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# The Time Series Analysis of Impact of Capital Market Development on the Growth of the Nigerian Economy

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## Abstract

Fifteen (15) years after displacement, Bakassi returnees in Akwa Ibom State communities are yet to be economically integrated. Having lost their identity, property and sense of livelihood, soft loans become necessary means of poverty alleviation. Studies have shown that returnees are vulnerable however they are responsible and capable of being economically viable. The objectives of the study include invetigation on the knowlegde, perception and problems that plague utilization of soft loans by Bakassi returness. In examining this, 286 respondents were randomly selected from six out of nine IDPs Camps. 26 IDIs and 29 KIIs were conducted for indepth insight. Findings have shown that Bakassi returnees knowledge of softloan is high however, accessibility is low and utilization poor. It is concluded from the study that IDBPs possess relevant attributes that could make it possible for them to access loans but have been deterred by several prohibitive factors including need for guarantor, recognition as a community member and fear of absconding after receiving loan. The study recommends that systematic and periodic awareness campaign through inspiring, motivating and re-awakening seminars should be organized in IDPs Camps to instigate and sustain interest in accessing and utilization of soft loans for improved livelihood.

## Background to the Study

The rate of economic development of any nation is inextricably linked to the sophistication of its financial markets. Financial markets assist the nation of the world to give the needed financial resources and skills for growth and development. Apart from promoting a sound and efficient payment mechanism, the financial intimidation (Sulaiman, 2021). The financial market is an institutional arrangement that facilities the intermediation of funds in an economy. By financial intermediation, it means the mobilization of financial resources from surplus spending units and the channeling of such to deficit spending units and the channeling of such funds to deficit spending units for production investment and the generation of assets or securities in the process. Thus, the financial system generates a wide range of financial instruments (assets), which are means of transferring purchasing power and are tailored to suit the time preferences of both lenders and borrowers. The financial market performs an economic function by facilitating the transfer of real economic resources from the lenders to the borrowers.

By the inducement of interest income, the market facilitates the transference of purchasing power from the lender to the investor who wishes to exercise demand over resources. When the financial market is efficient, funds flow freely and rapidly among its various sources and uses. As long as financial instrument remains substitutable for each other, changes in supply and demand in the money market have a rapid effect on the capital market. Financial markets are therefore constitutional whenever participants with the aid of infrastructure technology and devices facilitate the mobilization and channeling of funds into productive investments (Abalaka, 2019). The importance of the financial market lies in financial intermediation to link the deficit sector with the surplus of the economy. In the intermediation process, financial intermediaries engage principally in matching lenders and borrowers. They bring savers and borrowers together by selling debt instruments or securities and deposits to savers for money and lending that money to borrowers. As a result, the lenders of investors receive claims on investment, which have stable market value and high liquidity (Ajiteru, 2022).

Financial intermediation does not ensure from direct lending and borrowing process but arises from the lending-borrowing proves, which involves the generation and exchange of debt instruments or securities. The point of emphasis, therefore, is the financial intermediaries use their own liabilities to create additional assets, help mobilize funds, gather to reap economies of scale, and minimize the investors. The financial markets system features a wide array of banking and non-banking financial intermediaries. The banking sub-sector of the system comprises Commercial and Merchant Banks, Development Banks, and Central Bank, as the Apex institution (Sulaiman, 2021).

The non-bank financial institution sub-sector includes a wide range of organizations operating as regulators, facilitators, and investors. The list includes the Securities and Exchange Commission Market in Nigeria, to assess its impacts on Nigeria's economy. To achieve its major (SEC), the Stock Exchange, Stockbrokers, Regioners, Insurance companies, Pensions and Provident funds, and Investment Companies. The financial market is really segmented into two major markets, which are:

i. Money Market
ii. Capital Market

The money market is the market for short-term funds and securities including treasury bills, treasury certificates negotiable certificates of deposits, commercial paper, and other funds of less than one-year duration on the other hand, the capital market is the market for long-term funds and securities whose tenure extends beyond one-year (Abalaka, 2019). These include long-term loans, mortgages, bonds, preference shares, ordinary shares, federal government bonds, and industrial loans.

The capital market is a complex institution and mechanism through which intermediate, and long-run funds are made available to the government, businesses (firms), and individuals. The capital market, therefore, is an instrumental arrangement that performs the function of mobilizing private and public savings from surplus spending units and channeling them to the deficit units to produce goods and services. Unlike many money markets which primarily exist as a means of liquidity adjustment, the capital market provides a bridge for transforming saving into long-term investments by using equity bonds, debentures, mortgages, and investment stocks to facilitate intermediation. The market makes it possible for private and public sectors of the economy to rise long-term capital to execute government development programmes and from the expansion and modernization of the private business to enhance outputs, employment, and income. The capital market is often described as an important part of a country's economy, which is indispensable to economic growth and development. In short, it is a place where the nation's wealth is bought (Ajiteru, 2022). The capital market itself is composed of:

i. Primary Market
ii. Secondary Market

Operators in the market include Merchant Banks, Stock broking Firms, Issuing Houses, Development Finance Companies, the Central Bank, the Securities and Exchange Commission, and the Stock Exchange (Sulaiman, 2021). With this background, this project attempts to review a broad outline of the extinction of the Nigerian Capital market, its functions, growth, and development with emphasis on the period and challenge for the future especially in the light of the liberalized trade and exchange regimes adopted under the Structural Adjustment Programme (SAP). The importance of the capital market in economic development cannot be overemphasized Sulaiman (2021). There is a consensus that the nature and the content of the not benefit which the capital market offer country be judged by the effects on the mobilization of savings, capital inflow and outflow the mobility of investible surplus funds, resources allocation, distribution of income and wealth and the response of economic policies. Therefore, the development of the capital market should encourage the efficient mobilization of both domestic and foreign savings for productive investment to achieve economic development. Without productive investment, there will be no growth and saving and there will be no investment.

**Statement of Research Problem**

The capital market is the long-term financial market that is made up of markets and institutions which facilitate the issuance of long-term financial instruments. Unlike the more market that provides basically short-term funds, the capital market provides funds to industries and governments to meet their long-term capital requirements such as financial or tried investments in building, plant, and machinery bridges, and so on. The following research problems and questions guides the study:

i. Why is there still a low level of foreign investment in the market notwithstanding the reform?
ii. Is the capital market reform impacting positively the economy?
iii. Is there any on the securities of the capital market attributed to the reform?

**Objectives of the Study**

The major objective of this study is to evaluate the growth and performance of the capital market in Nigerian to assess its impacts on the Nigerian economy. The specific objectives include to,

i. Examine the structures and the roles of the capital markets in Nigerians and the
ii. Assess the evolution of the market including the institutional development market.
iii. Examine the instruments used in the market and their used fullness.
iv. Examines the future prospect of the Nigerian Capital market.
v. Find out the various problems facing the workings and the operations of the capital market.
vi. Evaluate the impact of such reforms on the Nigerian capital market.

**Research Questions**

i. What is the impact of the capital market on the National Income?
ii. What is the effect of the capital market on shareholder investment or in-course?
iii. What is the impact of the capital market on the earning per share (EPS) of the shareholders?
iv. What is the effect of the capital market on the effectiveness: Development of the institutional in the arrangement for long-term financial assets, such as shares, debentures stock, and mortgage equity bond.

**Statement of the Hypotheses**

***i.*** ***H0***: There is no relationship between Capital market transactions and long-term sources of funds.
***H1***: There is a relationship between Capital market transactions and long-term sources of funds.

***ii.*** ***H0***: There is no relationship between investment in the capital market and the earnings per share (EPS) of the shareholders.
***H1***: There is a relationship between investment in the capital market and the earning per share (EPS) of the shareholders.

**Research Methodology**
This study will make use of secondary data. The data at sources from the various publications of the Central Bank of Nigeria (CBN) such as B. Williams, Economic and Financial Review, Annual Report and Statistical Bulletin: Lagos Publication from the Nigerian Sick Exchange (NES), Securities and Exchange Commission (SEC) and other Financial Institution. This study tells us what the evolution functions and impacts of the capital market in Nigeria.

**Literature Review**
This section reviews the related literature on capital market development and is sub-divided into the following part.

**Empirical Evidence**
Ajiteru (2022), using cross-country data spanning several years indicated a very significant relationship between per capita output, growth rate, and financial market development. The stock market accelerates growth by allowing investors to hold diversified portfolios and facilitates the ability to trade ownership of firms without disrupting the production process occurring within those firms. Abalaka (2019) argued that in developing countries, only very few companies are quoted as their owners would like to remain private in order not to dilute the ownership structure. This problem has continued to limit the number of quoted companies and the development of these markets generally (Sulaiman, 2021). A comparative analysis of the stock market capitalization of the Nigerian capital market with those of major emerging markets of Asia, Europe, and Latin America depicts the Nigerian market as relatively small but when compared to other African capital markets Nigeria is the fourth largest, after South Africa, Egypt, and Morocco as at 1999 (Sulaiman, 2021).

In 1986 after the commencement of the structural Adjustment programme (SAP), the government made attempts to beef up the level of equities in Nigeria. For example, in 1988 the Federal Government set up a programme of privatization as part of policy measures to restructure the economy and achieve a higher degree of efficiency, and by the end of 1998, the Technical Committee on Privatization and Commercialization had transferred 159.1 million ordinary shares from twenty-one companies to private investors, a deal in which over five hundred thousand Nigerians participated. Abalaka (2019) asserted that the equity sector of the Nigerian security market is bedeviled by poor participation as the market is dominated by only twenty companies of which twelve are manufacturing companies and contributes 75% of total market capitalization.

Akinsola (2018), in a study of the capital market opined that the effect of gross fixed capital formation on economic growth in Nigeria was insignificant and the nation's capital market was illiquid. Ajiteru (2022) in his study of the Nigerian capital market revealed that the relationship between economic growth and the capital market in Nigeria through positive was very weak at the time. Olisaemeka and Abalaka (2019), noted that the international meltdown impacted adversely on the Nigerian capital market the current crash of the Nigerian capital market, was unprecedented, from its historic evolution in 1960 to date. Its market capitalization has nose–dived from an all-time high of N13.5 trillion in March 2008 to less than N4.6 trillion by the second week of January 2009. Besides, the All–Share Index (a measure of the magnitude and direction of general price movement) has also plummeted.

**Capital Market and Economic Growth**

In recent times there has beck a growing concern over the role of the capital market in economic growth. Okereke-Onyiuke (2022), argued that in the absence of domestic savings, the main source of needed capital it would be difficult to attract foreign capital inflows in the quantity that would have a positive influence on the Nigerian capital market. This is in line with the assertion that financing the savings-investment gap, especially in the less developed economies where savings mobilization could not keep pace with the level of investment has necessitated the need to encourage foreign capital inflows to bridge the gap and thus promote economic growth if the economic environment is not unduly harsh as has been the case in Nigeria until recently Sulaiman (2021).

Dailami and Abalaka (2019), opined that at every stage of a nation's development, both the government and private sectors would require long-term capital. In the words of Iheji companies would need to build new factories expand existing ones or buy new machines; the government would also need funds for the provision of infrastructure. All these activities require long-term capital, which is provided by a vibrant capital market (Sulaiman, 2021). Ndanusa (2017) observed that funding economic development requires a continuous flow of long-term capital in large volumes; the period required for the development is often longer than most owners of capital can bear, but the capital market satisfies all these; the capital market mobilizes and allocates the needed funds and at the same time affords the owners the opportunity to divest without affecting the operations of the enterprises.

Onosode (2016), asserted that in an equity market asset can be sold or purchased at any moment during the trading hours of the stock market. Thus, equity market makes investment less risky and more attractive. Such investments help in capital formation and growth of firms. Also, stock markets can affect economic growth when they are internationally integrated; this enables greater economic risk sharing. Obstfeld maintained that because high return, projects also tend to be comparatively risky, stock markets that facilitate risk diversification encourage a shift to higher-return projects (Ajiteru, 2022). The theory demonstrated that portfolio diversification is the best means to minimize risk. By pooling the savings of individuals together the stock market can diversify across a range of investments thereby minimizing risk to returns. Abalaka (2019) further observed that the stock market plays an important role in financial liberalization and deepening. Indeed, an efficient capital market contributes to long–term economic growth.

**Nigeria Capital Market and Economic Development**

Economic development involves the process of integration of capital entrepreneurship and labor to grow the economy and raise the rate of growth of GDP. Economic activities can be classified into production, consumption, and exchange. Although these three are related, at the heart of these is finance (Ajiteru, 2022). Production needs funding, while consumption requires finance for it to be effective. The long-time nature of the funds required for production is provided by the capital market. The Nigerian economy, in recent times, has been growing but is still far behind in terms of development. The slow pace of development is indicated by the rising level of unemployment, poverty, and the low standard of living. However, a major panacea that can take Nigeria out of this predicament is the promotion of a vibrant capital market (Sulaiman, 2021).

A virile capital market influences economic development because of the interrelationship between macroeconomic stability and the soundness of the financial system. The stability of a nation's economy is measured by the condition of its capital market because the market is a major indicator of the state of health of the national economy. The most important function of the capital market is in its capacity to provide long-term debt in the form of bonds issued by the government and corporations as well as equities. Corporations while raising funds through equities or bonds do not have to lose sleep about maturity date particularly when the instruments are in perpetuities, and the repayment of funds through bonds is over a long period. Intermediation between the needs of firms and investors signifies the core function of capital markets (Sulaiman, 2021).

The level of national economic development and the extent to which most economic activities can efficiently rely on the capital market are major indicators of a healthy balance between a sound financial system and macroeconomic stability. There are empirical findings supporting the view that a well-functioning capital market is crucial to sustainable economic growth Atje and Jovanovic (2018) as cited in Mokolu (2015) found significant correlations between economic growth and the value of stock market trading divided by GDP for 40 countries over the period 1980 – 1999. Levine and Zervous as cited in Babatunde and Mokolu (2019) also found that stock market development is positively correlated with long-run economic growth by using a sample of 41 countries over the period 1976 – 1993. The capital market is the most credible source of medium and long–term financing and a base for sustainable development.

**Conceptual Issues**

According to Al-Faki (2016), the capital market is a network of specialized financial institutions, a series of mechanisms, processes, and infrastructure that, in various ways, facilitate the bringing together of suppliers and users of medium to long-term capital for investment in socio-economic developmental projects". The capital market is divided into the primary and the secondary market. The primary market or the new issues market provides the avenue through which government and corporate bodies raise fresh funds through the issuance of securities which are subscribed to by the public or a selected group of investors (Sulaiman, 2021). According to Soyede (2015: 8) 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 (Abalaka, 2019).

The secondary market provides an avenue for the sale and purchase of existing securities. According to Pandey (2016), 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. This consists of exchanges and over-the-counter markets where securities are bought and sold after their issuance in the primary market Sulaiman (2021). According to Oba (2019), the money market is a forum where short-term capital is sourced. Therefore, the corporate body that requires such funds creates instruments with which to source such funds. The life span of such funds usually ranges from a few hours to about twenty-four months or two years. According to Olowe (2017), the money market is the market where money is invested for periods of up to one-year maturity. The instrument or securities traded in the market are called money market instruments. Thus, money market is the market for trading in short–term financial instruments with maturities of less than one year. The major participants in the money markets include individuals, companies, banks, discount houses, and governments. Dennis (2016) stated that the money market is the market for financial claims of less than one year to perhaps five years or less for maturity. According to him, the money market is thus essentially a framework for trading short-term financial instruments.

Osaze (2020), sees the capital market as the driver of any economy to growth and development because it is essential for long-term growth capital formation. It is crucial in the mobilization of savings and channeling of such savings to profitable self-liquidating investment. A capital market is defined as a market where medium to long-term finance can be raised (Akingbohungbe, 2016). In another exposition, Ekezie, and Sulaiman (2021), noted that the capital market is the market for dealings (i.e., lending and borrowing) in longer-term loanable funds. Mbat (2001) described it as a forum through which long-term funds are made available by the surplus to the deficit economic units. Nyong (2017) viewed the stock market as a complex institution imbued with inherent mechanisms through which long-term funds of the major sectors of the economy comprising households, firms, and government are mobilized, harnessed, and made available to various sectors of the economy.

**The Role of Capital Market**

Sule and Momoh (2019) found that the secondary market activities have impacted more on Nigeria's per capita income by tending to grow stock market earnings through wealth than the primary market.

The roles of the capital market in the development of the economy as observed by Aremu et al. (2011) include:

1. It provides opportunities for companies to borrow funds needed for long-term investment purposes.
2. It provides an avenue for the marketing of shares and other securities to raise fresh funds for the expansion of operations leading to an increase in output/production.
3. It provides a means of allocating the nation's real and financial resources between various industries and companies. Through the capital formation and allocation mechanism the capital market ensures an efficient and effective distribution of scarce resources for the optimal benefit to the economy.
4. It reduces the over-reliance of the corporate sector on short-term financing for long-term projects and provides opportunities for government to finance projects aimed at providing essential amenities for local investors.
5. The capital market can aid the government in its privatization programme by offering its shares in public enterprises to members of the public through the stock exchange.
6. The capital market also encourages the inflow of foreign capital when foreign companies or investors invest in domestic securities, provides needed seed money for creative capital development, and acts as a reliable medium for broadening the ownership base of family-owned and dominated firms.

**Challenges of the Nigerian Capital Market**
The level of capital market awareness in the country is low as many Nigerians are still very much uninformed about this arm of the financial market. SEC has been marking a lot of efforts in this regard through its series of investor education programs such as state enlightenment programs, specialized seminars, workshops, and conferences. Nevertheless, all hands must be on deck in ensuring that the awareness level is greatly improved. It will require the use of Government machinery and Non-Governmental Organizations (NGOs) to carry out the awareness campaign to the desired level required. State Chambers of Commerce, in collaboration with their respective Ministry of Commerce and Industry, should collaborate to design programmes that will be specifically tailored to encourage their respective communities to be active participants in the capital market. The reform of the Nigerian economy will be predicated on several factors, among which are the formulation of capital market-friendly policies that include tax and other incentives to investors and other operators in the market. These will help promote a strong private sectored economy as envisaged by NEEDS contributing to high employment levels, a low inflation rate, and a stable exchange rate (Sulaiman, 2021).

Capital flight endangers the growth of the capital market and is an indication of a vote of no confidence in an economy. Capital knows no boundary and will flow only to an economy that offers certain attractions including the safety of investment, and attractive return on investment. Foreign investors and Nigerians in the Diaspora should be encouraged to invest in the Nigerian Capital Market. Information on the Nigerian Capital Market should be made available on a regular basis to the above groups to stimulate their interest and propel them to invest (Abalaka, 2019). Deepening of the market and the introduction of new products such as derivatives and better legal framework are bound to encourage foreign investors Among the biggest challenges of the Nigerian Capital Market is the creation of a highly liquid market in which investors can buy and sell with relatively ease (the free entry free exit maxim) and large transactions are consumed without significant changes in prices. This becomes necessary given the backdrop that well-informed investors generally consider the level of market liquidity before investing in such a market. They will only consider a market that provides ease of entry and exit (Sulaiman, 2021). To a large extent, the changes that have taken place in the stock market in recent years have improved the standing of the capital market.

**Methodology**

This section provides information about the research design, source of data, research variables, and model specification.

1. **Research Design**: The study used ex post facto research design. The study used time series data for the period 1987 to 2018.
2. **Sources of Data**: The data used in this study were sourced from the Central Bank of Nigeria Statistical Bulletin, Nigerian Stock Exchange Fact Book, Securities and Exchange Commission database
3. **Model Specificatio**n: To the study, a multivariate econometric model will be specified and estimated. The model examines the relationship between the capital market and economic growth using selected capital market variables such as Market capitalization and Value of Transactions.

The model in its functional relationship is given as:
GDP = f (MACP, VOT) …………… (1)

Where Y is economic growth or GDP = dependent Variable, $X_1$- $X_2$ are independent variables. F represents the functional notation. This can be specifically stated as:

MACP = Market Capitalization, VOT = Value of Transactions,
GDP = $\beta_0 + \beta_1 MACP + \beta_2$VOT + e…….. (2)

where $\beta_0$ = intercept of the relationship in the model $\beta_1 - \beta_2$ = coefficient of each of the independent variables, e = stochastic / error term.

The a priori expectations of the coefficient of the model are: $\beta_0, \beta_1, \beta_2 > 0$.

**Estimated Model and Interpretation**

This section provides in detail the analysis of data used in the study and interpretation of the empirical results.

**Table 1:** Results of the Regression Analysis

| Variable | Coefficient | Std. Error | t-statistic | Prob. | $R^2$ | Adjusted $R^2$ | F-statistic | DW-statistic |
|---|---|---|---|---|---|---|---|---|
| C | 352.4329 | 17.15234 | 20.54722 | 0.0000 | | | | |
| MACAP | 0.040994 | 0.007083 | 5.787575 | 0.0000 | 0.857548 | 0.846996 | 81.26905 | 0.874407 |
| VOT | -5.85E-05 | 6.70E-05 | -0.873612 | 0.3900 | | | | |

GDP = 352.4329 + 0.040994MACP - 0.0000585VO + ε
**Source**: Authors‟ computation (2022)

From the estimated regression model above, it was observed that the variables were rightly signed except for the value of the transaction. They satisfied the a priori expectations to an extent except for the value of transactions. The coefficients of the explanatory variable, Market Capitalization is positive; indicating that a unit increase in market capitalization will result, on average, about a 41% increase in the value of gross domestic product (GDP). On the other hand, an increase in the value of transactions at the capital market by one unit will bring about a decrease in GDP by 0.0000585 units.

The adjusted (R2) shows that about 84.7 percent of the variations in GDP were explained by the changes in the explanatory variables of the estimated model and about 14.3% of the variation not captured by the adjusted R2 is explained by the error term. The F-test, which follows an F-distribution, measures the overall significance of the model. From the F-table, we have 3.35 which is less than F calculated of 81.26905, we reject Ho and conclude that the model is statistically significant. The Durbin-Watson statistic result shows that d = 0.87440, dU 1.567, and dL 1.284. From these results, d <Dl. Therefore, we reject H0 and accept H1. There is positive autocorrelation which simply means that there is the presence of serial correlation (Sulaiman, 2021).

**Discussion Of Findings**
The work examines the effects of capital market development on the Nigerian economy between 2010 and 2022. It was observed that an increase in market capitalization will insignificantly increase GDP. This is supported by Ewah, Abalaka, and Ajiteru (2019). It was observed that the capital market has a positive impact on the economy but made it clear that even though they exert a positive influence, it has contributed insignificantly to the Nigerian economy. On the contrary, Abalaka and Sulaiman (2021). argued that the positive effect of the capital market on the Nigerian Economy is significant, and the positive coefficient (0.04099) shows that market capitalization if increased have the capacity to trigger a significant effect on the Nigerian economy. This research also shows that the value of transaction exerts an insignificant negative effect, this implies that key investors prefer to invest in another sector of the economy other than the capital market. Lastly, the result shows that the value of the transaction exerts an insignificant negative effect, this implies that key investors prefer to invest in another sector of the economy rather than the capital market.

The regression result shows that market capitalization and the value of transactions have an insignificant impact on the gross domestic product (GDP). Therefore, since all of the indices of the capital market are insignificant, we accept the null hypothesis and conclude that the capital market has no significant effect on the Nigerian economy.

The implication of the study on the effects of capital market development on the Nigerian economy from 1987 to 2018 is that at the macroeconomic level, based on market capitalization, an increase in market capitalization will insignificantly increase GDP. The value of market capitalization is positive (Sulaiman, 2021). This implies that market capitalization if increased have the capacity to trigger a significant effect on the Nigerian economy. Another implication of our result is that value of the transaction exerts an insignificant negative effect, this implies that key investors prefer to invest in other sector of the economy other than the capital market.

**Summary, Conclusion, and Policy Recommendations**

The study examined the effects of capital market development on the Nigerian economy between 1987 and 2018. The findings of the study revealed that there is a positive relationship between gross domestic product and market capitalization. Market capitalization exerts a significant positive influence on GDP. On the other hand, the study also revealed that there is a negative relationship between GDP and the value of transactions. The value of transactions exerts negative insignificant effects on GDP. Furthermore, the coefficient of adjusted R2 of 84.7% shows that 84.7% of the variation in GDP is explained by the explanatory variables while about 15% is explained by the error term (ε) therefore the model is a good fit for the relationship. The result of the hypothesis shows that the effect of the capital market on economic growth, whether negative or positive, is not significant hence we accept the null hypothesis and therefore conclude that the capital market has no significant impact on economic growth in Nigeria.

As it was observed market capitalization and value of transactions are important capital market variables that can influence the Nigerian economy. Hence the capital market remains one of the mainstreams in every economy that has the power to influence or impact the economy. Therefore, the organized private sector should invest in it. Based on the analysis, findings, and conclusion, the study therefore recommends that Government should encourage the participation of foreign investors in the capital market by creating enabling environment and a lasting solution should be found to the current state of insurgency in the northeastern part of the country. Also, incentives that can attract foreign investors should be introduced. Regulatory authorities should formulate policies that would encourage more companies to access the market and be more proactive in their surveillance role to curb sharp practices which undermine market integrity and erode investors" confidence.

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