

Capital Market Performance Indicators and Economic Growth in Nigeria

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Abstract:-This work examines the impact of the capital market on the economic growth of Nigeria. Data sample of 31 years from 1985 to 2015 was extracted from the Central Bank of Nigeria Bulletin and the linear regression method of econometric analysis was used for the study. To capture the capital market, we employed market capitalization, all share index, trade volume and trade value while GDP at current basic price was used as proxy for the Nigerian economy. The major findings of the research reveal that all 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 suggests that the capital market will need to embrace innovation and adopt fairness in information management in order to attract investors and the confidence of the investing public.

Keywords: Nigeria Capital Market, Market Capitalization, All Share Index, Number of Deals.

I. INTRODUCTION

The Nigerian Capital operating under Nigeria Stock Exchange is a major player in the market for sourcing long term funds and exchange of securities. The instruments traded in the capital market are referred to as capital market instruments. They are usually securities with life span above one year. The Nigerian Stock exchange is the center point of the Nigerian Capital Market. It provides a mechanism to mobilize private and public savings as well as making such funds available for productive purposes (Olusegun, Oluwatoyin, & Fagbemi, 2011).

The financial system is large, broad and consist quite a lot of financial institutions. Some of the institutions that male up the financial system in Nigeria include the Central Bank, Commercial banks, Pension Fund Administrators, Discount Homes, Mortgage Houses, Brokerage Firms, Mutual fund Houses, and The Nigeria Stock Exchange. Abu (2009) opines that the various financial institutions trade in financial instruments varying from international and domestic currency, stock and bonds, financial derivatives and so on, and in the process muster funds from surplus unit investment purposes. This helps business corporations to increase investment and expand production, and eventually step up economic growth.

The Capital market is a highly specialized and organized financial market and indeed essential agent of economic

growth because of its ability to ease and muster investment and savings. Atoyebi, Ishola, Kadiri, Adekunjo, and Ogundeji, (2013) defines Capital Market as a network of specialized financial institutions, series of mechanism, process and infrastructure that facilitates the contact between suppliers and users of medium to long term capital for investment in the economy.

It becomes certain that one channel with which funds are channeled for investment purposes is the capital market. No wonder, Idenyi, Anoke, Onyeisi, and Chukwu, (2017) opine that the capital market transfer idle savings and cash from suppliers of capital such as institutional investors and retail investors to end users of such funds such as government, individuals and corporate businesses. Capital markets are vital to the functioning of an economy, since capital is a critical component for generating economic output. Capital markets include primary markets, where new stock and bond issues are sold to investors and secondary markets, which trade existing securities (Idenyi, et al. 2017).

Whether a nation succeeds in capital accumulation is a function of several factors. It is largely a function of domestic savings available and foreign capital inflows (Noko, 2018). Therefore, to prevent the danger of economic decline, deliberate efforts towards effective capital accumulation becomes necessary. However, it must be stressed that the rate of economic growth of any nation is also a function of the sophistication of the capital market especially as it concerns market efficiency a country (Atoyebi, et al. 2013).

Undoubtedly, the capital market is a dependable channel for mustering idle funds but the overriding consideration in this research will be to examine the role of the capital market performance indicators in harnessing and mobilizing these financial resources for activities capable of creating economic values that result in growth in the country.

1.1 Statement of Problem

Several works have been done on the subject with mixed results. Studies reveal that the argument in the literature on the growth effects of capital market has not been adequately resolved. The inconclusive nature of these theoretical and empirical studies provides the basis for a further empirical investigation on the role of capital market in economic growth. Hence, this study was needed.

Some evidences from past research work on this subject reveal a positive and significant link between Capital Market and Economic Growth (Ariyo & Adelegan, 2009; Osazee 2000.), other studies do not find any empirical evidence to support the conclusion that capital market has a positive relationship with economic growth (Ewah, Esang, & Bassey 2009; Donwa & Odia, 2010).

It does also appear that the capital market neither contributes positively nor negatively to growth as found in some studies. For instance, Owusu, (2016) examined the relationship between stock market evolution and sustainable economic growth in Nigeria, employing Auto-Regressive Distributed Lag, finds that, in the long run, stock markets have no positive and at best mixed effect on economic growth in Nigeria. This mixed contention in extant literature on the impact of the stock market on economic growth in Nigeria and developing nations forms the basis for this study.

1.2 Research Questions

- Is there any significant relationship between market capitalization and economic growth in Nigeria?
- Does All Share Index have any significant relationship with economic growth of Nigeria?
- Does Number of Shares have any significant relationship with economic growth of Nigeria?
- Is there any significant relationship between value of traded stocks economic growth in Nigeria?

1.3 Objective of the Study

The broad objective of this study is to examine the activities and performance of Nigerian capital market. The specific objectives of the study are as follows:

1. Evaluate the long-run relationship between selected capital market variables and Nigeria's economic growth.
2. Empirically investigate the impact of the identified variables on Nigeria economic growth.

1.4 Research Hypothesis

The hypotheses to be tested are stated in null form as:

H₁: Market Capitalization does not have significant relationship with economic growth in Nigeria.

H₂: All Share Index does not have significant relationship with economic growth in Nigeria.

H₃: Number of Deals and Economic Growth in Nigeria are not significantly related

H₄: Value of Deals and Traded Stocks does not have significant relationship with economic growth in Nigeria

1.5 Significance of Study

This research work focused on the relationship between capital market instruments and Nigerian economic growth. It will contribute to existing literature on the subject matter by

investigating empirically the role, which the capital market plays in the economic growth and development of the country.

1.6 Scope of Study

This work did not cover all the various sectors that make up the financial system, but focus only on the capital market, major performance indicators, and its activities as it impacts on the Nigerian economic growth. The following variables were used to capture capital market indicators (Market capitalization, all share index, Number of deals and Value of Deals). The period captured by the data is restricted to 1985 and 2015. The choice of this date range is to ensure uniformity of years as data was not available for some of the proxies. Finally, the work is an improvement on Abu (2009).

II. REVIEW OF RELATED LITERATURE

Financial systems play a vital role in the development and growth of national economies all over the world. This is not an overstatement. The Stock Market is one aspect of the financial systems and it is a specialized financial market with acclaimed capacity to facilitate and mobilize savings and investment for economic and industrial growth (Ihendinihu, & Onwuchekwa, 2012). The capital market is a market for trading on long term securities. It is no doubt pivotal to the level of development and growth of the economy. Chinwuba and Amos, (2011) note that capital market is one of the major institutions that act in propelling a prostrate economy through sustainable investments for growth and development.

There has been increasing and deliberate effort to develop the capital market all over the world especially developing countries. For instance the Nigerian government has made several reforms on the Nigerian Stock Exchange market with the intention to make it more competitive and efficient.

Some of these reforms include automation of surveillance, implementation of market quality analysis, revision of share buyback policy, updated penalties for violations, development of NASDAQ OMX X-stream trading platform, feeds, subscriptions and reports for market participants, new data policy, new corporate database, a new website to enable access and market information for investors and all stakeholders (Onyema, 2012).

2.1 Background of the Nigeria Stock Exchange

The Nigerian Stock Exchange (NSE) initially known as the Lagos Stock Exchange which was established by Lagos Stock Exchange Act of 1960. The company was incorporated on September 15, 1960 and commenced full operations on June 15, 1961 with 19 securities listed for trading.. The Nigeria Stock Exchange took on its present name in 1977 with the existence of over six trading floors located in major business locations in Nigeria. The initial trading floors and the opening dates are:

- Lagos opened in the year 1961
- Kaduna opened in the year 1978

- Port Harcourt opened in the year 1980
- Kano opened in the year 1989
- Onitsha opened in the year 1990
- Ibadan opened in the year 1990
- Abuja opened in the year 1999
- Yola opened in the year 2002

The Nigerian stock exchange has over 13 branches now with all of them having operational trading floors.

As at 2012, only 199 companies were listed in the stock market. This figure however, increased to 251 in 2016. The Nigeria Stock Exchange 2nd quarter 2016 fact sheet shows that 3 of the listed companies represented premium board equities, 168-main board equities, 9-AseM equities, 7-traded products, 17 – Federal Government of Nigeria Bonds, 22 – Corporate Bonds, 23 - State Municipal Bonds and 2 – Supranational Bonds. However in 2018, listed companies increased to 288. Further increase is expected in the year 2019 considering the performance of the market and the confidence the public and private companies now have in the capital market.

The main functions of the Nigerian Stock (Exchange) market include among others- providing opportunities for the offerings of shares and stocks to the public; assisting both public and private sectors of the economy to raise capital for expansion of businesses and development projects; encouraging and promoting the buying and selling of shares and stocks and other securities, so as to ensure adequate liquidity within the stock exchange; promoting the indigenization decree by encouraging Nigerians to buy into the shares of foreign companies; encouraging the saving and investment behaviour of Nigerians; making the Nigerian stock market attractive to foreign investors; and protecting shareholders and other participants from sharp practices that may arise during transactions on the stock exchange (Abu, 2009)

The Capital Market is a market for selling and trading in long term securities. This is different from the money market where short term securities are traded. Okereke, (2000) describes the capital market as constituting of market and institutions that facilitates the issuance and secondary trading of long-term financial instruments but describes the money market as a market for short-term facilities and obligations with maturity vary from one day to a year. Furthermore, the capital market provides government at all levels an effective way of financing public projects; thus playing a vital role in stimulating industrial as well as economic growth and development (Okereke 2000; Osazee, 2000)

In a study on stock market development and economic growth in India, Srinivasan, (2014), using the cointegration and causality tests for the period June 1991 to June 2013, confirms a well defined long-run equilibrium relationship between the stock market development indicators and economic growth in India. The results show bidirectional causality between market capitalization and economic growth and unidirectional

causality from turnover ratio to economic growth in the long-run and short-run.

In a study on emerging stock markets performance and economic growth in Iran, Seyyed, (2010), presented a systematic investigation of the relationship between the two variables within the 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.

A study of 5 Euronext countries (Belgium, France, Portugal, Netherlands and United Kingdom) for the period 1995:Q1 to 2008:Q4, Ake and Dehuan (2010) explore the causality relationship between stock market and economic growth in these countries and found that stock market proxies (market capitalization, total trade value, turnover ratio and economic growth exhibited a significant relationship. Causal relations were investigated for each country. The results of the study suggest a positive links between the stock market and economic growth for some countries for which the stock market is liquid and highly active.

Furthermore but relative to Nigeria, Atoyebi, et al. (2013), in their study of the impact of capital market on economic growth using annual data ranging from 1981 - 2010, used both the Ordinary Least Square and Vector Auto Regression technique, and found that a percentage increase in market index and market capitalization both results in an average of 33.7% and 44.8% increase in real GDP. Olokoyo and Ogunnaike, (2011), reveal a negative relationship between number of deals in the stock market and Gross domestic growth of Nigeria. A 100% increase in NOD will reduce the GDP by 116%, and because of this gap, it won't be wise for the Nigerian government to use NOD to measure her performance and her economic growth due to the present cause of the crisis in the stock market. They however, found a positive relationship between market capitalization and economic growth.

Osinubi and Amaghionyeodiwe (2003), also examined the relationship between the Nigerian stock market and economic growth during the period 1980- 2000. Unfortunately, their results did not support the claim that stock market development promotes economic growth. Earlier, Nyong (1997) analyzed the relationship between capital market development and economic growth. The author used various indicators of stock market development (like market capitalization-GDP ratio, total value of transaction-GDP ratio, value of transaction-GDP and listings) to capture capital market development. He also included the degree of financial market depth in the growth model. The results revealed a negative effect on economic growth of capital market development. This conclusion is in tandem with the findings of Olusegun et al (2011), who revealed a negative relationship between market capitalization and economic growth.

2.2 Empirical Review

Okonkwo, Ogwuru, and Ajudua, (2014), in their work on Stock Market Performance and Economic Growth in Nigeria looked at determining the role and contributions of the stock market to economic growth in Nigeria using data from 1981 to 2012 and the Johansen co-integration test to estimate the long-term equilibrium relationship among the variables. They conclude that, although the stock market size remains a very important indicator in measuring the stock market impact on economic growth, their study reveals that Nigeria's stock market size, with an average of 250 listed companies, exerts significant influence on economic growth and that economic growth and stock market capitalization have no causal relationship.

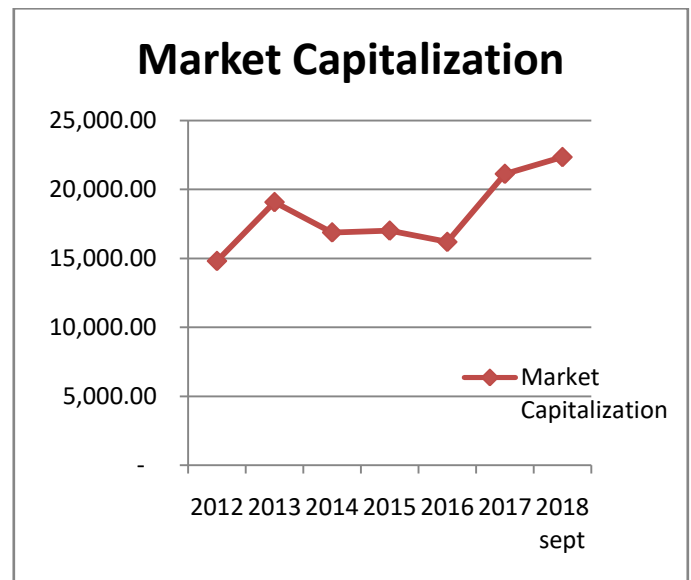
However, there are some findings that found a negative or insignificant relationship between Market capitalization and economic growth. In their work, Yadirichukwu and Chigbu (2014), adopts a time-series research design relying extensively on secondary data covering 1985 -2012. The study utilizes regression analysis as data analysis method incorporating multivariate co-integration and error correction to examine characteristics of time series data adopting disaggregate the capital market indices approach opine that there is no positive relationship between market capitalization and economic growth in Nigeria. Similar, Ewah, et al. (2009), in their appraisal of the capital and economic growth in Nigeria conclude that the stock market has potentials to induce economic growth but that not much has been achieved in Nigeria as a result of a very low market capitalization, small size of the market, illiquidity, low volume of transactions and few listed companies. Araoye, Ajayi, and Aruwaji (2018), in their work on the impact of stock market development on economic growth in Nigeria found that the stock market has impacted insignificantly on growth.

Under a crisis situation, a major drop in market capitalization is expected and this has significant negative effect on economic growth. This is further confirmed by Olokoyo, and Ogunnaike, (2011), who opine that stock market crisis has a highly significant effect on Nigeria's economic growth.

For the Nigeria capital market to achieve its full potentials, Taiwo, J.N., Alaka, A., & Afieroho, E. (2016), recommend that 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.

Although Market Capitalization fell early 2000s as a result of the major economic meltdown witnessed world over, stock prices fell and investor's confidence dropped. However, results of the Market capitalization trend in the last five years show a constant increase and improvement. For instance, Total market capitalization as at 2012 stood at N14.8trillion.

However, it closed with N21.12trillion in the year 2017. As at end of 3rd quarter 2018, market capitalization stood at N22.3trillion. A further rise is expected after the 1st quarter 2019. This constant rise in the author's opinion is likely due to the improvement and reforms the Nigerian stock exchange has undergone in the last 10 years which has attracted investors both locally and internationally.



Source: Author's Computation (2019)

Onyekachi and Odi (2013), examined the impact of capital market reform on the growth of Nigerian economy. The capital market reform was proxied by Market Capitalization, All Share Index and Total Volume of Transaction on the growth of Nigerian economy proxied by gross domestic product (GDP). The study posits that the economy will grow well and at a speedy rate if capital market reforms are effective. This is true as revealed in Olusegun, et al. (2011), that all share index (ASI) and economic growth exhibit a positive relationship. This implies that capital market only performed poorly in the era of global economic meltdown; causing loss of investor's confidence.

An attempt to provide further evidence on the relationship between stock market capitalization and economic growth using recent data from a sample of African countries with well-functioning stock markets, Mohammed (2015), employed a dynamic panel estimation approach with a view to assessing the relative impact of stock market capitalization on economic growth in Africa. The results from the study reveal positive and significant relationship. The findings further explains that raising stock market capitalization by a marginal average of 10% induces growth on average by 5.4% in countries studied.

Taiwo, et al. (2016) reviewed the nature of relationship between market capitalization rate, total value of listed securities, labor force participation rate, accumulated savings, capital formation and economic growth. The study revealed

that there is a significant relationship between the dependent and explanatory variables and that the explanatory variables are significant macroeconomic determinants factors of economic growth in Nigeria.

The size of activity in the capital market is a function of the soundness of the entire financial systems. As intermediaries, the Nigerian financial system needs to be functional and active to have major impact on the development and growth of the economy. Onwumere, Onudugo, and Imo (2013), in their work on financial structure and economic growth in Nigeria opine that financial structure has positive and significant impact on economic growth in Nigeria but explains that a nation's financial system is much more than just an intermediary that ensures the allocation of savings to investment. The efficiency of such a system is endogenously achieved if the financial structure of that economy promotes optimal use of the resources available for development.

2.3 Theoretical Framework

Endogenous Growth Theory

Endogenous growth theory is one the foremost theories of growth propounded by Paul Romer in the late 1980s and modified by Robert Lucas early 1990s. It posit that in the long run, the policies of government and the activities of private organizations should be able to either affect the income levels of individuals in terms of per capita income or reflect in the growth rate of personal income of individuals. Between 1960 and 1990, many endogenous growth models emerged, with most of them looking at either the role played by technology in income growth rate or human capital formation as the source of long run-growth. The endogenous growth model shows that economic growth performance is related to financial development, technology and income distribution. The theory is based on income levels of individuals and organizations available for investments. Greenwood and Smith (1997) argued that income per capita helps to determine whether an individual will partake in the financial market which in turn improves investment decisions and economic growth. Apart from income levels, the endogenous growth model also incorporates human skills and knowledge of manpower in determining a workers' productivity.

The methodology of this work is founded on this theory with the assumption that income levels, information of the activities of the capital market, knowledge and skills of the participants are fundamental to investment decisions.

Efficient Market Hypothesis (EMH)

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. 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 (Basu, 1977). Although there is

considerable empirical proof in favour of the efficient market hypothesis, several authors question it is best model for analysis. Chen (2018) 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.

III. METHODOLOGY

3.1 Data Type & Source

Data employed in this study is a secondary data. The time series data from 1985 – 2017 was sourced from Central Bank of Nigeria Bulletin published monthly. Secondary data was used in this study. In other to measure the impact of capital market indicators on economic growth of Nigeria, we used their proxies as variables of interest.

3.2 Model Specification

This study adopted ordinary least square linear regression method. This paper adopted the model of Abu (2009), with slight modifications though. In his model, the author measured economic growth as a function of stock market development but measured economic growth as the logarithm of the real GDP, Market capitalization (total market capitalization divided by GDP), Market Turnover (Market Turnover divided by GDP), openness of the economy (total of import and export divided by GDP). The author opines that stock market development directly impact on the economic growth of Nigeria. This paper however made slight modification to Abu (2009) by replacing market turnover and openness with number of deals and value of deals. Thus the model for this study is stated in a linear form as:

$$Y = a + bX_1 + \dots + cX_n \dots \dots \dots (1)$$

Where: Y = Dependent variable, X₁... X_n = Independent variable or explanatory variables, a & b = constant to be show the level of relationship between both the dependent and independent variables. They also serve as predictors for (Y).

Substituting our variables, we specify the model of this study in a functional form as:

$$RGDP = a + b(MCAP) \dots \dots \dots (2)$$

$$RGDP = a + b(ALSI) \dots \dots \dots (3)$$

$$RGDP = a + b(NOD) \dots \dots \dots (4)$$

$$RGDP = a + b(VOD) \dots \dots \dots (5)$$

Where:

RGDP = Gross Domestic Product

MCAP = Market Capitalization

ALSI = All Share Index

NOD = Number of Deals

VOD = Value of Deals

IV. DATA ANALYSIS & RESULT

The study began with the test of standard deviation and mean average of the data to test for average and risk variation. To determine whether there is a correlation between the dependent and independent variables, Pearson correlation

analysis was conducted at a one tailed significant level. Significant level (α) is put at 0.05. The ordinary least squares estimation technique was used for data analysis with the aid of SPSS.

4.1 Presentation and Interpretation of Results

Table 1: Linear regression of Market Capitalization

Descriptive Statistics

	Mean	Std Deviation	N
GDP at Current Basic Price (Economic Growth)	24861.4446	34308.70452	37
Market Capitalization	4594.4216	6760.64899	37

Correlations

		GDP at Current Basic Price (Economic Growth)	Market Capitalization
Pearson Correlation	GDP at Current Basic Price (Economic Growth)	1.000	0.971
	Market Capitalization	0.971	1.000
Sig (1-tailed)	GDP at Current Basic Price (Economic Growth)		0.000
	Market Capitalization	0.000	
N	GDP at Current Basic Price (Economic Growth)	37	37
	Market Capitalization	37	37

ANOVA^a Table 1

Model	Sum of Squares	df	Mean Square	F	Sig
1 Regression	3.998E+10	1	3.998E+10	583.591	0.000 ^b
Residual	2397595381	35	68502725.18		
Total	4.238E+10	36			
a. Dependable Variable: GDP at Current Basic Price (Economic Growth)					
b. Predictors: (Constant), Market Capitalization					

Source: Author's Computation (2019) $\alpha = 0.05$; $R = 0.971$; $R^2 = 0.942$

- Dependable Variable: GDP at Current Basic Price (Economic Growth)
- Predictors: (Constant), Market Capitalization

Regression Equation: Economic growth=2215+4.929(Market Capitalization)

Table 1 above shows an F-Value of 583.591 and a P-Value of 0.000. Testing at an alpha level of 0.05, the P-Value is less than the alpha level, so it is significant and the null hypothesis (H_1) that states that there is no significant relationship between GDP and Market Capitalization is rejected.

The R value of 0.971 indicates a high degree of correlation between the dependent and independent variable. The R^2 of 0.971 indicates that the dependent variable (GDP) can be

explained by the independent variable (Market Capitalization) by 97.1% which is very large. It implies that the relationship between market capitalization and economic growth is strong and positive (97.1%) and statistically significant at (0.000<0.05). This suggests that increases in market capitalization in Nigeria will impact positively and significantly on economic growth. This result is in tandem with findings in extant literature (Ihendinihu J.U, & Onwuchekwa, J.C. 2012)

Descriptive Statistics

	Mean	Std Deviation	N
GDP at Current Basic Price (Economic Growth)	27855.7655	35195.11709	33
All Share Index	186088.2918	181409.4541	33

Correlations

		GDP at Current Basic Price (Economic Growth)	All Share Index
Pearson Correlation	GDP at Current Basic Price (Economic Growth)	1	0.753
	All Share Index	0.753	1
Sig (1-tailed)	GDP at Current Basic Price (Economic Growth)		0.000
	All Share Index	0.000	
N	GDP at Current Basic Price (Economic Growth)	33	33
	All Share Index	33	33

ANOVA^a Table 2

Model	Sum of Squares	df	Mean Square	F	Sig
1 Regression	2.25E+10	1	2.25E+10	40.514	0.000 ^b
Residual	1.72E+10	31	554271813.8		
Total	3.96E+10	32			
a. Dependable Variable: GDP at Current Basic Price (Economic Growth)					
b. Predictors: (Constant); All Share Index					

Source: Author's Computation (2019) $\alpha = 0.05$, $R = 0.753$, $R^2 = 0.567$

- a. Dependent Variable: GDP at Current Basic Price (Economic Growth)
 b. Predictors: (Constant), All Share Index

Regression Equation: Economic Growth = 682.056 + 0.146 (All Share Index)

Table 2 above shows an F-Value of 40.514 and a P-Value of 0.000. Testing at an alpha level of 5%, the P – Value is less than the alpha level. So it is significant and the null hypothesis (H_2) that there is no significant relationship between GDP and All Share Index will be rejected.

The R – Value of 0.753 indicates a high degree of correlation between the variables. The R^2 of 0.567 indicates that the dependent variable (GDP) can be explained by the

independent variable (All Share Index) which is fairly large. The P-Value of (0.000<0.05) and R-Value of 0.753 suggests that All Share Index and Economic Growth are highly correlated and statistically significant. It means that any increase in All Share Index in the capital market will impact positively and significantly on economic growth in Nigeria. The result is similar to the findings of Olusegun, et al (2011), Ihendinihu J.U, & Onwuchekwa, J.C. (2012).

Descriptive Statistics

	Mean	Std Deviation	N
GDP at Current Basic Price (Economic Growth)	24861.4446	34308.70452	37
Number of Deals	634696.8108	935940.0525	37

Correlations

		GDP at Current Basic Price (Economic Growth)	Number of Deals
Pearson Correlation	GDP at Current Basic Price (Economic Growth)	1.000	0.466
	Number of Deals	0.466	1.000
Sig (1-tailed)	GDP at Current Basic Price (Economic Growth)		0.002
	Number of Deals	0.002	
N	GDP at Current Basic Price (Economic Growth)	37	37
	Number of Deals	37	37

ANOVA^a Table 3

Model	Sum of Squares	Df	Mean Square	F	Sig
1 Regression	9200603352.00	1	9200603352.00	9.707	0.004b
Residual	3.32E+10	35	947843887.3		
Total	4.24E+10	36			
a. Dependable Variable: GDP at Current Basic Price (Economic Growth)					
b. Predictors: (Constant); Number of Deals					

Source: Author's Computation (2019) $\alpha = 0.05$, $R = 0.466$, $R^2 = 0.195$

- Dependent Variable: GDP at Current Basic Price (Economic Growth)
- Predictors: (Constant), Number of Deals

Regression Equation: Economic Growth = 14020 + 0.17 (Number of Deals)

Table 3 above shows a P – Value of 0.004 and F – Value of 9.707. The test was conducted at 5% level of significance. The result suggests that number of deals exhibit a positive impact (46.6%) and a statistically significant relationship ($0.05 > 0.004$) between number of deals and economic growth in Nigeria. The P – Value of $0.004 < 0.05$ shows that the parameter is significant and therefore the null hypothesis (H_3) that there is no relationship between GDP and Number of Deals will be rejected.

The R – Value of 0.466 indicates a fair degree of correlation between the variables. The R^2 of 0.195 shows that the dependent variable (GDP) can be explained by the independent variable (Number of Deals) by 19.5%. The result confirms with Atoyebi, et al. (2013) who found that the positive result of the total listing of equity and government stock implies that funds raised by the industries and governments in the capital market are spent on productive sector which enhance economic growth.

Descriptive Statistics

	Mean	Std Deviation	N
GDP at Current Basic Price (Economic Growth)	24861.4446	34308.70452	37
Value of Deals	313881.5784	555301.9666	37

Correlations

		GDP at Current Basic Price (Economic Growth)	Value of Deals
Pearson Correlation	GDP at Current Basic Price (Economic Growth)	1.000	0.596
	Value of Deals	0.596	1.000
Sig (1-tailed)	GDP at Current Basic Price (Economic Growth)		0.000
	Value of Deals	0.000	
N	GDP at Current Basic Price (Economic Growth)	37	37
	Value of Deals	37	37

ANOVA^a Table 4

Model	Sum of Squares	df	Mean Square	F	Sig
1 Regression	1.506E+10	1	1.506E.00	19.296	0.000 ^b
Residual	2.732E+10	35	780453503.30		
Total	4.238E+10	36			
a. Dependable Variable: GDP at Current Basic Price (Economic Growth)					
b. Predictors: (Constant); Value of Deals					

Source: Author's Computation (2019) $\alpha = 0.05$, $R = 0.566$, $R^2 = 0.337$

- a. Dependent Variable: GDP at Current Basic Price (Economic Growth)
 b. Predictors: (Constant), Value of Deals

Regression Equation: Economic Growth = 13300.661 + 0.037 (Value of Deals)

From the above, F-Value and P – value stand at 19.296 and 0.000 respectively. Testing at a 5% significance level, it is observed that the alpha value of $0.05 > P$ – Value 0.000. This shows that the variable is statistically significant and exhibits a positive impact on the dependent variable. Therefore, the null hypothesis (H_4) that states that there is no significant relationship between value of deals and economic growth will be rejected.

The R value of 0.0566 indicates a fairly high degree of correlation while R^2 of 0.337 shows that the dependent variable (GDP) can be explained by the independent variable (Value of Deals) by only 33.7%. This finding is also in conformity with conclusion in extant literature (Ihendinihu J.U, & Onwuchekwa, J.C. 2012, Atoyebi, et al. 2013),

V. CONCLUSION & RECOMMENDATION

5.1 Conclusion

Stock market capitalization is a major performance indicator of the capital market and a factor that operators of the market cannot ignore. In this study, we found that capital market performance indicators proxied by market capitalization, all share index, number of deals and value of deals all exhibit positive and statistically significant relationship with economic growth. However, we observe that number of deals and value of deals does not show a very strong correlation with economic growth. Our findings is in conformity with findings in extant literature (Okereke, 2000; Ewah et al. 2009; Abu, 2009; Osazee, 2000; Onyekachi & Odi, 2013; Onwumere et al. 2013).

5.2 Recommendation

From the findings of this study, we have established that there is a strong correlation between the chosen explanatory variables; it implies that the government can introduce deliberate policies to strengthen the capital market in order to target economic growth. The study suggests that the capital market will need to embrace innovation and adopt fairness in information management in other to attract more local and foreign investors and the confidence of the investing public.

This will no doubt improve on market capitalization and all share index.

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