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Comparative Study of Nigerian Economy Growth and Development on the Impact of Capital Market: A Case of Selected Federal Capital Territory FCT Abuja

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Abstract

This paper studies the elements upon which a nation's economic development is dependent. The importance of the Capital Market as one of the vehicles upon which most underdeveloped economies could grow cannot be overemphasized. The extent to which these economies experience the said growth is quite relative to the level of awareness and management of the market. Nigeria is not left out in the desire to maximize the gains of the capital market to boost its economy. This paper empirically examines the impact of the Nigerian Capital Market on the Nigerian economy looking at a 20-year period from 2002 to 2022. The Nigerian Capital Market was a proxy for Market Capitalization against some variables of the economy such as Gross Domestic Product (GDP), Foreign Direct Investment, Inflation Rates, Total New Issues, Value of Transactions, and Total Listing. Using the multiple regression analysis, we find that Capital Market has an insignificant impact on the Economy within the period under review. The study therefore advised that policies and measures that would boost investors' confidence should be enshrined in the running of the Nigerian Capital Market so that it could contribute significantly to the growth of the Nigerian economy noting that all elements of the market are essential ingredients to the development of a nation.

Keywords: *Capital Market, GDP, Foreign Direct Investment, Inflation rate, Value of Transaction, and Total Listing*

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Background to the Study

The capital market is a highly specialized and organized financial market and indeed an essential agent of economic growth because of its ability to facilitate and mobilize saving and investment. The positive relationship between capital accumulation and real economic growth has long been affirmed in economic theories (Ajiteru, 2020). Success in capital accumulation and mobilization for development varies among nations, but it is largely dependent on domestic savings and inflows of foreign capital. Therefore, to arrest the menace of the current economic downturn, efforts must be geared toward effective resource mobilization. It is in the realization of this that consideration is given to measure the development of the capital market as an institution for the mobilization of finance from the surplus sectors to the deficit sectors (Sulaiman, 2022).

The development of the capital market in Nigeria, as in other developing countries has been induced by the government (Abalaka, 2021). Though prior to the establishment of the stock market in Nigeria, there existed some less formal market arrangements for the operation of the capital market. It was not prominent until the visit of Mr. J. B. Lobynesion in 1959, on the invitation of the Federal government, to advise on the role the Central Bank could play in the development of local money and capital market. As a follow-up to this, the government commissioned and set up the Barback Committee to study and make recommendations on the ways and means of establishing a stock market in Nigeria as a formal capital market (Ajiteru, 2020). Acting on the recommendation of the committee, the Lagos Stock Exchange (as it was called then) was set up in March 1960, and in September 1961, it was incorporated under Section 2 cap 37, through the collaborative effort of the Central Bank of Nigeria, the Business Community, and Industrial Development Bank (Sulaiman, 2022). With the establishment of the Central Bank of Nigeria in 1959 and the coming into existence of the Lagos Stock Exchange in 1961 and subsequently, the Nigeria Stock Exchange by an Act in 1979, a sound foundation was laid for the operation of the Nigerian Capital Market for trading in securities of long-term nature needed for the financing of the industrial sector and the economy at large. After the incorporation of the Lagos Stock Exchange, it was granted further protection under the law, and its activities were placed under some sort of control by the government, hence the passing of the Lagos Stock Exchange Act (Abalaka, 2021).

In response to the problems mentioned above, the government accepted the principle of decentralization but opted for a National Stock Exchange, which will have branches in different parts of the country. On December 2nd, 1977, the memorandum and article of association creating the Lagos Stock Exchange were transformed into the Nigerian Stock Exchange, with branches in Lagos, Kaduna, Port-Harcourt, Yola, and now in Federal Capital Territory (FCT) Abuja, and some other cities (Abalaka, 2021). The history of Nigeria's Capital Market could be traced to 1946 when the British colonial administration floated an N600,000 local loan stock bearing interest at 3¼% for the financing of developmental projects under the Ten-Years Plan Local Ordinance (Ajiteru, 2020). The loan stock, which had a maturity of 10-15 years, was oversubscribed by more than N1 million, yet local participation in the issue was terribly poor. Certainly, potential fund abounds in Nigeria, but the overriding consideration in this project is to examine the impact of the capital market in harnessing and mobilizing these resources (fund) to generate economic growth in the country and consequently economic development (Sulaiman, 2022).

The study explored the impact or effectiveness of capital market instruments on Nigerian economic growth. Though the scope of the study was limited to the capital market, it is hoped that the exploration of this market will provide a broad view of the operations of the capital market. 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. The main importance of this study is that it will provide policy recommendations to policymakers on ways to improve operations and activities of the capital market. The economy is a large component with a lot of diverse and sometimes complex parts; this research work only looked at a particular part of the economy (the financial sector). This work did not cover all the facets that make up the financial sector but focus only on the capital market and its activities as it impacts Nigerian economic growth. The empirical investigation of the impact of the capital market on the economic growth in Nigeria was restricted to the period between 1980 and 2009 due to the non-availability of some important data.

Statement of the Problem

There is abundant evidence that most Nigerian businesses lack long-term capital. The business sector has depended mainly on short-term financing such as overdrafts to finance even long-term capital. Based on the maturity matching concept, such financing is risky (Ajiteru, 2020). All such firms need to raise an appropriate mix of short- and long-term capital (Demirguc-Kunt & Levine 2016). Most recent literature on the Nigeria capital market has recognized the tremendous performance the market has recorded in recent times. However, the vital role of the capital market in economic growth and development has not been empirically investigated thereby creating a research gap in this area (Abalaka, 2021). This study undertakes to examine the contribution of the capital market to Nigerian economic growth and development. Aside from the social and institutional factors inhibiting the process of economic development in Nigeria, the bottleneck created by the dearth of finance to the economy constitutes a major setback to its development. As a result, it is necessary to evaluate the Nigerian capital market.

Research Questions

This research was guided by the following research questions:

i. What is the performance of the capital market in relation to economic growth in Nigeria?
ii. How could the capital market through its crucial role stimulate economic growth in Nigeria?

Objectives of the Study

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

1. To evaluate the performance of the capital market in relation to the economic growth in Nigeria.

2. To make recommendations as to how the operations of the market could be improved to boost the economic growth and development of Nigeria.

Hypothesis of the Study

The hypothesis that would be tested during this research is stated below:

H0: The capital market operations have no impact on Nigerian economic growth.

Review of Related Literature

The literature involves citing different contribution on what capital market is all about and what means to follow in having a strong, viable and reliable market. Sulaiman (2022), states that the capital market is a "network of specialized financial institutions, series of mechanisms, processes, and infrastructure that, in various ways, facilitate the bringing together of suppliers and users of medium to long terms capital for investment in socioeconomic developmental projects". The capital market has been identified as an institution that contributes to the socioeconomic growth and development of emerging and developed economies. This is made possible through some vital roles played, such as channeling resources, promoting reforms to modernize the financial sectors, financial intermediation capacity to link deficit to the surplus sector of the economy, and a veritable tool in the mobilization and allocation of savings among competitive uses which are critical to the growth and efficiency of the economy (Pat &James, 2010).

Ajiteru, (2020), observed that the capital market comprises a complex of institutions and mechanisms through which intermediate-term funds and long-term funds are pooled and made available to businesses, governments, and individuals. They also asserted that the capital market comprises the process by which securities already outstanding are transferred. This definition is very embracing; it contains the fact that the capital market has no fixed location and deals on medium and long-term funds, has government, individual, and business firms as participants, and ensures liquidity as it provides a market for both new and old securities (Sulaiman, 2022). Alile (2016), stressed that the central task of the capital market is the mobilization of funds in the hands of individuals who save pool and channel such funds into productive uses.

Ekiran (2020) listed the characteristics of the capital market include:

Participant: The participants of the capital market can broadly be classified into regulators and operators. The regulators include an apex regulatory body usually a securities commission and the securities exchange itself which is usually self-regulatory. The operators are sometimes referred issuing houses, regulatory, etc.

Commodities traded in the market: The commodities traded in the market are securities of medium and long-term nature.

Scope and size: The scope and size of capital markets are quite large and wide. The market thrives on the movement of activities and dealing.

Organization: The most capital market though wide in scope are normally organized. This is necessary for them to command the respect of the public and at the same time guarantee fair play to all the participants.

Flexibility and adaptability: One way by which the effectiveness of a capital market can be measured is to examine its readiness to accept and take part in changes that may occur in the overall economy.

Mode of transaction: Transaction in the capital market involves the use of financial instruments such as cooperate equities (shares), debentures, government bonds, etc all to raise funds.

Duality in the transfer process: The capital market performs the dual role of raising funds through the issue of new instruments or selling existing ones to new investors. By this function, the market helps to ratio funds among numerous competing alternatives uses.

Environmental Imperatives for Capital Market Smooth Functioning
Before the objectives of the capital market can be fully achieved for the economic growth of any nation, the following environmental factors are imperative for its smooth functioning:

a) An economic and administrative central structure cum policy measures that allow an appropriate role for private sector enterprises: This refers to the encouragements and public enlightenments made to the members of the public or benefits to be derived by investing their savings in the capital market and all other steps to boost development for the betterment of a nation.

b) A policy scheme that encourages price flexibility as reflected by the interplay of supply and demand factors. This is the work of regulatory bodies like the Nigerian Stock Exchange (NSE), the Security and Exchange Commission (SEC) and the government can come up with any measures for its growth if the need arises.

c) A stable political environment: frequent changes of government and their policies cum decisions without due consideration of the importance of the capital market will not augur well for development. Therefore, a well-defined and articulated programme coupled with a stable and organized political environment will have a positive effect on the activities and growth of the capital market.

Conditions for Establishing a Capital Market
According to Ekiran (2019), the environment of a country plays a major role in the success or failure of capital market development because if an environment is conducive, it will give room for the rapid growth of a capital market than in an environment that is hostile.

Political Environment
This is the first to be considered in the establishment of a capital market. If there is enough political stability, it gives the investors' confidence that national policies will permit over time

and that this policy will appropriate measures to encourage private savings of both the entrepreneurs and the investors. But in an unstable short-term view, this causes a volatile market and does not encourage long-term planning.

Economic Environment

In an economy where market development becomes a priority, government enterprise should not be pre-dominant, otherwise, capital market development becomes difficult.

Private Sector

The role of a stock market within an economy as an engine for capital formation is intentioned with findings and a positive constructive role for the private sector in general (Sulaiman, 2022). To achieve this, both the private sector and the capital market must be integrated into the country's overall development programme, both must know and be responsive to the needs of the population. In addition, microeconomics measures such as risk, yield, and liquidity of capital must be adopted to encourage the greater channeling of saving through the capital market (Ajiteru, 2020).

Legal and Regulatory Environment

Regulation is necessary to protect the investors and, in the process, increase their confidence Ajiteru, (2020). It is also necessary to ensure fair and orderly security in the market to achieve these objectives, company laws must be modernized and the conditions granting the listing to companies seeking quotations must be clear and positive, there must be rules and regulations for the brokers, directors and operators of the stock market. Also, there must be a code of conduct for brokers, directors, and managers of the stock exchange, stock broking firms, and quoted companies.

Capital Market Instruments

The instruments are the securities that are traded in the stock market. They cannot be inspected or assessed the way electronics, tubers, apples, grapes, etc. are being assessed. The instruments can be categorized into three major groups of securities according to Herbert (2004). These are:

a) Ordinary shares
b) Preference shares
c) Debt instruments

Ordinary Shares: They are issued to owners of the company. They are long-term financing with a nominal value or face value. The memorandum and article of association of a company specified the number of authorized ordinary shares a company can issue. The ordinary shareholders of a company have a residual claim in the company, their claims to income and assets come after the creditors and preference shareholders have been paid in full (Ajiteru, 2020). As a result, a shareholder's return on investment is less than the return to a lender or preference shareholders. However, there is no limit to the return of ordinary shares.

Preference Shares: This is another major source of long-term financing for a company. The holders of preference shares are entitled to a fixed percentage dividend before any dividend is paid to ordinary shareholders. However, a preference dividend can only be paid if sufficient distributable profits are available, although with cumulative preference shares the right to an unpaid dividend is carried forward to later years. The arrears of dividends on cumulative preference shares must be paid before any dividend is paid to ordinary shares. For credibility's sake, companies always try to pay the fixed dividend regularly. Just like debt instruments, preference shares have a nominal value and dividend, which is paid at a fixed percentage of this amount. Preference shares can be redeemable or irredeemable (Sulaiman, 2022).

Debt Instrument: A bond represents a method of long-term borrowing by the corporation of government agencies, when a corporate bond is issued, it is a legal contract that goes with it which contains the provision of loans in terms of its amounts, interest, and maturity period. Bonds are sold in multiples such as N1000. They are purchased by commercial banks, insurance companies, pension funds, and even individuals. This form of financing is usually reserved for target companies or corporations. This is why they have prior claims on the firm's assets in the event of liquidating. There are different classes of bonds.

Types of Capital Market

Primary Market

Soyede (2015), stated that primary market is a market for new securities. It is a platform where the company or government can raise money for investment or where already quoted companies can raise fresh funds for expansion. Both the Securities and Exchange Commission (SEC) and the Nigerian Stock Exchange (NSE) are involved in primary market activities. The issuing houses and stockbrokers also play prominent roles. Until 1993, when the deregulation of the capital market commenced, the SEC was responsible for pricing and allotment of new issues in the Nigerian capital market while the quotation committee of the Nigerian Stock Exchange approved only issues which are to be listed on the exchange's official list. The issuing houses and stockbrokers package issues for government and public companies (Abalaka, 2021).

For companies seeking listing for the first time, the securities are listed with the offer price; soon after the offer exercise is completed instruments representing ownership are dispatched to the shareholders. It is of paramount importance to mention here that hitherto, the Securities and Exchange Commission was the sole body giving the approval to offer the price proposed by the Issuer in conjunction with Issuing Houses. However, under the present dispensation, the issuing house proposes and defends a price at which it is willing to underwrite the entire securities to be issued Sulaiman (2022). This becomes the offer price and entirely conforms to the price. While the Securities and Exchange Commission examines the offer documents with a view to ascertaining the adequacy of price and conformity with statutory requirements among other things, the Nigerian Stock Exchange reviews the same documents to ensure the company or institution meets its listing requirements Ajiteru, (2020). Alile (2017) the primary market takes into representation the issuance which could be in the form of any of the following:

a. **Offer for Sale**: Public offers for shares in a company by existing shareholders, proceeds of which go to the vendors. This is a system by which existing shareholders offer their shareholding or part of them for public subscription. In other words, an offer for sale is a transfer of ownership of shares from existing holders to new holders. Most of the public offers under the federal government privatization programmer under this category. It differs from the offer for subscription in that the proceeds of an offer do not go to the company but to the selling shareholders.

b. **Offer for Subscription**: This is a direct issue to the public by floating several shares of debenture stock. It carries the suppositions that the company is a public one and the proceeds of the issue go to the company to finance expansion or modernization. In other words, the company issues a prospectus inviting the public to its shares and it should be noted that the company cannot dictate who subscribes to its shares.

c. **Stock Exchange Introduction**: Where a company seeking quotation already has enough shares held in public hands, the Council of the stock exchange may permit its security to be introduced into and listed on the market, with no new or existing shares to be sold. The added marketability to raise fresh funds in the future invariably at a lower price or cost.

d. **Private Placement:** Securities are sold to the client of the Issuing Houses or Stockbrokers handling the issue instead of being offered directly to the public. This is often necessitated by the desire to save time and cost of the issue. The Council of the Stock Exchange seldom grants such permission, and this method is utilized by quoted Plc's. This differs from an offer from the subscription and offers for sale in that it is not an invitation to the public to subscribe, rather, the shares or stocks are placed with a broker who then seeks out the prospective Purchasers.

e. **Right Issue:** These involve an offer to buy more shares generally made to existing shareholders and sometimes at a concessionary price. Applications are considered by the quotations committee of the exchange for ratification and to avoid excruciating interest rates charged in the money market. The approval of the council gives the go-ahead for the primary market activities before the commencement of the primary market activities; the Securities and Exchange Commission is given the application to determine the offer price of the security. However, in view of favourable terms on which such issues are usually made, shareholders scarcely ever miss the opportunity. Underwriting of securities is an aspect of the primary market (Sulaiman, 2022).

It is an intermediary process, and it is far gaining ground in the Nigerian Capital Market. They buy from the issuers at once and sell to the investors at a slightly higher price. The price differences referred to as "underwriter spread", represent compensation for absorbing the risk that goes along with guaranteeing the borrower, the expected to proceed from sales before the securities are placed in the market or in the hand of investors.

Secondary Market

This enhances the new issue market in many ways, it provides how investors can monitor the value of their shares and liquidate them when they wish to do so. Pandey (2006), it is a type of market where existing securities of a market are traded on a daily and continuous basis. It is the market for existing securities. If any investors truly intend to make any irrevocable commitment of their funds, the availability of a secondary market is an absolute pre-requisite to the existence of a primary market in common stock. From the perspective of the overall economy, the secondary augmentation of the flow of funds into the new issue market is particularly important. It makes it possible for the economy to make long-term commitments in real capital. This point is perhaps best illustrated by considering what would occur if the financial claims issued by firms and individuals could not be traded in the secondary market. The secondary market makes it possible for those who desire to make long-term real investments to obtain the money capital of savers who have no intention of committing themselves for the long term. Thus, they provide the economy with the opportunity to consider entirely new approaches to building its capital stock. Market capitalization is the market value of a company's issued shares capital; it is the product of the current quoted prices of shares and the number of shares outstanding.

Overview of the Nigerian Capital Market

The capital market is the cornerstone of every financial system since it provides the funds needed for financing not only business and other economic institutions but also the programme of the government (Abalaka, 2021). The capital market is essentially a market for long-term securities that is stocks, debentures, and bonds lasting for usually longer than three years. The proper functioning of the capital market was not set up until the establishment of the Central Bank in 1959 and the launching of the Lagos stock exchange in 1961even though securities were floated as far back as 1946. The need to have an organized stock exchange came up and a committee was set up by the government under the chairmanship of Prof. R. W. Barbock to consider the feasibility of having an indigenous forum for the purchase and sales of shares and stocks (Ajiteru, 2020).

The Nigeria capital market was established for the following reasons below.

i. To overcome difficulties of selling government stock
ii. To provide local opportunities and lending for long-term purposes
iii. To enable authorities to mobilize long-term capital for economic growth and development
iv. To enable the foreign business the chance of offering their shares to interested Nigerians to invest and participate in the ownership of this foreign business.

In view of the above the major participants in the capital market are Government Quoted Companies (listed companies)

1. Stock Brokers.
2. Central Bank of Nigeria (C.B.N).
3. Banking and non-Banking Financial Institutions.
4. Nigerian Stock Exchange.
5. Nigerian Securities and Exchange Commission.

Functions of the Capital Market

a. The promotion of rapid capital.
b. It is machinery for mobilizing long-term financial resources for industrial development.
c. The provision of an alternative source of funds other than taxation for the government.
d. The mobilization of savings from numerous economic units for growth and development.
e. The provision of liquidity for any investor or growth of investors.
f. The broadening of the ownership base of assets and the creation of a healthy private sector.
g. It is an avenue for effecting payment of debts

The Nigerian Security and Exchange Commission

The Nigerian Security and exchange commission (NSEC) is the apex institution for the regulation and monitoring of the Nigeria capital market (Sulaiman, 2022). The commission was established under the Security and Exchange Commission decree 1979, operating retrospectively from 1st April 1978. Prior to the SEC, two bodies had in succession been responsible for the monitoring of capital market activities in Nigeria. The first was the capital issues committee, which operated between 1962 and 1972. It could not be seen as the superintendent of the capital market because its functions were advisory without the force of instruction even though its functions included the coordination of capital market activities. The next body was the capital market issues Commission (CIC) which came into being in March 1973. The C.I.C., unlike its predecessor, had full powers to determine the price, timing, and volume of security to be issued. Despite this wider power, the CIC could not be seen as the apex of the capital market because it concerned itself with public companies alone and its activities did not cover the stock exchange and government securities (Abalaka, 2021).

The Enabling Act of the Securities and Exchange Commission specifies its overriding objectives as investors' protection and development while its functions were divided into two regulatory and development. The functions of the commission are extensively spelled out in the Nigeria Securities and Exchange Commission Decree (Decree No 29) of 1983 and the Nigerian Enterprises Promotion Decree 1990. According to section (6) subsection (9) to (10) the commission is charged with the following duties and functions.

i. Determining the amount of price and time when securities of companies are to be sold to the public whether through an offer for sale or subscription.
ii. Registering all securities proposed to be offered for sale to or for subscription by the public.
iii. Maintaining surveillance over the securities market to ensure orderly, fair, and equitable dealing in securities.
iv. Protecting the integrity of the security market against any abuses arising from the practice of insider trading.
v. Acting as a regulatory apex organization for the Nigerian capital market including the Nigerian Stock Exchange and its branches to which it would be at liberty to delegate power.

vi. Creating the necessary atmosphere for the orderly growth and development of the capital market.

The Nigerian Stock Exchange

As one of the constituencies of the capital market, the exchange is a private, nonprofit making organization, limited by guarantee. It was incorporated via the inspiration and support of businessmen and the federal government. But owned by about 300 members. The membership includes financial institutions, stockbrokers, and individual Nigerians of high integrity, who have contributed to the development of the stock market and the Nigerian economy. The Nigerian stock exchange started with the incorporation of the then-Lagos stock exchange in 1960. Trading commenced on the exchange in 1961 after the enactment of the Lagos stock exchange Act of 1961, the self-regulatory organization was subsequently reorganized and renamed the Nigerian stock exchange 197, based on the report and recommendation of Pius Okigbo financial system review commission. The stock exchange is thus an institution of the capital market, which provides trading floors where all dealing members operate on every business day. The exchange now has nine (9) branches and all the branches function principally as trading floors.

Functions of the Nigerian Stock Exchange

i. To provide opportunities for raising new capital.
ii. To promote increasing participation by the public in the private sector of the economy.
iii. To provide appropriate machinery to facilitate further offerings of stocks and shares to the public.
iv. To provide a central meeting place for members to buy and sell existing stocks and shares and for granting quotations to new ones.
v. To reduce the risk of liquidity by facilitating the purchasing and sale of securities. (Al-faki, 2007).

Analysis of the Nigerian Capital Market Performance

The Nigerian capital market has performed fairly despite the numerous challenges and problems some of which include: the buy-and-hold attitude of Nigerians, massive ignorance of a large population of the Nigerian public of the nature and benefits of the capital market, few investment outlets in the market, lack of capital market-friendly economic policies and political instability, private sector-led economy and less than the full operation of recent developments like than full operation of recent developments like the Automated Trading System (ATS), Central Securities Clearing System (CSC), On-line and Remote Trading, Trade Alerts and Capital Trade Points of the Nigerian Stock Exchange (Sulaiman, 2022).

Market Capitalization

This is the most widely used indicator in assessing the size of a capital market to an economy. In a bearish market, the market capitalization falls, and vice versa for a bullish market. Before 1988, the Total market capitalization was less than N10 billion from 1988 to 1994. It hovered between N10 billion to N57 billion. In 2003 it was N1,3593 trillion, N2.1125 trillion in 2004, and N5.12 trillion in 2006. The market capitalization recorded the highest value of N13.2294 trillion in 2007. But this fell to N9.562 trillion in 2008 due to the global financial meltdown Sulaiman (2022). The percentage of market capitalization compared to the economy's Gross Domestic Product (GDP) helps to assess the size of the stock market. In 1981, it rose again to 9.3% in 1995, 10.6% in 1996; 18.9% in 2003, 25.6% in 2004 and 27.4% in 2005. Total market capitalization in 2013 closed at N18.60 trillion, as against N14.80 trillion in 2012, indicating an appreciation of 25.68%.

Methodology

This section describes the sources of data and variables used in formulating the model of Capital Market on the Economy. The period covered in the study of the relationship between the Nigerian Capital Market and the economy is between 2002 and 2022. The data is sourced from the Nigerian Stock Exchange (NSE), Security and Stock Exchange Commission (SEC) Market Bulletins, and the Central Bank's Statistical Bulletins (Abalaka, 2021).

The Variables

Capital Market such as Market Capitalization is the dependent variable. The economy is the independent variable such as Gross Domestic Product (GDP), Inflation rate, Foreign Direct Investment (FDI), Total Number of New Issues, Total Value of Traded Securities, and Total Listed Equities (Ajiteru, 2020).

A model of Capital Market on Economy

Market Capitalization = B_0 + B_1 (GDP) +B_2 (Inflation Rate) + B_3 (FDI) + B_4 (Total Number Listed) + B_5 (Total Traded Value) + B_6 (Total New Issue) + ui.

Finally, ui is the random error term, which is independently and identically distributed.

Table 1: Showing the Descriptive Statistics for the Capital Market and the Economy

Variables	N	Mean	Std. Deviation
Market Capital	20	4,774.84	3,806.57
Gross Domestic Product	20	466.89	184.64
Inflation Rate	20	21.87	19.78
Foreign Direct Investment	20	3,303.39	2,810.73
	20	550.41	660.72
Total number Listed			
Total Trade Value	20	391.02	679.52
Total New Issue	20	269.00	12.97

The Results of the Data Analysis

This section provides an analysis of the relationship between the capital market and the Nigerian Economy, individual regression analysis was carried out on the available elements of the Nigerian capital market as a dependent variable against the GDP as the independent variable, inflation rate, foreign direct investment, total new issues, transaction value and total listing.

Table 2: Showing Market Capitalization, Gross Domestic Products, Inflation Rates, Foreign Direct Investment, Total New Issues, Transaction Values and Total Listing

Year	Market Capitalization	GDP (N'B)	Inflation Rate	Foreign Direct Investment	Total New Issues	Transaction Value	Total Listing
2002	312.73	271.37	44.57	896.64	33.06	.49	251.00
2003	474.36	374.83	57.14	1345.36	26.36	.80	272.00
2004	663.68	275.45	57.42	1959.22	21.61	.99	276.00
2005	1803.05	281.41	72.73	1079.27	44.25	1.84	276.00
2006	2818.16	293.75	29.29	1593.46	58.58	6.98	276.00
2007	2818.87	302.02	10.67	1539.45	108.75	10.33	264.00
2008	2625.17	310.89	7.86	1051.33	150.18	13.57	264.00
2009	3000.41	312.18	6.62	1004.92	120.38	14.07	268.00
2010	4722.90	329.18	6.94	1140.14	172.08	28.15	260.00
2011	6625.61	356.99	18.87	1190.63	371.98	57.68	261.00
2012	7649.76	433.21	12.88	1874.04	612.84	58.90	258.00
2013	1359.27	477.53	14.03	2005.39	180.10	113.80	265.00
2015	2112.54	527.58	15.00	1874.03	195.40	223.90	277.00
2016	2900.11	561.93	17.86	4982.54	552.80	254.70	288.00
2017	5120.90	595.82	8.22	4854.42	707.40	468.60	288.00
2018	13294.59	634.66	5.41	6034.97	1935.08	2083.42	301.00
2019	9562.97	672.21	11.58	8196.61	1509.23	2375.61	265.00
2020	7030.84	717.00	12.54	8554.84	700.34	684.04	264.00
2021	10325.45	776.30	13.72	6048.56	1428.25	787.58	250.00
2022	10275.34	833.40	14.02	8841.95	2079.43	634.90	256.00

Securities and Exchange Commission, Nigeria
Sources: Capital Market Bulleting, December 2007

Dependent Variable: Market Capitalization
Market Capitalization = B_0 + B_1 (GDP) +B_2 (Inflation Rate) + B_3 (FDI) + B_4 (Total Number Listed) + B_5 (Total Traded Value) + B_6 (Total New Issue) + ui.

Table 3: Indicating the result of the regression analysis for the Capital Market on the Economy

Variables	Observation
Intercept	9190.60 8192.70 (1.12)
Gross Domestic Product (GDP)	-2.73 6.38 (-0.43)
Inflation rate	-36.93 22.26 (-1.66)
Foreign Direct Investment	-0.14 0.40 (-0.36)
Total number Listed	-19.16 29.74 (-0.64)
Total Trade Value	0.62 0.11 (0.60)
Total number of New Issue	5.52** 1.39 (3.99)
R-square	0.89
F-statistic	16.68
No of observation	20

The numbers with significant level are coefficient value, while the middle numbers are the standard error and Numbers in the parentheses refer to t-statistics.
F-Statistic is significant at 1% and 5% critical value
***significant at 1 percent level.*
**significant at 5 percent level.*
*Heteroscedasticity is corrected using White-adjusted standard errors.

Result of the regression analysis for the impact of Capital Market on the Economy
In Table 4.2 Column 2 there is evidence that Market Capitalization does not have a significant effect on Gross Domestic Product (GDP), Inflation Rate, Foreign Direct Investment (FDI), Total Number Listed, and Total Trade Value. However, Market Capitalization has a significant positive effect on the total number of new issues Sulaiman (2022). This result suggests that the Nigerian Capital Market does not really have a significant impact on the economy.

Conclusion

This study examines the impact of Nigerian Capital on the Economy of Nigeria. Results show that Market Capitalization does not have an effect on the economy. We, therefore, conclude that the Nigerian Capital Market has not impacted significantly on the Nigerian economy within the period under study. This indicates that the stakeholders of the Capital Market in Nigeria need to act in the right direction so that there can be an improvement in Nigeria's Capital Market. These issues concerning ranging from the appointment of a management team to instituting proper and efficient policies that will re-position the market for its proper function in society. The research studied the nexus between capital market and economic development in selected emerging African economies following largely from the theoretical postulation of the Finance Led Growth Hypothesis theory. The theory holds that a well-functioning financial system will spur technological innovations through the efficiency of resource allocation from the unproductive sector to the productive sector which will boost economic development, which constituted the focus of this work. Arguments in favour of the capital market and economic development and contradictions to the postulations were reviewed from the empirical literature. Empirical analysis unbundled stock market performance index into Market capitalization, market turnover ratio, number of listed shares, value of stock traded, and all share index in measuring the effect and this study however anchor its capital market performance on market capitalization, value of stock traded and stock market turnover ratio.

The need to domesticate the study of this relationship to our selected emerging African economies, contribute to current literature on the subject, validate other scholars' viewpoints and use a more dynamic and robust analytical tool that captured the time series nature of the data involved motivated this study.

Recommendations

Seeing that the results and conclusion of this work conforms with the Finance Led Growth Hypothesis Theory in the relationship study for Nigeria and South Africa, it is pertinent to further develop the capital markets performance of the emerging Sub-Saharan African economies in other to foster economic development. In line with this,

1. The government of Sub-Saharan African economies should improve basic infrastructures such as communication and information networks and ensure the activities of the stock market are human development oriented. This will enhance transactions between parties of the market (issuing house, stockbrokers, investors, etc.) and improve economic development.

2. Also, efforts should also be made to encourage a large market which will improve the volume of stock traded which widens the prospect for economic development; and there should be formulation and implementation of incremental policies that will ensure improvement relative stock market turnover and its stability in the market-based stock market of the economy to foster human capital formation, increased investment, ensure stability in the financial system and human development at large.

3. Further study should endeavor to address a regional and panel data enshrined study on capital market and economic development of African economies in the aftermath of COVID-19 (Monthly data can be best for such study as the COVID-19 period is still fresh and ongoing).

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