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Capital Market Performance and Economic Development in Nigeria

Abu-Ubaida Ibrahim Kuna*, Abdullahi Isah Hassan, Amiru Ibrahim

Department of Accounting, Faculty of Management Technology, Abubakar Tafawa Balewa University, Bauchi

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***Corresponding author:** Abu-Ubaida Ibrahim Kuna

Abstract

The objective of this study was to empirically analyze the impact of the Nigeria capital market performance and her socio-economic development in the Country. The socio-economic development was proxy by the gross domestic product (GDP). While the capital market variable considered include stock market capitalization (SMC), stock market index (SMI), trade share (TS) and capital market saving ratio (CMRS). To ease understanding, the research is divided into five chapters. The study solely employed secondary source of data collection using the ordinary multiple regression analysis it was found that the capital market indices have not impacted significantly on the GDP. The government therefore advised to out up measures to stem up investors' confidence and activities in the market performance so that if could contribute significantly to the Nigerian socio-economic development, allocates these funds to projects of best return to fund owners. This allocative function is critical in determining the overall growth and development of the economy. The functioning of the capital market affects liquidity, acquisition of information about firms, risk diversification, savings mobilization and cooperate control. Therefore, by altering the quality of these services, the functioning of stock markets can alter the rate of economic development. Many efforts have been towards understanding the relationship between capital and the economic development of Nigeria. The capital market of every economy is setup for the attainment of specific objective which includes economic growth and stability; Data were collected and analyzed using multiple regression analysis. These include F-test to determine the significance of the individual variables and the second order test, which include test for autocorrelation, normality test and heteroscedasticity. The result of the study shows that the capital market has a positive and significant impact on the country's economic development. On the strength of this evidence, this work recommends that government should introduce policies to motivate and encourage the market. If these recommendations are efficiently implemented, the effectiveness of the Nigerian capital market will be enhanced.

Keywords: Capital Market Performance, Economic development, market capitalization, stock market index, trade share and capital market ratio.

INTRODUCTION

A capital market is a segment of a nation's financial system where the main article of trade is medium and long-term financial instruments. Such instruments are generally referred to as securities because of the level of confidence and assurance or guarantee it gives to the investor to the repayment of their principal. It is true that the rate of economic growth of any nation is inextricably linked to the sophistication of its financial market and especially its capital market efficiency. Financial market assists the nations of the world to master needed financial resources and skills for growth and development of their various economies [1].

According to Oluwatosin, Taiwo, and Yusuf [2]. The importance of capital market as an efficient channel of financial intermediation has been recognized by researchers, academicians, and policy makers as a primary determinant of the economic growth of a country globally. Previous studies Kolapo and Adaramola [3], Odetayo and Sajuyigbe [4]. Afees and Kazeem [5], Petru-Ovdiu [6] Osamuanyi [7] and Agarwal [8] agree with the view that efficient financial intermediation is crucial to economic development and positively influences growth and development.

The capital market can be seen as an engine of economic growth and development globally, Nigeria inclusive Oni [9] and Odetayo and Sajuyigbe [4]. It is made up of markets and institutions. With long-term financial intruments. Ozurumba and Ezeji [10] argue that the determination of the overall of an economy depends on how efficient, and effectively the capital market performs in its allocation and mobilization of funds. This is because the stock market mobilizes and savings and concurrently allocates a larger proportion of its funds to the firms with relatively high prospects as indicated by its rate of returns and level of risk. The importance of this function is that capital resources are channeled by the mechanism with relatively high and increasing productivity, thus, enhancing economic expansion and growth [11].

The major objective of this research work is to evaluate the performance of the Nigerian capital market in relation to its contribution to economic development.

Background of the Nigerian Capital Market

The history of Nigerian capital market could be traced to 1946 when the British colonial administration floated a N600.000 local loan stock bearing interest at 31/4 for the financing of developmental projects under the ten-years plan local ordinance. The loan stock, which had a maturity of 10-15 years, was oversubscribed by more than 1 million; yet local participation of the issued was terribly poor. As a result of poor local participation federal government established several economic programmes with hope pin foster economic and financial development, such a structural adjustment programme (SAP) 1986, vision 2020, millennium development goals (MDGs), National Economic Empowerment Development Strategy (NEEDS), State Economic Empowerment Development Strategy (SEEDS), and other development plans [4].

Recently capital market has experience unprecedented growth which was attributed to the banking sector reform of 2008-2009, Nwankwo [12], says that capital market has helped government and cooperate entities to raise loan term capital for financing new projects, and expanding and modernizing industrial and commercial concerns. Pedro and Erwan [13] assert that financial market development raises output by increasing the capital used in production and by ensuring that capital is put into best uses.

Statement of the problem

The capital market has been performing remarkably well with improvement in market capitalization index, trading value etc. however; the recent global economic downturn has rocked the market which forced share price to fall move and consequently made some investors lose confidence in the market. However, Federal Government, Central Bank of Nigeria (CBN) and other government agencies [1].

Olisaemeka [14], identifies the challenges of capital as: A global phenomenon that is the collapse of the world economy has not excused that of Nigeria. Many stock markets of countries such as United States, China, Japan, Russia, France and other are in serious trouble which makes the world indeed a global village. The Nigerian capital market is not insulated from this global malignant cancer. Another problem is to pull-out of various foreign investors that is many foreign investors that already have troubles in their home economies have pulled out of the Nigerian stock market leading to dumping of shares beyond the ability of domestic investors. Lack of infrastructures and high production cost which makes the cost of doing business in Nigeria to be high. Impact of commercial banks is another challenge because following the forced capitalization of banks to a minimum of N25million. Almost all banks utilize and accessed the capital market to raise fund. Avalanche of private placement offers that is a number of private companies did private placement of their shares at lower prices while they sought or intended to seek quotation of their shares at higher value on the NSE, thus making such private placement very attractive. This lured investors to dispose or dump their shares in the secondary market. Inability of the Federal Government to plot a bailout option due to purely private affair, that is, the government lacked the wisdom to examine the socio-economic implications and chain effects of a failed capital market.

The capital market has undergone tremendous reforms in recent years. Among these is the introduction of Central Securities Clearing System (CSCS) an automated clearing: and Settlement and delivery system aimed at easing transactions and fostering investor's confidence on the market. Equally important is the linking of performance information on the Nigerian Stock Exchange (NSE) to Reuters International System in order to disseminate relevant market information to subscribers. However, poorly functioning capital markets typically are illiquid and expensive which defers foreign investors [2].

Backaert *et al*. [15] analyze that capital market development would lead to a 1% increase in annual real economic growth. Studying the link between domestic stock market development and intermediation, Lessees *et al*. [16] using a panel data technique concluded that domestic stock market development as well as stock market intermediation are positively influenced by the GDP per capital of the stock market liberalization, the capital account liberalization and the county growth opportunities and negatively influenced by the government deficit/GDP ratio. Ekundayo [17] argues that a nation requires a lot of local and foreign investments to sustainable economic growth and development. The capital market provides a means through which this is made possible [4].

OBJECTIVES OF THE STUDY

The major aim of this research work is to evaluate the performance of the Nigerian capital market in relation to its contribution to the economic development of the country. Other specific objectives are to:

- Access the role of stock market to economic development of Nigeria.
- Examine the relationship between the stock market capitalizations to economic development of Nigeria.
- Evaluate the impact of trade share to economic development of Nigeria.
- Assess the relationship between capital market and savings ratio to economic development of Nigeria.

CONCEPTUAL FRAMEWGRK AND LITERATORE REVIEW

This chapter discusses the capital market, its definitions by different authors. The concept of economic development as preferred by different authors. Also, capital market performance, its variables, the Nigerian Securities and Exchange Commission (SEC), As well as the Nigerian Stock Exchange are also discussed with their functions and roles in the performance of the Nigerian capital market and its relationship to economic development of the country. Review of empirical studies is also highlighted in the chapter.

CONCEPT OF CAPITAL MARKET

Capital market is de fined as the market where medium to long-term finance can be raised Akingbohungbe [18]. Ekezie [17] noted that the capital market is a market for dealings (ie lending and borrowing) in which long-term funds are Osamwonyi [19], sees capital market, as an exchange system setup to deal in long time credit instrument of high quality**.** The dealing in this is high quality instrument facilitates the execution to In conclusion, we can say that capital market is a market that facilitates the buying and such as shares and bonds and it also performs two invaluable functions liquidity and providing securities.

ECONOMIC EVELOPMENT

The bottle line of economic development is about building prosperity. A high and rising standard living of productivity and productivity growth are the fundamental drivers of prosperity, and innovation is the key driver of productivity. The purpose of economic development should be in supporting innovation, increasing prosperity for business and ensuring workers have the skill to remain the most productive workspace in the world [15].

According to porter [9] "economic development is a long term process of building a number of" number of interdependent macro-economic capabilities. Anyanwuoda [13], views economic development as a process by which society, sustained over a given time is associated with substantial reduction on poverty and unemployment, level, and income inequality and incentives to support more advance forms of competition.

CAPITAL MARKET PERFORMANCE

Many developed economies consider investment as the most important factor in the development process. Even the World Bank [20] acknowledged that economic development without a well- developed domestic financial market would be detrimental to the long run growth prospects of developing countries. Oni [9] argues that the capital market is an engine of economic development. Following the same line of argument is Claassen's and Leaven [21] who state that there is a close correlation between per capital income and the capital market while demirgue- Kunt and Levine [22] contend that the level of stock market development does a good job in predicting the future economic growth.

Stock Market Capitalization

According to Goody [23], Stock market capitalization measures the amount wealth held in securities and its |an indication of the financial base of the market. Ballama [24], further states that this is the most widely used indicator in assessing the size of a capital market to an economy. The total market value of 264 securities listed on the exchange increased by 56.9% from N7.03 trillion to stand at N1.2 trillion by year end. The rise in market capitalization resulted mainly from new listings of equities and state government bonds coupled with price appreciation by equities. Market capitalization had in 2009 declined by 26.5%.

STOCK MARKET INDEX

Goody [23], states that, Stock market index is an aggregate value produce by combining several stocks together and expressing their total value against a base value from a specific date. Stock market index are intended to represent am entire stock market and thus track, the market changes Over time, it started with an index value of 100 in 1984 with increase listings and financial activities Ballama [24], further state that the Nigerian stock exchange all-share index increased by 3.943. 5 points in 18.5% to close at 24.770.52. The NSE ASI had in 2009 dropped by 33.8% or 10.623.61 points at 20.877.17. The performance of the index reflects. The increased in the price of quitted equities during the year.

Trade Share

Goddy [23] say that trade share indicates the level of activities that is, the rate at which securities are bought and sold. The value of total volume of transactions on the exchange close the year at N797.551 billion (or 3.22% of GDP). Hence, while value traded rose by 16.3% volume trapped dropped by 9.25% from the 102.85 billion value at N685.72 billion (2.9% of GPD) recorded in 2009 dropped by 46.75% and 71.43% respectively. Average daily activity dripped from 414.73 million shares with N2.8 billion in 2009 to 377.9 million shares valued at N3.2 billion in 2010 Ballama [24].

The value of total volume of transactions on the exchange in 2008 is 102.852 billion while for 2011, 2012, it was N1810.39 billion and N195.36 billion respectively [25].

Capital Market Savings Ratio

It indicates the level of savings that is the rate at which the capital market relates its savings and liquidity Goddy [23]. The decline in deposit interest rates during the first quarter enable the stock market to recover some of the losses recorded during the preceding years. we note however that the investors permission that was widespread after two consecutive years to losses in 2008 and 2009 gradually gave way to cautions optimum as the various confidence building measure initiated by the regulatory authorities such as the introduction of asset management company of Nigeria (AMCON), zero tolerance for market infractions and compliance with past listing requirements begin to yield results, despite the 25 basis parts increase in the monetary policy rate (MPR) and the subsequent rise in interest rate in September most stock market indicators rendered positive changes during the fourth quarter. Ballama[24].

In 2008, changes in the capital market saving ratio is 18.5% and it increases to 33.8% in 2009. In 2010, the changes in capital market saving ratio is 16.31% which drop to 9.52% in 2011 and also declined to 7.33% in 2012 [26].

THE NIGERIAN SECURITIES AND EXCHANGE COMMISSION (SEC)

The origin of Security and Exchange Commission date back to 1962, when an ad-hoc consultative and advisorybody known as the Capital Issues Community was established under the aegis of the CBN, its mandate was to examine the application from companies seeking to raise capital from the capital markets are recommend the timing of such issues to prevent issues clustering which could overstretch the market capacity. The committee operated within the central bank of Nigeria unofficially as a capital market consultative and advisory body with no regulatory framework.

An increase in the level of economic activities, coupled with the promulgation of the Nigerian enterprise’s promotion decree in 1972, necessitated the establishment of a body blocked by law to regulate capital issues commission to take over the activities of the capital issues committee. The capital issues commission was established with the promulgation of the capital issues commission decree in March 1973.The new body had about 9 members, including a representative of the CBN who served as the chairman while the other 8 members were drawn from some federal ministries, the industrial and financial sectors of the economy.

THE NIEGRIAN STOCK EXCHANGE (NSE)

The Nigerian Stock Exchange was established in 1960 as the Lagos Stock Exchange (LSE). In December 1977, it became the Nigerian Stock Exchange, with branches established in some of the major commercial cities of the country. At present, there are six (6) branches of the NSE. Each branch has a trading floor. The branch in Lagos was 2pened in 1961, Kaduna 1978. Port Harcourt 1980, Kano, 1989: Onitsha February 1990; and Ibadan August 1990; Abuja. October 1999 and Yola, April 2002. Lagos is the head office of the exchange.

EMPIRICAL STUDIES ON CAPITAL MARKET PERFORMANCE AND ECONOMIC DEVELOPMENT

Ewah *et al*. [27] appraised the impact of capital market performance on economic development of Nigeria using time series time from 1970 to 2010. They found that the capital market in the Nigeria has the potential of development but it has not contributed meaningfully to the economic development of Nigeria because of low market capitalization, low absorptive capitalization, illiquid, miss-appropriation of fund among others. Harris [28] did not find hard evidence that stock market performance affect the level of economic development. And also osinubi and Amaghaiyediwe [7] examine the relationship between the Nigerian stock market and economic growth during the period 1990-2008.

Pedro and Erwan [13] assert that financial market development leads to economic development and Abdullahi [29] also agrees with the assertion that capital market performance in Nigeria is an engine to her economic development. Moreover, Agarwal [8] argues that financial sector development facilitates capital market performance, and in turn raises real development of the economic. In the same vein, Kolapo and Adaramola [3], found that Nigerian capital market performances has significant relationship with economic development. Obamiro [30] cited in Kolapo and Adaramola [3], investigated the role of the Nigerian stock market in the light of economic development, the authors revealed that there is significant positive effect of stock market on economic development, and further suggested that government should create more enebling environment so as to increase the performance of the stock market to attain higher economic development.

HYPOTHESIS OF THE STUDY

The following null hypothesis is framed from the objectives of the study:-

Hypothesis One

H02 stock market index does not affect economic development

Hypothesis Two

Ho2 there is no any relationship between stock market capitalization and economic development.

Hypothesis Three

H03 trade share does not affect economic development

Hypothesis Four

H04 there is no any relationship between capital market saving ration and economic development.

METHODOLOGY

The methods and procedures used in obtaining data and any necessary information regarding this research work. We discussed the statistical tool of analysis used in analyzing the data gathered as well as the variables of the study.

RESEARCH DESIGN

The research design conducted by this study is non survey to access capital market performance and economic development in Nigeria

POPULATION OF THE STUDY

The population of the study chosen is the Nigerian stock exchange which covers the entire trading floor found in the country's capital market. At present, there are six trading floors in the Nigerian stock exchange which are: the trading floor in Lagos which was opened in 1961, Kaduna trading floor in 1978, opened in 1961, Kaduna trading floor in 1989, Onitsha floor in 1990, Ibadan floor in 1990, Abuja floor in 1999 and Yolafloor in 2002. Lagos is the head office of the exchange [23].

METHODS OF DATA COLLECTION

The study uses time series in carrying out its empirical research on the effect of capital market performance and economic development in Nigeria. The data used for this study were time series secondary data which cover the period of five years. Data on all the variables are 29 sourced from the Central Bank of Nigeria's statistical Bulletin and daily listening of equities and Fact Books. They include data on capital market performance, economic development, market capitalization, and stock market index trade share and capital market ratio.

VARIABLES OF THE STUDY

We have two variable of the study; Dependent variables (economic development proxy) and independent variables (capital) market performance proxies).

DEPENDENT VARIABLES

(GDP to market Index)

Growth domestic product is the dependent variable that affects the independent variables to changes in the development of the capital market performance to economic development. The independent variable employed in this study is stock market index, stock market capitalization, and trade share and capital market savings ratio.

INDEPENDENT VARIABLES

The independent variables are the process for assessing the capital market performance which is: -
Variable one: stock market index (SMI)
Variable two: stock market capitalization (SMC)
Variable three: trade share (TS)
Variable four: capital market savings ratio (CMSR)

STATISTICAL TOOL OF ANALYSIS

Regression analysis is a method of ordinary least squares attributed to Carl Friedrich Gauss, a German mathematician. The basic framework of regression analysis is the classical linear regression method (CLRM). This statistical procedure is used to develop a mathematical equation showing how variables are related. The value which is being predicted by the mathematical equation is called dependent variable. The regression analysis is therefore used to test the extent by which the independent variable explains the dependent variable is known as simple regression analysis while a regression analysis between three or more variables is known as multiple regression analysis. This research work will employ the use of multiple regression analysis due to the multiple variables of the capital market performance and economic development in Nigeria. The multiple regression analysis is depicted mathematically as; $Y=a+B1\ X1+\beta 2\ X2+\beta 3\ X3+\beta 4\ X4+\beta n\ Xn+\sum i$

Where:

Y = Dependent Variable
a= Constant.
$\beta 1$ X1= Change in Independent variable SMI is proportionate to change in GDP
$\beta 2$ X2= Change in Independent variable SMC is proportionate to change in GDP
$\beta 3$ X3=Change in Independent variable TC is proportionate to change in GDP
$\beta 4$ X4= Change in Independent variable CMSR is proportionate to change in GDP
Bn Xn = Total change in Independent variables will result as a change in the GDP
$\sum I$ =Error term

MODEOL SPECIFICATION

The model is based on demirgue-kunt and Levine [22], Levine and Zervos [31] Demirgue-kunt *et al*. [22] and Ewah *et al*. [27] which have investigated linkage between capital market performance and economic development in Nigeria. Model which specifies that the socio-economic development (proxy by Gross domestic product) is significantly influence by the capital market variables (stock market index, stock market capitalization, and trade share and capital market savings ratio) is formulated as follows.

GDP =a+ β1 SMI + β2 SMC + β3 TC +β4 CMSR + ∑i
Where:
GDP = Gross Domestic Product
a = Constant
β1 SMI = Stock Market Index i
β2 SMC = Stock Market Capitalization
β3 TC = Trade Share
β4 CMSR = Capital Market Saving Ratio
∑I = Error term

RESULT AND DISCUSSION

Explaining the process of economic development is an intricate issue, this is because many variables can be used to explain the relationship of the capital market performance and economic development in Nigeria. However, the link between capital market performance and economic development is derived from the services of stock market to the economy as a whole. For instance, it helped in mobilizing resources is the most efficient way to competing sectors of the economy.

Stock Market Capitalization

A common index often used is a measure of capital market size is the market capitalization. Stock market equals the total value, of all listed shares. In term of economic significance, the assumption is that market size and the ability to mobilize capital and diversify risk are positively correlated. For the five years covered by the study (2008-2012), the average stock market capitalization was 10,574 trillion Naira with highest capitalization of 14.800 trillion Nairas in 2012 and lowest capitalization of 7030 trillion Naira in 2009. The trend is shown in table 4.1

Adeyemi [1], identified a number of factors that account for lack of interest by Nigerian companies in being listed in the exchange as high cost of public quotation, reluctant to dilute ownership and control through public quotation, the interest rate structure in the past which favored debt financing over equity financing and also, stringent requirement for listing.

Stock Market Index (SMI)

SMI is an aggregate value produce by combining several stocks together and expressing their total value against a base value. They are intended to represent an entire stock market and thus, track the market, changes over time. This increasing trend continued until 2008 when it decreased from 31,480.78 to 20877.17 in 2009 and increase to 24770.52 in 2010. This is due to the problem of global economic crises in percentage term, the figures represent an annual percentage change of 18,9%, - 16.3 and 35.4% in 2010, 2011 and 2012 respectively. 'The trend is shown in table 4.2

Tabie-4.1: NSE all shares index percentage change (2008-2012)

YEAR	INDEX	CHANGE%	Cumulative change (%)
2008	31480.78	**-41**	**29**
2009	20827.17	**-33.8**	**-4.8**
2010	24770.52	**18.9**	**14.1**
2011	20730.63	**-16.3**	**-2.2**
2012	28078.81	**35.4**	**33.2**

Source: Nigerian Stock Exchange fact book 2008

35 4.2.3 Trade share

The market turnover in 2012 at the exchange closed at 195.36 shares worth 14,800 trillion respectively on the volume and value of shares traded in 2012 was linked with the internationalization of the stock market, which recorded the first foreign listing on the Nigerian stock exchange. This represents a breakthrough in the exchange control of the stock market, at the same time enhancing opportunity for portfolid diversification by domestic investors. The world stock market performance review in 2012 showed that the Nigerian stock market was ranked 73 out of 97 countries-based percentage change in the price indices in us dollars: 78 out of 105 countries were ranked by turnover ratio; and 87 out of 100 based on average company size. Also, based on the market capitalization, value traded, and a number of listed domestic companies in 2012.

Table-4.2: Growth in the number of listed securities 2008-2012

Year	Government Stock	Industrial band	Equities	total	Percentage change
2008	22	60	182	264	-4.34
2009	19	59	186	264	0.00
2010	15	58	196	269	1.89
2011	13	57	202	272	1.11
2012	10	56	206	272	0.00

Source: Nigerian stock exchange, fact book 2008

Capital Market Savings Ratio

CMSR indicates the level of savings ie the rate which the capital market relates its savings and liquidity Goody [23]. It is important indicator of stock market development because it signifies how the market helped in improving the allocation of capital and thus enhancing the prospects f long term economic growth. This is possible through the ability of the investor to quickly and cheaply alter their portfolio thereby reducing the riskiness of their investment and facilitating investments in projects that are more profitable though with a long eemation period. Two main indices are often used in the performance and rating of the stock market: total value traded: and turnover rate.

Table-4.3: Regression result

YEAR	GDP	SMC (BILLION)	SMI	TS (BILLION)	CMSR
2008	674889	9560	31480.78	102.852	18.50%
2009	716949	7030	20827.17	685.72	33%
2010	801700	11200	24770.52	302.11	6.31%
2011	901300	10280	20730.63	181.39	9.52%
2012	1067650	14800	28078.81	195.36	7.33%

Source: Nigerian Stock Exchange: fact book

GDP = a+β1SMI + β2SMC + β3TC β B4CMSR + ∑I

GDP = ao + β i (SMC) + β2 (SMI) + β3 (TS) +By (CMSR)

Table-4.4: Regression Results

Dependent variable GDP				
Variable	Coefficiet	Std. Error	t-Statistic	Prob.
C	1153761.	NA	NA	NA
SMC	-142.6248	NA	NA	NA
SMI	74.99094	NA	NA	NA
TS	3259.559	NA	NA	NA
CMSR	-9791375.	NA	NA	NA
R-squared	9.0000	Mean dependent var		832497.6
S.D. dependent var	157457.0	Akaike info criterion		29.50489
Sum squared resid	6.08E-15	Schwarz criterion	-29.89545	
Log likelihood	78.76222	Hannan-Quinn criter.	-30.55312	

Source: computed using eviews version 7

Regression estimation equation

GDP = 1153760.8721 - 142.624799964*SMC + 74.9909423147*SMI + 3259.5593842*TS - 9791374.82831*CMSR

INTERPRETATION

The result above with an R-square of 90% and hence there was no adjusted R-square, 100% of GDP is explained by SMC, SMI, TS, CMSR. The coefficient of the SMC is -142.6248 implying a negative relationship between the gross domestic product and the stock market capitalization a degree change in SMC will lead to 142.6248 decreases in GDP, the coefficient of SMI is 74.99094 meaning a degree change in stock market index will lead to a 74.99094 change in gross domestic product. A degree change in TS will lead to a 3259.559 change in GDP. While the CMSR which stood at -9791375 also has an inverse effect on the GDP as indicated by the negative sign, a degree change in CMSR will lead to -9791375 changes in GDP at the opposite direction, if CMSR increases GDP decreases. With a D-W statistics of 2.33 with an n=5, indicating no autocorrelation.

RECOMMENDATION AND CONCLUSIONS

The study examines whether capital market promotes economic growth in Nigeria. The study from the regression results, confirms that there exists positive relationship between economic growth and measures of stock market development used. However, these relationships are statistically significant. This in essence means that the effect of stock market on economic development is weak and insignificant. This is in line with Alile (1984) assertion that the Nigerian stock market contribution to gross fixed capital formation was very minimal fluctuating between 2.9% and 15.3% between 1971 and 1980.

Based on the findings of the study, the following conclusions are drawn

- There is negative relationship between the stock market capitalization (SMC) and the gross domestic product (GDP) which implies that the stock market capitalization does not support the capital market performance in developing the economy. Therefore, it has less impact towards development.
- There is positive relationship between the stock market index (SMI) and the gross domestic product (GDP). This implies an increase in the index will increase the capital market performance and hence increase in the GDP which leads to development.
- Trade share also have a positive relationship with the GDP. Which implies that trade shares leads to an increase in the capital market performance which increases the GDP level.
- Capital market savings ratio has a negative relationship with the GDP which shows that it does not affects the level of GDP and hence economic development.

RECOMMENDATION

Based on the findings of the study, the following recommendations are drawn.

- Due to the negative relationship between the stock market capitalization and the GDP, there should be improvement in the declining market capitalization by encouraging more foreign investors to participate in the market, maintain state of the art of technology like automated trading and settlement practices, electronic fund clearance and eliminate physical transfer of shares
- The positive relationship between the stock market indexes has contributed fairly in the capital market performance hence, there is a need to improve the total listing in the NSE because it's still less compared to other stock exchanges like South Africa and Egypt. Therefore, to increase the number of listed companies there is need to ensure stable macroeconomic environment, encourage foreign, multinational companies (MNCs) or their subsidiaries to be listed on the Nigerian stock market. Relax the listing requirements to the first-tier market and ensure tax rationalization in the capital market to encourage quotation and public interest in share holdings. For new issues, increase the minimum equity capital requirement for companies other than banks. Insurance companies and other financial institutions, encourage merger and consolidation, discriminatory income tax in favour of public quoted companies and aggressive enlightenment programmed to increase awareness of the benefits of investing in the capital market and seeking quotation at the stock exchange.
- The negative relationship between the trade share and GDP is a good step in ensuring higher capital market performance to the economic development but there is need to boost the value of transactions in the Nigerian capital market, there is need for the availability of more investment instruments such as derivatives, convertible, future ways options in the market.
- Lastly the positive relationship between the ecieneal market savings ratio and the GDP effects the capital market performance hence, there is need for the stock market to operate in a micro-economic environment, it is therefore necessary that the environment must be an enabling one in order to realize its full potentials.

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