transaction traded on the Nigerian Stock Exchange affects gross domestic product positively.

Source: Researcher' Compilation, 2021

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Table 6: Summary of Empirical Review

25	[37]	Relationship between capital market and economic Growth in Nigeria	Vector Error Correction techniques	The results of the normalized cointegrated series revealed that market capitalization rate, total value of listed securities, labor force participation rate, accumulated savings and capital formation are significant macroeconomic determinants factors of economic growth in Nigeria.
26	[31]	Impact of capital market on economic growth in Nigeria from 2005 to 2014	OLS econometrics technique	The findings suggested that, capital market performance indicators impacted insignificantly on GDP.
27	[30]	Capital market and economic growth in Nigeria from 1985 to 2015	OLS techniques	Results revealed 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
28	[60]	Impact of capital market on economic growth in Nigeria from 1986 to 2016.	They employed Auto Regressive Distributed Lag bound testing and VAR Granger causality econometric	The result of the estimation revealed a stable long run association between the explained and explanatory variables as supported by the greater bound value of 10.58. The finding of the ARDL revealed that market capitalization has positive significant association with economic growth; also, stock traded total value indicated a negative insignificant link with economic growth, all in the short run.
29	[45]	IFRS adoption and capital markets. Through a review of relevant literature.	Regression analysis	The study found out that enhanced liquidity of markets and minimized information asymmetry improved foreign holdings and turnover of capital markets.
30	[48]	Capital market and economic growth in Nigeria from 1986 to 2016	ARDL Bounds testing approach	The ARDL Bounds test revealed the existence of long run relationship among the variables. Moreover, the results revealed that market capitalization had positive and significant effects on economic growth both in the short and long run.

Source: Researcher' Compilation, 2021

Table 7: Summary of Empirical Review

31	[28]	Association between the capital market and economic growth in Nigeria (1980-2015)	Unit root, Co-integration and ECM methods of econometrics were employed.	The finding showed that total new issue, market capitalization, and total listing positively impact on the economy. Meanwhile, the value of the transaction has impacted on real gross domestic product negatively.

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32	[9]	Impact of stock market development on economic growth in Nigeria from 1985 to 2014	Johansson's co integration and the error correction model	The results of the Johansson co integration test established the existence of a long run relationship between stock market development and economic growth in Nigeria. The empirical results revealed that the stock market is significant in determining economic growth in Nigeria using the error correction model
33	[68]	Influence of capital structure on the profit of ten selected manufacturing firms in Bangladesh	Panel regression	The results showed that debt and equity has a positive impact on the firms' performance while debt to equity ratio has a significant negative impact on the performance of the selected manufacturing firms in Dhaka Stock Exchange, Bangladesh.
34	[9]	Influence of capital structure on the profitability of twenty-two (22) hotels in India	Multiple regression	The regression analysis showed a positive impact of debt on hotels' performance in India.
35	[70]	Impact of capital structure on corporate performance in Nigeria	Ordinary Least Square (OLS) analytical technique.	The results from the study showed a negative and insignificant impact of capital structure on corporate performance of the consumer goods firm sector of Nigeria. That long-term debt ratio to total asset had a negative and insignificant impact on returns on assets, while total debt ratio to equity also had a negative and insignificant impact on returns on assets.

Source: Researcher' Compilation, 2021

Table 8: Summary of Empirical Review

36	[31]	Impact of capital structure on firm performance in Nigeria using the dynamic panel model on panel data of 115 listed non-financial firms in Nigeria.	Regression analysis	The study revealed a statistical significant relationship exists between capital structure and firm performance particularly when debt financing is moderately employed. However, the paper found evidence of non-monotonic relationship between capital structure and firm performance when firms in Nigeria employed excessive debt financing which impinged on the performance of firms.
37	[52]	Impact of capital market on the economic growth of Nigeria	Regression analysis	The study revealed that all the predictors exhibit a significant relationship with economic growth in Nigeria at 5% level of significance and show a high degree of correlation with the dependent variable except number of deals and value of deals which displayed a fair correlation with the dependent variable.
38	[42]	Capital market and performance of Nigeria economy from	Johansen Co-integration, Error correction	The results of the Johansen Co-integration test revealed that there was a long run positive relationship among the variables, while the results

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		1985 to 2017	and Granger Causality methodology.	of the Granger Causality test showed two significant unidirectional causalities flowing from gross domestic product to total market capitalization and to total value of new issues respectively.
39	[41]	Capital market performance and economic growth in Nigeria for the period 1987-2014	Augmented Dickey Fuller test, Johansen co-integration, Granger causality test and Vector Autoregressive (VAR) model	The study showed that the capital market performance has positively and significantly impacted on the Nigerian economy within the period. The study, therefore, recommends among others that the financial and monetary authorities 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 improving the performance of the Nigerian capital market and by extension the economy.

Source: Researcher' Compilation, 2021

Table 9: Summary of Empirical Review

40	[36]	Impact of capital market on economic growth in Nigeria.	Ordinary Least Square method (OLS)	The result of the findings showed that all the variables of interest were significant in explaining the behavior of capital market on the growth of Nigeria Economy except Labour force. More so, the result showed that the the model employed for the analysis is adequate and best in fitting the variables obtained.
41	[26]	Capital market and economic growth in Nigeria.	The study adopted Phillips Perron test statistics, the Johansen Cointegration techniques, Pairwise Granger Causality techniques and the Error Correction Methodology	The empirical results showed that the entire explanatory variables of the economic and capital market met their expected signs except the all share index with a negative sign. The results also revealed that the log of market capitalization (InMCAP) and the log of total value of transaction traded (InTVT) had positive impact on the log of real gross domestic product (InRGDP) in Nigeria.
42	[20]	Impact of market opening on economic growth in Nigeria	Unit root test, co-integration, vector error correction model and granger causality.	They reported that there is evidence that current value of economic growth responds to disequilibrium from past values of real gross domestic product, stock market development, foreign direct investment, trade openness, inflation and banking sector development in the long run. The result also showed that past values of real gross domestic product, foreign direct investment and trade openness promotes economic growth in

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				the short run.

Source: Researcher' Compilation, 2021

Table 10: Summary of Empirical Review

43	[67]	Capital structure and firm's profitability in Nigeria from 2011 to 2018.	Panel regression	Panel regression results revealed that Debt to Asset Ratio(DAR) is positively significant on Return On Asset(ROA) (Proxy for profitability),while other proxies of capital structure shows that Debt to Equity(DER), Liquidity Ratio(LIQ), are not statistically significant, Short Term Debt to Total Asset Ratio (SDTA) showed a negative connection, Firm Size (FS) has a weak correlation with profit and Long Term Debt to Total Asset Ratio (LDTA) do not influence firms' profitability of the consumer goods sector of Nigeria economy.
44	[2]	Optimization of capital structure and return on assets of listed non-financial firms in Nigeria from 2009 to 2018.	OLS technique of pooled regression, fixed effects and random effects was used for the analysis.	The results revealed that return on assets (ROA) is negatively related to both debt to capital employed (DCE) and equity to capital employed (ECE). The study concluded that the fixed effects model is the most plausible description of the relationship between capital structure variables and return on assets of the selected quoted firms in Nigeria.
45	[64]	Effect of capital structure on financial performance of oil and gas companies quoted on the Nigerian stock exchange.	Multiple regression	Findings from data analysed showed that total debt to total assets has no significant effect on return on assets of oil and gas companies quoted on the Nigerian Stock Exchange and that total debt to total equity has a significant effect on return on equity of oil and gas companies quoted on the Nigerian Stock Exchange.

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46	[62]	Impact of capital structure on financial performance of Kurdistan manufacturing firms.	Multiple linear regression	The results obtained from the regression equations established a negative relation between total debt, size and financial performance.

Source: Researcher' Compilation, 2021

Table 11: Summary of Empirical Review

47	[13]	Effect of capital structure on financial performance of firms in Kenya from 2008 to 2013.	multiple regression analysis method was used to analyze and test the hypotheses.	The findings showed that equity and long term debt have a positive and significant effect on financial performance, while short term debt has a negative and significant effect on financial performance.
48	[21]	Impact of capital structure on financial performance from 2014 – 2019.	OLS estimation, fixed effect, and Random effect Methodology along with the Hausman test and Ramsey RESET	The research found a significant negative relationship amongst capital structure variables with the financial performance measured by ROA, EPS, and Tobin's Q. However, the results revealed that long term debts and total debts decreased the financial performance, while short term debts facilitated financial performance.
49	[6]	Meta-analysis of capital structure and firm performance.	The study adopted regression analysis	It was found out that corporate performance is negatively related to capital decisions, which inclines toward trade-off model with agency costs and pecking order theory. The estimation induces rather small effect size that implies sufficiently large sample size to be effectively investigated.
50	[65]	Effect of capital structure on the financial performance of non-financial firms quoted at the Nairobi Securities Exchange.	Correlation and regression analyses	The findings showed that capital structure has a direct influence on the financial performance of firms listed at the Nairobi bourse. The results showed that the financial performance of firms increases with the increase in the changes in debt in the capital structure.

Source: Researcher' Compilation, 2021

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Table 12: Summary of Empirical Review

51	[51]	Impact of capital structure and firm performance of manufacturing firms in Nigeria.	The study used fixed effect regression model	The findings revealed that capital structure has positive and significant effect on financial performance of selected firms in Nigeria.

Source: Researcher's Compilation, 2021

Knowledge Gap

There is gap in data as previous studies could not extend to 2020. This present study used the most recent available data by the Central Bank of Nigeria (CBN) and National Bureau of Statistics (NBS) through their statistical bulletin thereby revealing the current situation between Nigerian capital market variables.

METHODOLOGY

Research Design

The researcher adopted ex-post facto design. The choice of the ex-post facto design was because the research relied on already recorded events, and researchers do not have control over the relevant dependent and independent variables they are studying with a view to manipulating them [71].

Sources and Nature of Data

This study made use of secondary data of time series covering a period of 20 years i.e. 2000 – 2020, which was obtained from Central Bank of Nigeria (CBN) statistical bulletin.

Model Specification

The main aim of this study will be to examine the impact of the Nigerian capital market in empowering diversification of the Nigerian economy. The model is specified of the functional form:

For Hypothesis One

$$\Delta LogGDP_t = \beta_0 + \sum_{i=1}^{p} \beta_{1\Delta} LMC_{t-1} + \sum_{i=0}^{p} \beta_{2\Delta} FDI_t + \mu_t \text{----------} \quad 1$$

Where:

GDP = Gross Domestic Product
MC = Market Capitalization
FDI = Foriegn Direct Investment (Used as Control Variable)
βo = Constant Term
β_1 = Coefficient of Market Capitalization
β_2 = Coefficient of Foreign Direct Investment
μ = Error Term

For Hypothesis Two

$$\Delta LogGDP_t = \beta_0 + \sum_{i=1}^{p} \beta_{1\Delta} LGDS_{t-1} + \sum_{i=0}^{p} \beta_{2\Delta} M2_t + \mu_t \text{----------} \quad 1$$

Where:

GDP = Gross Domestic Product
GDS = Government Development Stock
M2 = Broad Money Supply (Used as Control Variable)
βo = Constant Term
β_1 = Coefficient of Government Development Stock
β_2 = Coefficient of Broad Money Supply
μ = Error Term

For Hypothesis Three

$$\Delta LogGDP_t = \beta_0 + \sum_{i=1}^{p} \beta_{1\Delta} LASI_{t-1} + \sum_{i=0}^{p} \beta_{2\Delta} FDI_t + \mu_t \text{----------} \quad 1$$

Where:

GDP = Gross Domestic Product
ASI = All Share Index
FDI = Foreign Direct Investment (Used as Control Variable)
βo = Constant Term
β_1 = Coefficient of All Share Index
β_2 = Coefficient of Foreign Direct Investment
μ = Error Term

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Description of Model Variables

Dependent Variable

Gross Domestic Product:

Gross Domestic product (GDP) is the monetary value of all the finished goods and services produced within a country's borders in a specific time period.

Independent Variables

Government Development Stock:

These are securities issued by the Central Bank of Nigeria on behalf of the Federal Government of Nigeria. They comprise Nigerian Treasury Bills (NTB), Nigerian Treasury Certificates, Federal Government Development Stocks (FRN DS) and FGN Bonds.

Market Capitalization:

This is defined as the value of a company that is traded on the stock market, calculated by multiplying the total number of shares by the present share price.

All Share Index (ASI):

This is a statistical data computed to measure the changes in the value of commodities and securities.The NSE All-share Index is a total market (broad-base) index, reflecting a total picture of the behaviour of the common shares quoted on the Nigerian Stock Exchange.

Method of Data Analysis

Time series data covering a period of 20 years will be estimated using descriptive statistics, unit root test and Auto Regressive Distributed Lag Model.

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