THE ROLE OF STOCK MARKET IN THE GROWTH OF NIGERIAN ECONOMY (1980 – 2010)

BY

NWOBA OBIANUJU GEORGINA
REG. NO: EC/2009/727

DEPARTMENT OF ECONOMICS
FACULTY OF MANAGEMENT AND SOCIAL SCIENCES, CARITAS UNIVERSITY AMORJI – NIKE ENUGU, ENUGU STATE

AUGUST, 2013

TITLE PAGE

THE ROLE OF STOCK MARKET IN THE GROWTH OF NIGERIAN ECONOMY (1980 – 2010)

BY

NWOBA OBIANUJU GEORGINA
REG. NO: EC/2009/727

A PROJECT SUBMITTED TO THE
DEPARTMENT OF ECONOMICS
FACULTY OF MANAGEMENT AND SOCIAL SCIENCES,
CARITAS UNIVERSITY AMORJI –NIKE ENUGU,
ENUGU STATE

IN PARTIAL FULFILLMENT OF THE REQUIREMENTS
FOR THE AWARD OF BACHELOR OF SCIENCE
(B.Sc.) DEGREE
IN ECONOMICS

AUGUST, 2013

CERTIFICATION

This Research work has been read and certified as meeting part of the requirements for the award of Bachelor of Science (B.Sc.) degree in the Department of Economics, Faculty of Management and Social Science, Caritas University, Amorji-Nike Emene, Enugu State Nigeria.

---------- ----------
Mr. Ojike R.O. Date
Project Supervisor

---------- ----------
P.C. Onwudinjo (ESQ) Date
Head of Department

---------- ----------
Dr. C.C. Umeh Date
Dean of Faculty

---------- ----------
External Examiner Date

DEDICATION

This research project is dedicated to the Most High Omniscience, Omnipresence and Omnipotent for his divine protection and direction towards this academic achievement.

I also dedicate this project to my lovely parents Crd.and Mrs. Nwoba and to my lovely supervisor and friends Chinwendu Dom-Anyanwu, Jenifer Abah, Chinonye Uwaleme, and Daniel Obi who also encouraged me towards achieving this.

ACKNOWLEDGEMENT

My profound gratitude goes to God Almighty whose special grace and immense love kept me throughout the duration of my study and our blessed Mother Mary for giving me good wealth and abundant blessings to complete this research work.

My appreciation goes to my supervisor, Mr. R.O. Ojike for offering me suggestions and reviewing this work. Also to my dearest parents Crd.and Mrs. Martina Nwoba whose cares and financial support kept me. Also to my lovely siblings Anthony, Ebuka, Emeka, Chijioke and Daniel for prayers towards this project.

Finally, my appreciation goes to all my friends and well-wishers who in one way or the other contributed to the success of this work. May you all remain blessed?

ABSTRACT

This study attempts to investigate the Role of the Stock Market in the Growth of the Nigerian Economy spanning through 1980 – 2010. The broad objective of this work is to ascertain the role of the stock market in output growth in Nigeria using Market Capitalization as a proxy for the stock market taking cognizance of some intervening variables. This was evaluated using OLS Method. It was observed that market capitalization has a significant impact on economic growth as well as the latter Granger Causing the former. There are also other variables that are modeled alongside market capitalization that affect the output of Nigeria. The policy recommendation in this work centres on deliberate attempts by the government and every agent responsible for the existence of the market either as a player or an umpire to be up and doing especially the government. The work is organized into five chapters, time series data were used with three regressors: market capitalization, domestic savings and value of traded stocks.

TABLE OF CONTENT

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Stock Market is viewed as a medium to encourage savings, help channel savings into productive investment, and improve the efficient and productivity of investment. The emphasis on the growth of stock markets for domestics' resource mobilization has also been strengthened by the need to attract foreign capital in non-debt creating forms. A viable equity market can serve to make the financial system more competitive and efficient. Without equity markets, companies have to rely on internal finance through retained earnings. Large and well established enterprises are in a privileged position because they can make investment from retained earnings and bank borrowings, while new companies do not have easy access to finance. Without being subjected to the scrutiny of the stock market, big firms get bigger, and for the emerging smaller companies, retained earnings and fresh cash injections

from the controlling shareholders may not be able to keep pace with the needs for more equity financing which only an organized market place could provide. The corporate sector would also be strengthened by the requirements of equity markets for the development of widely acceptable accounting standards, disclosure of regular, adequate, and reliable information. While closely held companies can camouflage poor investment decisions and low profitability, at least for a while, public held companies cannot afford this luxury. The availability of reliable information would help investors make compares' of the performance and long term prospects of companies; corporations to make better investment and strategic decisions; and provide better statistics for economic policy makers.

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, effort must be geared towards

effective resource mobilization. It is in realization of this that consideration is given to measure the development of capital market as an institution for the mobilization of finance from the surplus sectors to the deficit sectors. Levine (1991) showed a positive relation between financial stock market and economic growth by issuing new financial resources to the firms. The financial stock market facilitates higher investments and the allocation of capital, and indirectly the economic growth. Sometimes investors avoid investing directly to the companies because they cannot easily withdraw their money whenever they want. But through the financial stock market, they can buy and sell stocks quickly with more independence. An efficient stock market contributes to attract more investment by financing productive projects that lead to economic growth, mobilize domestic savings, allocate capital efficiently, reduce risk by diversifying, and facilitate exchange of goods and services (Mishkin 2001; and Caporale et al, 2004).

1.2 Statement of the Problem

There is abundant evidence that most Nigerian businesses lack medium and long –term capital. The business sector has depended mainly on short-term financing such as overdrafts to finance even long-term investment. Based on the maturity matching concept, such financing is risky. All such firms need to raise an appropriate mix of short- and long-term capital (Demirguc-Kunt and Levine 1996). Most recent literatures on the Nigeria Capital Market have recognized the tremendous performance the market has recoded 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. This study is undertaken to examine the contribution of the capital market in the Nigerian economic growth and development. Aside the social and institutional factors inhibiting the process of economic development in Nigeria, the bottleneck created by the deficiency of finance to the economy constitutes a

major setback to its development. As a result, it is necessary to evaluate the Nigerian capital market.

1.3 Research Questions

In the light of the research problems, this study attempts to answer the following:

1. Does stock market have a significant effect on economic growth?
2. Does investment have a significant effect on GDP?
3. What is the causality between stock market and economic growth?

1.4 Objectives of the Study

The broad objective of this study is to examine the role that the stock market plays in the growth process of the Nigerian economy.

However, the specific objectives are as follow:

1. To determine the nature of relationship between stock market and economic growth.
2. To examine the determinants of investment in the stock market.

3. To determine the causality between stock market and economic growth.

1.5 Hypotheses of the Study

1. Ho: That the capital market has a negative relationship with economic growth.
2. Ho: portfolio Investment in Nigeria is not a determinant of economic growth.
3. Ho: There is no causal relationship between stock market and economic growths.

1.6 Significance of the Study

The study will explore the effectiveness of capital market instruments on Nigerian economic growth. Though the scope of study will be 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 policy – makers on ways to improve operations and activities of the capital market.

1.7 Scope of the Study

The economy is a large component with lot of diverse and sometimes complex parts; this research work will only look at a particular part of the economy (the financial sector). This work will not cover all the facts that make up the financial sector, but shall focus only on the capital market and it role as it impacts on the Nigerian economic growth. The empirical investigation of the role of the capital market on the economic growth in Nigeria shall be restricted to the period between 1980 and 2010 a period of thirty (30) years.

CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Theoretical Literature

There is a plethora of literature on the significance of the capital market on an economy. Our interest is to

see the linkage between savings, investment, capital or stock market and economic growth.

2.1.1 Absolute Income Hypothesis

Keynes Theory sees savings as the difference between income and consumption, reason being that income is either consumed or saved. Now savings is the amount of income not consumed on domestically and foreign produced goods and services. To firms, saving represent business profit not distributed as dividends. Irrespective of the topic of discussion the saved amount from households and firms can be invested into the stock market to yield more capital. Keynes in (1966) also asserts that men are disposed as a rule and on the average, to increase their consumption as income increases but not as much as increase in their income (Keynes Psychological Laws). Keynes illustrated further the consumption behaviour of man using the concepts of the MPC (marginal propensity to consume), and MPS (marginal propensity to save).

Keynes in his book “The General Theory of Money” the Keynesian cross which is a stepping stone to the IS - LM model explain the following concept interest rate, investment and the IS curve according to the book the essence of the study is to show the spending of household, firm and government to determine the income of the economy. He assumed that planned investment (I) depend on interest rate(r) as I = (r) because interest rate is the cost of borrowing to finance investment project just as in the stock market the incentive to invest in the stock market depend on the dividend. The Keynesian Cross also determine that income changes when the interest rate also changes with the investment function because, investment is inversely related to interest rate, that is, an increase in interest rate from r_1 to r_2 reduces the quantity of investment from $I(r_1)$ to $I(r_2)$. For example if an interest rate is above the equilibrium level the quantity of real balance supplied exceeds the quantity demand and to an individual holding excess supply of money will try to

convert some of it from a non interest bearing money into interest bearing bank deposit or bond. This scenario is an example of what individuals do by trying to obtain money through the selling of bonds and other assets in the stock market.

Also, in the LM Curve interest rate determine the liquidity preference, for instance when there is increase in the level of income people tend to engage in more transaction thus, greater income implies greater money and greater investment.

2.1.2 The Life Cycle Hypothesis: This is an economic concept analyzing individual consumption patterns. The life-cycle hypothesis was propounded by Franco Modigliani with collaborators Albert Ando and Richard Brumberg. Their theory was built on Irving Fisher's hypothesis of how individuals make consumption decisions subject to some constraints inter-temporary. They key assumption is that all individuals choose to maintain stable lifestyles. This implies that they usually

don’t save up to lot in one period to spend furiously in the next period, but keep their consumption levels approximately the same in every period. There are two periods the working period and the period of retirement, that people need to save in their working period in other to maintain their retirement period and the motive for saving determine their consumption function. If a consumer is expected to live another “T” year, has wealth “W” and expect to earn income Y until he retires R years from now. What level of consumption will the consumer choose if he wishes to maintain a smooth level of consumption over his life span? The Life time resources are compose of initial wealth W and life time earnings of R x Y at zero interest rate but if interest rate where to be greater than zero than we will need to take an account of interest earned on saving as well.

2.1.3 Stock Market Theories

The q theory of investment was developed by Tobin in 1969. A dynamic theory of investment, it is based on the premise that investment decision is dependent upon

the ration of the market value of a firm's financial asset to the replacement cost. If we denote the market value of ht existing asset (MVA) to their replacement cost as CRA, we can symbolically express the Q theory with q ratio.

$$Q = \frac{MVA}{CRA}$$

The value of q in the ratio guides the firm in making investment decision depends on whether or not the time frame for the analysis is a short run or long run q may not equal one owing the lags and disequilibrium in the relevant factors. However, these lags and disequilibrium get eliminated in the long run and within this long run period, the price of capital equal its productivity. When the value of q exceeds one the decision on to carry out investment proposal becomes a rational one but would be irrational if the value is less than one. The reasoning is that investment would only be profitable if he return of an investment outlay increases the market value of the firm.

2.1.4 The Efficient Market Hypothesis:

States that at any given time, securities prices fully reflect all available information. The implications of the efficient market hypothesis are truly profound. Most individuals that buy and sell securities (stocks in particular), do so under the assumption that the securities they are buying are worth more than the price that they are paying, while securities that they are selling are worth less than the selling price. But if markets are efficient and current prices fully reflect all information, then buying and selling securities in an attempt to outperform the market will effectively be a game of chance rather than skill. The efficient market hypothesis rest on two foundations:

1. Each company listed on a major stock exchange is closely by professional portfolio mangers such as the individual who run mutual fund. Every day this manager monitor news stories to try determine the company value. Their job is to buy a stock when it price falls below its value,

and sell it when it when its price rises above its value.

2. The price of each stock is set by the equilibrium of supply and demand. At the market price, the numbers of shares that people want to buy. That is at the market price, the number of people who think the stock is overvalued exactly balances the number of people who think it's undervalued. As judged by a typical person in the market, they must be fairly valued.

Considering Stock Market prices John Maynard Keynes Proposed a famous analogy to explain stock market speculation. In his days, some newspapers held "Beauty contest" in which a paper printed a picture of 100 women and readers were invited to submit a list of five most beautiful. A prize went to the reader whose choice most closely matches those in the consensus of the other entrant. A naïve entrant would have simply picked the five most beautiful contestants in his own eyes.

2.1.5 Growth Theories:

Adam Smith as the Pioneer of Classical Economics in his book, "An Enquiry into the Nature and causes of the Wealth of Nations" which as published in 1776 did not give a well-defined theory of development but his leading theme has been that of economic growth. Smith theory beliefs that if individuals are left free to seek maximization of their own personal wealth, the aggregate wealth of the economy will also be maximized. This theory assumes that institutional, political and natural factor remain unchanged. For economic growth to take place the main factor is labour, with division of labour there will be an improvement into the productivity of labour because there will be increase in the skill of every worker. Our interest is capital accumulation which is the pride of place in the Smith theory; he regarded capital accumulation as a necessary condition for economic growth and development. It is belief that the higher the rate of savings in the economy the more the investment that will be made.

2.1.5(A) the Vicious Cycle of Poverty: By Ragnar Nurske, the theory emphasize on the relationship between low income and lack of capital, income and savings. Because with low income there will be little capacity to save. The low income is the reflection of low productivity which in turn leads to lack of capital as a result of little or small capacity to save and so the vicious cycle is complete. The incentive to invest may be low because of the low purchasing power of the people, due to low real income and low productivity. There is little inducement to invest as a result of low income. The market size will be small as a result little investment, income will remain low and he market small, there would be not savings to finance the investment, this is what the stick market is here to addressed. Both households and firms should be encourage to save in order to invest in the stock market which will in the long-run lead to economic growth and development for Nigeria.

2.1.5(B) the Big Push Theory: This was first discussed by Paul Rosenstein Rodan (1943) in an article 'Industrialization of the south-east Europe'. He argues that a Big Push (Big Pull) is needed for initial growth and he observes that low income countries are often at the dead centers because no potential investor anticipates investment by other people and therefore does not anticipates a market large enough to justify an investment. Lack of infrastructure makes other investment uneconomic; transportation, power, and communication facilities and others must be built on a large scale. Because of low savings capability the lump of capital cannot be accumulated. He argues that the remedy to comprehensive investment programme is by many investment project undertaken simultaneously will create demand for profitability of a project and by which infrastructure will be make available. He said the Big Push was needed by industrial firms in the 20th Century were larger and capital intensive than those in the 19th century. Greater risk capital needed and larger amount

of savings were also required in areas of formal capital markets were small or nonexistence. He refers to the production phenomena as lumpiness of capital. On the demand side he saw the need of complementary demand by the different established industry. In his examples he showed how the introduction of shoe industry in a local community will fail because of the people live in the environment are poor and will not be able to buy all that is produced in the industry.

2.1.5(C) Balance Growth Theory: This theory is closely associated with the "Big Push", the exponents of the theory are Paul Streestein and Regnar Nurkse. The writer had in mind the scale investment necessary to overcome the existence of indivisibility of supply side of the development process. The theory postulates that the government of any underdeveloped country needs to make large investments in a number of industries simultaneously. This will enlarge the market size, increase productivity, and provide an incentive for the private sector to invest. Nurkse was in favor of attaining

balanced growth in both the industrial and agricultural sectors of the economy. He recognized that the expansion and inter-sectorial balance between agriculture and manufacturing is necessary so that each of these sectors provides a market for the products of the other and in turn, supplies the necessary raw materials for the development and growth of the other. Nurkse's Theory discusses how the poor size of the market in underdevelopment countries perpetuates its underdeveloped state. Nurkse has also clarified the various determinants of the market size and puts primary focus on productivity. According to him, if the productivity levels rise in a less developed country, its market size will expand and thus it can eventually become a developed economy. Apart from this, Nurkse has been nicknamed an export pessimist, as he feels that the finances to make investments in underdeveloped countries must arise from their own domestic territory. No importance should be given to promoting exports.

2.1.5(D) Unbalanced Growth:

The theory was developed by Hirshman, he postulates that Developing Economies do not have sufficient funds to pursue simultaneous expansion. It is far better to priorities investment, and to concentrate on a few growth centres. A few rapidly growing industries will stimulate backward linkages, whereby supplies to the industries have increased demand, increased prices and therefore increased profits, and forward linkages, whereby demand is increased for such services as transport, warehousing and retailing. Economies can then pursue import substitution. Key growth centres may replace imports of certain goods, which will improve the balance of payments. Unbalanced growth theorists agree that significant development cannot be achieved within free, unregulated markets by a small number of industries. Some government intervention will still be necessary – protectionism, subsidies, or fixed exchange

rates, for example – but only in those industries designated as the engines of growth. Governments should pick industries in which a comparative advantage exist (usually labour intensive industries such as agriculture or textiles), which have significant forward and backward linkages and the potential for import substitution.

2.1.5(E) Endogenous Growth Theory:

The exponents of this theory Paul Romer and Robert Lucas Jr. in the late 1980s and early 1990s. They developed the endogenous growth theory that includes a mathematical explanation of technological advancement. This model also incorporated a new concept of human capital, the skills and knowledge that make workers productive. Unlike physical capital, human capital has increasing rate of return. Therefore, overall there dare constant returns to capital, and economies never reach a steady state. Growth does not slow down capital accumulation, but the rate of growth depends on the types of capital a country invests in. Research done in

this area has focused on what increases human capital (e.g. education) or technological change (e.g. innovation).

2.2 Empirical Literature

In this section, we shall have a cursory look at some empirical findings on the role of stock market (i.e. The Nigeria Stock Exchange) on the Nigerian economy as conducted by other researchers. Existing literature focuses on the contributions of the financial intermediaries to economic growth. Numerous empirical tests have shown that financial variables have important impacts on economic growth. However, most of the evidence used bank – based measures of financial development such as the ratio of liquid liability of financial intermediaries to GDP and domestic credit to the private sector divided by GDP. Not until recently has the emphasis increasingly shifted to stock market indicators, due to the increasing role of in economies. In Nigeria, some authors have also attempted to examine the relationship between stock market development and

economic growth. For instance, Adam and Sanni (2005) examined the roles of stock market on Nigeria's economic growth using Granger causality test and regression analysis. The authors discovered a one-way causality between GDP growth and market capitalization and a two – way causality between GDP growth and market turnover. They also observed a positive and significant relationship between GDP growth turnover ratios. The authors advised that government should encourage the development of the capital market since it has a positive effect on economic growth.

Abu N. (2009), examined whether stock market development raise economic growth in Nigeria, by employing the error correction approach. The econometric results indicate that stock market development (market capitalization GDP ratio) increases economic growth. He however, recommended the removal of impediment to stock market development which include tax, legal and regulatory barriers, development of the nation's infrastructure to create

enabling environment where business can strive, employment policies that increase the productivity and efficiency of firms as well as encouraging the Nigerian securities and Exchange commission to facilities the growth of market, restore the confidence of stock market participants and safeguard the interest of shareholders by checking sharp practices of market operations.

Osinubi and Amaghionyeodiwe (2003) also examined the relationship between Nigeria stock market and economic growth during the period 1980 – 2000 using ordinary least squares regression (OLS). The result indicated that there is a positive relationship between the stock market and economic growth and suggest the pursuit of policies geared towards rapid development of the stock market.

Obamiro (2005) investigated the role of the Nigeria Stock Market in the light of economic growth. For example, Atje and Jovanovic (1993) test the hypothesis that the stock Market shave a positive impact on growth

performance. They find significant correlations between economic growth and the value of stock market trading divided by GDP for 40 countries over the period 1980 – 88.

Similarly, Levine and Zervos (1996, 1998) and Singh (1997) show that stock market is positively robustly associated with long-run economic growth. In addition, using cross- country data for 47 countries from 1976 -93, Levine and Zervos (1998) find that stock market liquidity is positively and significantly correlated with current and future rates of economic growth, even after controlling for economic and political factors. They also find that measures of both stock market liquidity and banking development significantly predict future rates of growth. They therefore, conclude that stock markets provide important but different financial services to banks.

Furthermore, using data from 44 industrial and developing countries from 1976 to 1993, Demirguc-Kunt and Levine (1996) investigate the relationships between

stock market development and financial intermediary. They find that countries with better-developed stock markets also have better-developed financial intermediaries. Thus, they conclude that stock market development goes hand-in-hand with financial intermediary. Existing models suggest that stock market development is a multifaceted concept, involving issues of market size, liquidity, volatility, concentration, integration with world capital markets, and institutional development. Using data on 44 developed and emerging markets from 1986 to 1993, Demirguc-Kunt and Levine (1996) find that large stock markets are more liquid, less volatile, and more internationally integrated than smaller markets. Furthermore, institutionally developed markets with strong information disclosure laws, international accounting standards, and unrestricted capital flows are larger and more liquid markets. Theory also points out a rich array of channels through which the stock markets – markets size, liquidity, integration

with world capital markets, and volatility – may be linked to economic growth.

For example, Pagano (1993) shows the increased risk-sharing benefits from larger stock market size through market externalities, while Levine (1991) and Bencivenga, Smith and Starr (1996) show that stock markets may affect economic activity through the creation of liquidity.

Devereux and Smith (1994) and Obstfeld (1994) show that risk diversification through internationally integrated stock markets is another vehicle through which the stock markets can affect economic growth. Besides stock market size, liquidity, and integration with world capital markets, theorists have examined stock return volatility. For example, Delong et al (1989) argue that excess volatility in the stock market can hinder investment, and therefore growth.

The capital (stock) market is expected to accelerate economic growth, by providing a boost to domestic savings and increasing the quantity and the quality of

investment. The market is expected to encourage savings by providing individuals with an additional financial instrument that may better meet their risk preferences and liquidity needs. Better savings mobilization may increase the saving rate. The capital market also provides an avenue for growing companies to raise capital at lower cost. In addition, companies in countries with developed stock market are less dependent on bank financing, which can reduce the risk of a credit crunch. The capital market therefore is able to positively influence economic growth through encouraging savings among individuals and providing avenues for firm financing (Charles & Charles, 2007).

Capital market offers access to a variety of financial instruments that enable economic agents to pool, price and exchange. Through assets with attractive yields liquidity and risk characteristics, it encourages savings in financial form. This is very essential for government and other institutions in need of long term funds and for suppliers of long term funds. Companies can finance

their operation by raising funds through issuing equity (ownership) or debenture/bond borrowed as securities. Equity have perpetual life while debenture/bond issues are structured to mature in periods of years varying from the medium to long-term of usually between five and twenty five years. (Mbat,2001).

Based on the performance of capital market in accelerating economic growth, government of most nations tends to have keen interest in its performance. The concern is for sustained confidence in the market and for a strong investor's protection arrangement. Economic growth is generally agreed to indicate development an economy, because it transforms a country from a five percent saver to a fifteen percent saver. Thus it is argued that for capital market to contribute to economic growth in Nigeria, it must operate efficiently. Most often, where the market operate effectively, confidence will be generated in the minds of the public and investors will be willing to part with hard earned funds and invest them in securities

with the hope that in future they will recoup their investment. (Ewah et al, 2009).

The theoretical explanation on the nexus between capital market and economic growth is further expanciated using Efficient Market Hypothesis (EMEH) developed by Fama in 1965. According to EMH, financial markets are efficient or prices on traded assets that have already reflected all known information and therefore are unbiased because they represent the collective beliefs of all investors about future prospects. Previous test of the EMH have relied on long-range dependence of equity returns. It shows that past information has been found to be useful in improving predictive accuracy. This assertion tends to invalidate the EMH in most developing countries. Equity prices would tend to exhibit long memory or long range dependence, because of the narrowness of their market arising from immature regulatory and institutional arrangement. They noted that, where the market is highly and unreasonably speculative, investors will be

discouraged from paring with their funds for fear of incurring financial losses. In situations like the one mentioned above, has detrimental effect on economic growth of any country, meaning investors will refuse to invest in financial assets. The implication is that companies cannot raise additional capital for expansion. Thus, it suffices to say that efficiency of the capital market is a necessary condition for growth in Nigeria. (Nyong, 2003).

Ariyo and Adelegan (2005) contend that, the liberalization of capital market contributes to the growth of the Nigeria capital market, yet its impact at the macro-economy is quite negligible.

In another exposition, Gabriel (2002) as enunciated by Nyong (2003) lay emphasis on the Romanian Capital Market and concludes that the market is inefficient and hence it has not contributed to economic growth in Romania.

Ekundayo (2002) argues that a nation requires a lot of local and foreign investments to attain sustainable

economic growth and development. The capital market provides a means through which this is made possible.

Ewah, et al (2009) capital market provide the opportunities for the purchase and sale of existing securities among investors thereby encouraging the populace to invest in securities fostering economic growth.

2.2.1 How Efficient Capital Market Stimulate Growth in Nigeria

The role of financial intermediation in the economic growth process was recognized as far back as the 17th century when Walter Bagehot, in his classic Lombard Street, argued that it was England's efficient capital markets that made the industrial revolution possible.

Centuries later, modern day economists hold largely the same view that access to investment capital, through well-functioning financial markets, is crucial for growth and development, particularly in capital – scarce developing counties. They maintain that stock markets facilities the pricing and diversification of risk, aid in the

price – discovery process of financial assets and enhance the operations of the domestic financial system.

By mobilizing savings from surplus spending economic units to the deficit spending units, a capital market provides avenues for effective and optimal utilization of funds for long-term investment purposes. In addition, capital markets encourage the inflow of foreign capital by creating a platform for foreign companies or investors to invest in domestic securities; provide needed seed money for capital development; and act as a reliable medium for broadening the ownership base of family-owned and dominated firms.

Also, increasing evidence suggests a strong positive relationship between the size of an economy and the size of its finical market. In other words, stock Exchanges the world over are used as a barometer of the economy in which they are domiciled. According to Taba Peterside, head, listings sales and Retention at the Nigerian Stock Exchange (NSE), local and international

investors follow the Exchange's major index as it reflects the overall confidence in all sectors of the economy.

Therefore, as Nigeria seeks to join the ranks of the 20 most developed economies by year 2020 (and toppling South African as the largest economy in African, there is need for the nation's capital market to evolve to a higher level of sophistication and depth to provide additional investment capital to meet the rapid expansion. The expansion in stock market activity across the country is necessary in view of the significant role financial markets play in the economic growth process. It is in this light that the stock exchange market acts as a barometer for economic performance, in the sense that it assists to allocate the necessary capital needed for the consistent growth of an economy.

Indeed, a number of economists have argued that the determination of he overall growth of an economy depends on how efficiently the stock market performs in its allocative functions of capital. When the stock market mobilizes savings, it simultaneously allocates a

larger portion of the savings to firms with relatively high prospects as indicated by their returns and level of risk. The significance of this function is that capital resources are channeled by the mechanism of the forces of demand and supply to those firms with relatively high and increasing productivity, thus enhancing economic expansion and growth. Again, the stock market, being a major component of Nigeria's financial sector, serves a pivotal role in contributing to economic growth in this capacity.

As much as the stock markets fuel economic growth through diversification, mobilizing and pooling of savings from different investors and availing them to companies for utilization, their ability to contribute optimally to the growth of an economy depends largely on their informational, operational and Locational efficiency. Underdeveloped or poorly functioning capital markets, characterized by illiquidity and high transaction costs, may deter investors, both domestic and foreign, from being active in the market.

This is because inefficiencies in the price discovery process of financial assets imply less-than-optimal pricing and allocation of investment resources within the economy, thus undermining productive investment and growth. AS such, must stock markets in the developing world, including Nigeria, face constraints which results in serious implications such as liquidity issues, absence of trading activities, and a weakened investor base.

In this context, the recent spate of reforms being rolled out in phases – such as introduction of ETFs, dematerialization, market making, securities lending, demutualisation and enforcing full disclosure – aimed at transforming the NSE to make it the gateway to African markets, clearly reflects the importance of the Exchange in creating and driving a competitive macroeconomic environment. Going forward, analysts are optimistic that as the full impact of many of the reforms begins to emerge, the capacity of the capital market (through the NSE) to contribute more meaningfully to macroeconomic

growth and development of the country would be enhanced. (Business Day, 18 April 2012).

2.3 LIMITATION OF THE PREVIOUS STUDIES:

This chapter therefore reviews theoretically the significance of the capital market on an economy and how its relates to savings, investment, capital, stock market and economic growth.

Adam smith who is a pioneer classical economist gave a review in his book ‘‘an enquiry into the wealth of nations” that was published in 1776 had a defined theory of development whose theme has been that of economic growth. Thus, the major idea of this section was grouped into the following:

The vicious cycle of poverty

The big push theory

The balance growth theory

Unbalanced growth theory

Endogenous growth theory

CHAPTER THREE

3.0 Research Methodology

The research work will make use of the econometric procedure in estimating the relationship between capital market and the Nigerian Economic Growth. The Ordinary Least Square (OLS) technique will be employed in obtaining the numerical estimates of the coefficients in the model formulated below. The OLS method is chosen because it possesses some optimal properties; its computational procedure is fairly simple and it is also an essential component of most other estimation techniques. The OLS also provide a range a range of possible value of unknown population parameters. The sample size for this analysis is 30years, that is, 1980 through 2012.

3.1 Model Specification

3.1.1 Functional Form Specification

The functional form specification of the model is given below. It shows that economic growth as proxied by real GDP is functionally related to market capitalization;

domestic savings, values of stocks traded, and total new issues.

LogRGDP=f(logMCAP, logDS, logVT)……(1)

Where:

RGDP = Real Gross Domestic Product

MCAP = Market Capitalization

DS = Domestic Savings

VT = Value of Total Stocks Traded

3.1.2 Econometric Specification

$LogRGDP = {}_{a0} + {}_{a1}logMCAP + {}_{a2}logDS + {}_{a3}logVT + \mu$……(1)

Where $a1 = a2 = a3 > 0$

We use RGDP to proxy the growth rate of the economy for the stated period, MCAP to represent the market capitalization for the stated period, DS to represent total savings which equals investment according to the Keynesians, VT is the value of total stock traded. And the parameters are all greater than zero indicating a positive relationship between economic growth and the explanatory variables. μ represents every other variable

that can influence the regression and it is called the error term.

$$RGDP_t = \sum_{i=1}^{n} a_0 DS_{t-i} + \sum_{=1}^{n} a_1 RGDP_{t-j} + U_{1,t} \quad \text{.....(2a)}$$

$$DS_t = \sum_{i=1}^{n} \beta_0 RGDP_{t-i} + \sum_{j=1}^{n} \beta_1 DS_{t-j} + U_{2,t} \quad \text{.....(2b)}$$

Where $RGDP_t$ and $RGDP_{t-i}$ represent both present and lagged values of the dependent variable, and GNS_t and $DS_{t-i,}$ represent the current and lagged values of the explanatory variable, respectively.

3.2 Estimation Procedure

The study employed the Ordinary Least Square (OLS) procedure. This procedure was preferred because the OLS estimators are considered to be Best, Linear, Unbiased Estimators (BLUE) which are consistent and sufficient. The data were processed using E-views econometric software package.

3.2.1 Economic Test: A Priori Expectation

This has to do with the sign expectation set by economic theory. It looks at the signs and sizes (magnitude) of parameters of economic relationships. The parameters in a given model are expected to have signs and sized that are theory consistent. In line with the theoretical propositions of model (1) and, it is expected that a positive relationship should exist between market capitalization (our proxy for the stock market) and economic growth. As shown earlier by our parameters being grater than zero it mean that theory stipulates a positive relationship between the explanatory variables and the explained variable.

3.2.2 Econometric Tests

(a) Unit Root Test:

Classical econometric theory requires that economic variables be stationary before estimating the model. However, most economic variables have been shown to be non-stationary (time variant). In other words, the means and variances are not constant. Therefore, it is a preliminary condition to test for unit root before we

proceed with other econometric analysis. In this study, the stationary of the variables will be checked using the Augmented Dickey-Fuller (ADF) unit root test at 1% and 5% levels of significance. This is to ensure that the series enter the model in a non-explosive form.

(b) Error Correction Mechanism:

Once it is ascertained that the variables of interest are co-integrated, it than follows that we use the error correction modeling procedure to account for the error. The error-correction mechanism includes the lagged error as a regressor which measures the convergence speed (or the speed of adjustment) and also acts to correct any deviations from long-run equilibrium. Specifically, if actual equilibrium value is too high, the error correction term will reduce it, while if it is too low, the error correction term will raise it. The error correction term, therefore enables us to induce flexibility by explaining the short and long run dynamics in a unified manner.

(c) Causality Test:

Causality test is performed to identify the direction of causality between the variables that are being analyzed. To achieve this, the study adopted the Granger causality test in order to test the hypotheses regarding the presence and the direction of causality between national savings and economic growth. The direction of causality determines the direction of the relationship between the variables. Four cases are distinguished:

(i) Unidirectional Causality from MCAP to RGDP is indicated if the estimated coefficients on the lagged MCAP in model 2a are statistically different from zero as a group and the set of estimated coefficients on the lagged RGDP in model 2b is not statistically different from zero.

(ii) Conversely, unidirectional causality from RGDP to MCAP exists if the set of lagged MCAP coefficients in model (2a) is not statistically different from zero and the set of the lagged RGDP coefficients in model (2b) is statistically different from zero.

(iii) Feedback, or bilateral causality is suggested when the sets of GNS and RGDP coefficients are statistically significantly different from zero in both regressions.

(iv) Finally, independence is suggested when the sets of GSN and RGDP coefficients are not statistically significant in either of the regressions.

3.2.3 Diagnostic Test

(a) Specification Bias Test

This model specification error test will be carried out to determine if the regression model was correctly specified or not. For this to be achieved, the Ramsey RESET test will be employed in determining the presence or absence of specification error/bias in the model.

(b) Normality Test

This study will carry out a normality test to check if the residual, a proxy for stochastic error term follows a normal distribution or not. Symbolically, whether $\mu_t \sim N(0,\delta^2)$. The Jarque-Bera (JB) test of normality will be

employed for this purpose as it is suitable for large sample.

(c) Autocorrelation Test

This test will be carried out to detect whether the errors corresponding to different observations are serially correlated or not. Durbin-Watson (DW) Test would be adopted for this detection and the newsy west HAC method can be used to correct for autocorrelation.

(d) Heteroscedasticity Test

This test will be carried out to see whether the error variance of each observation is constant or not. Non-constant variance can caused estimated model to yield a biased result. White's general heteroscedasticity test (cross terms) that follows Chi Square distribution would be adopted for this purpose.

(e) Multicollinearity Test

This test shows the linear relationship between two or more explanatory variables. If there exist such a relationship among the regressors, it becomes difficult to determine their coefficients. Thus, the essence of this

test is to investigate whether there is high collinearity among the regressors or not. The correlation matrix table would be used for this test.

3.3 Sources of Data

The data for this study was obtained mainly from secondary sources particularly from Center Bank of Nigeria (CBN) statistical Bulletins, 2010. Nigerian Stock Exchange (NSE) fact books, Security and Exchange Commission (SEC) Market Bulletins and relevant journals.

CHAPTER FOUR

4.0 PRESENTATION AND ANALYSIS OF REGRESSION RESULT

The regressed models as specified in chapter three are presented are in this chapter with necessary estimation and analysis.

The estimates of the regression result are subject to various economic, statistical and econometric tests for reliability.

The first and second models are regressed for causality between economic growth the national savings. While the third model is used to determine which component of national savings impacts more on economic growth.

The estimation is carried out using E view 3.1. This software is used because of its simplicity and for lack of better software.

TABLE 4.1 PRESENTATION OF REGRESSION RESULT

The result of the estimated model (i.e. model one) are presented below.

MODEL 1: SUMMARY OF THE REGRESSION RESULT OF MODE 1

Variables	**Coefficient**	**Standard Error**	**T-value**	**Prob-value**
C	6.869445	0.321849	21.34368	0.0000
MCAP	-0.199681	0.040258	-.4.960079	0.0011
VT	0.427597	0.035447	12.06284	0.0000

DS	8.47E-08	1.13E-07	0.752552	0.4733

R^2 = 0.993389

R^2 = 0.839660

F statistic = 20.20140

Prob (F-statistics) = 0.000433

4.2 EVALUATION OF RESULTS

4.2.1 Economic Theoretical Test (Apriority Test)

The basis of every econometric analysis is to establish if there is conformity with theory of phenomenon being tested.

From the summary of our regression result in table 4.1, economic theory established that market capitalization, values of stock traded and domestic savings should be positively related to economic growth. But the coefficient of market capitalization is negative not conforming to a priori.

The expected and the obtained signs of the parameters of model 1 can be seen in table 4.2 below.

TABLE 4.2 THE EXPECTED AND THE OBTAINED SIGNS OF THE PARAMETERS OF MODEL 1

VARIABLES	EXPECTED SIGN	OBTAINED SIGN	REMARK
MCAP	Positive	Negative	Non conformity
VT	Positive	Positive	Conforms
DS	Positive	Positive	Conforms

4.3 Econometric Tests

Heteroscedasticity

This test was conducted using the white's general heteroscedasticity test (with no cross terms). The test follows a chi-square distribution with degree of freedom equal to the number of the explanatory variables (excluding the constant).

Hypothesis

The hypothesis shall be stated as:

H_o: $\Omega_1 = \Omega_2 = \Omega_3 \ldots\ldots = \Omega_{10} = 0$

Against the alternative hypothesis that:

H_1: $\Omega_1 \neq \Omega_2 \neq \Omega_3 \ldots\ldots \neq \Omega_{10} = 0$

Decision Rule:

Reject H_o if n. $R^2 > x^2$ tab (0.05 confidence interval)

Accept if otherwise.

X^2 tab = 18.3070 (that is, tabulated chi-square at 10df)

X^2 cal = 31 x 0.876082

= 27.158542

Conclusion:

Since x^2 cal (27.158542) > x^2 tab (18.3070)

We reject the H_0 and conclude that the error variances are constant. That is, there is no heteroscedasticity in the model.

Specification Error

The test for specification was conducted using the Ramsey Reset Test.

Hypothesis:

Ho: β_i =0 (meaning that the model is not correctly specified).

Against H_i: $\beta_i \neq 0$ at 5% level of significance. That is, $\alpha = 0.05$.

Decision Rule:

Reject H_o if F cal > F tab (K-1/n-k) df

Accept if otherwise

F cal =0.54998 > F 0.05 (3/27) =0.11111

Where n = 31 and K =4.

Result of Specification Error

VARIABLE	F-STATISTICS	F-TABULATED	ASSESSMENT
Fitted ^2	0.054998	0.11111	Not well specified

Conclusion

Form the table, it can be seen that F value (0.054998) <F 0.11111, we thus conclude that there is specification error in the model. The obvious solution to our model is that, we need to change one or two of our explanatory variables, but due to time constraint we decided to do nothing.

Test for Multi-Colinearity

The test for multicolinearity was conducted using the Pairwise correlation matrix.

Decision Rule

If the R^2 from the correlation matrix is in excess of 0.8, we conclude that there is presence of multicolinearity

TABLE4.3: CORRELATION MATRIX FOR MULTICOLINEARITY

Variables	Correlation coefficient	Conclusion
RGDP and VT	0.792548	No Multicolinearity
RGDPC and DS	0.868385	Presence of multicolinearity
VT and RGDP	0.792548	No Multicolinearity
VT and DS	0.826129	Presence of multicolinearity
DS and RGDP	0.868385	Presence of multicolinearity
DS and VT	0.826129	Presence of multicolinearity

We should not be alarmed because the variables are correlated except for RGDP and VT as this would

have negligible impact on our result. This is so due to the fact the values are less than perfect.

4.4 Econometric Criteria (Second Order Test)

Unit Root Test (Stationary Test)

The Augmented Dickey-Fuller Test (ADF) is applied here.

Hypothesis:

Y = 0 or P = 1 (the variables are not stationary at 5% level of significance).

Decision Rule:

Reject H_o if the absolute value for the calculated ADF for nay of the variables is greater than absolute value at the 5% critical values, otherwise, do not reject.

TABLE 4.4 UNIT ROOT TEST STATISTICS

VARIABLE	ADF TEST STATISTIC	ADF CRITICAL VALUE	ORDER OF INTEGRATION
MCAP	-5.476735	-2.9705	1 (1)
VT	-4.910073	-2.9705	1 (1)
DS	-3.522572	-2.9750	1 (1)

From the foregoing, we see that after taking the first difference for the explanatory variable except for

RGDP, we observed that the absolute values of the calculated ADF becomes greater than the critical values at 5% level of significance. Thus they are integrated of order one (1), that is, they are stationary at first difference.

NORMALITY TEST

It is pertinent to recall that in chapter three we made an assumption that the residual follow normal distribution. This assumption can be tested using the JARQUE BERA (JB) TEST; this follows CHI-SQUARE with 2 degree of freedom.

The hypothesis will be:

H_O: μ_s are normally and independently distributed.

Decision Rule:

Reject Ho if x^2 cal > x^2 critical value at a =5%

Accept of otherwise

The result of the estimation shows that the value of Jarque Bera (JB) = 1.679077 and $x^2_{0.05}(2) = 5.99$

Conclusion

Since JB value (x2 cal) = 1.679077 < 5.99147, we do not reject the H_o that the error terms are normally and independently distributed.

Test for Causality

As the third objective of this research seeks to determine the causal relationship between the Stock Market and Economic Growth in Nigeria, we ran a Pairwise Granger Causality Test on RGDP and MCAP with times series running form 1980 to 2010.

Hypothesis

Reject H_o if F cal tab (K-1/N-K)

Accept if otherwise

F cal = 10.9356 $>F_{0.05}$ (3/27) = 2.98

Where K=4

N = 31

a=5%

H_o: RGDP does not Granger Cause MCAP

Conclusion:

Since F cal (10.9356) > $F_{0.05}$ (2.98) we thus reject the H_o and conclude that RGDP Granger Causes MCAP at a=5%.

4.5 Interpretation of Result

A priori evaluation of the constant term (intercept): the estimated constant is 6.869445, which indicates that if other variables (i.e., MCAP, DS, and VT) are held constant real GDP value would be at 6.869445s.

Market Capitalizations

Holding other explanatory variables constant, if the coefficient of market capitalization is -0.199681, as we know, this does not conform to a prior expectation. It simply means that, a unit change in this variable would bring about a decline in economic growth to the tune of -0.19981. The coefficient is statistically significant.

Value of Traded Stocks

The econometric interpretation of the value of traded stocks is as follows. Holding other explanatory variable constant, a unit change in the VT variable would

bring about an increase in economic growth to the tune of 0.427597 on the average. This conforms to a priori expectation of a positive relationship between the two variables. The coefficient is statistically significant.

Domestic Saving

Theory postulate a positive relationship between domestic savings and economic growth and in our model the coefficient of domestic saving is 8.47 but it is not statistically significant. But a normal econometric interpretation would have been that a unit change in domestic savings, other things being equal, would result to an increase in economic growth to the of 8.47 on the average.

4.6 Policy Implication of the Findings

So far, we have critically analyzed the research findings and can at this juncture lay bare the economic implication or the policy implication of the results.

Market capitalization and value of traded stocks are statistically significant, but domestic savings is not. This means that only market capitalization and value of

traded stocks can have a substantial impact on economic growth.

The reason for the non-statistical impact of domestic savings as invested in the stock market on economic growth may be due to poor data collection process or any other factor associated with Nigeria.

Therefore, the policy implication is that the government in its bid to stimulate economic growth through the stock market should consider raising the market capitalization and the value of traded stocks.

CHAPTER FIVE

5.0 SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 SUMMARY

The multiple regression model employed in this study has in no small measure determined the impact of the Nigerian Stock Market on economic growth and also the relationship between them. The inclusion of relevant economic variables like domestic savings, market capitalization, and value of traded stocks has really justified their role in adjusting the relationship between the stock market and output growth. The ordinary least square was adopted, and the model was logged. Causality between economic growth and the stock market was also established with a unidirectional causality running from RGDP to MCAP which was used to proxy the stock market.

Following the research findings of this work, the coefficient of market capitalization which is -0.199681 indicates that market capitalization in Nigeria reduces output growth. This means that the economy needs a

100% decrease in market capitalization to achieve 1.9% in output growth. The poor magnitude of market capitalization shows that there are other variables that combine with it to affect economic growth.

The coefficient of value of stock traded which are 0.427597 shows that it significantly affects growth. This means that the more the value and volume of traded stocks in the capital market, the more the impact on output growth.

The coefficient of domestic savings which is 8.47 also proves that domestic savings improves output growth though it is statistically insignificant.

5.2 Recommendations

Based on the findings of this work, the following policies are recommended.

Firstly, based on our causality result which shows that economic growth granger causes the growth of the stock market in Nigeria, we admonish the Nigeria Government to make favorable policies that would spur

economic growth, that is, output growth that is investment driven.

Secondly, since domestic savings is not statistically significant in the relationship between the stock market and output growth, we therefore advice the government to consider other significant variables like market capitalization and value of stocks traded in the capital market.

Lastly, we advise the government to consider the size of the Nigerian Stock Market, vis-avis, market capitalization if the market mast be a global player and a driver of economic growth.

This recommendation is high important in the light of the recent global financial crunch of 2008 that the Nigerian economy has not completely recovered from.

5.3 Conclusion

The research work was aimed at finding the role of stock market in the growth of the Nigerian economic and also to find out the causal relationship between the two variables. The work found out that it is economic growth that granger causes growth in the stock market. We also discovered that the stock market can drive economic growth only through market capitalization and increase in the value of stocks traded.

The stock market world over is a significant factor in the attainment of economic growth and development and it should not be otherwise in Nigeria. We are aware of the unethical activities like hoarse trading that is going on in Nigerian Stock Market, and such evil practices are being perpetrated by those whose responsibility is to make sure that the market drives economic growth. At last the security and exchange commission is bracing up to the challenge in sanitizing the system.

BIBLIOGRAPHY

Abu, N. (2009). *Examined the stock Market by employing the error correction approach*.

Adam, Smith (1776). The Growth Theories; "*An enquiry into the Nature and causes of Wealth of a National*".

Adam and Sanni (2005). *The Roles of Stock Market on Nigeria's Economic Growth Using Granger Causality Test and regression analysis*.

A1-Faki, M. (2007). "*Understanding the Nigerian Capital Market":* Best Investment Practices & Regulatory Compliance, Nigeria Security and Exchange Commission, Abuja.

Alile, H.I and Richard A. Anao (1990). "*The Nigerian stock Exchange in Operation"*. Lagos: Academy Press.

Anyanwu, J.C. (1996). "*Monetary Economics: Theory, Policy and Institution*". Hybrid Publishers Limited.

Anyanwu, J.C (1993). *Monetary Economic Theory, Policy and Institutions.* Hybrid Publishers Limited. 247-274.

Ariyo, A. & Adelegan, O. (2005). *Assessing the Impact of Capital Market Reforms in Nigeria*: an Incremental Approach. Paper Presented at 46th Annual Conference of the Nigerian Economic Society in Lagos in August 2005.

Alfred, O. Hisewnan (1995). "*The Unbalanced Growth*".

Charles & Charles (2007). *The positive effect of capital Market on economic Growth*.

Central Bank of Nigeria (CBN) *Statistical Bulleting of 2005, 2006, 2008 and 200*9. Abuja: Central Bank of Nigeria Publication.

Deverux and Smith (1994) and Obstfeld (1994). *Risk diversification Through international integrated stock market.*

Delon et al, (1989). *The excess Volatility in the stock Market*.

Emeh, Fama (1965). *The Theoretical Explanation on the Nexus between Capital Market and economic Growth*.

Ewah et al, (2009). *The contribution of capital market to economic growth in Nigeria*.

Ekundayo, I.K. (2002)." Creating *Conducive Environment for Investment in Nigerian Capital Market*". Paper Presented at Public Enlightenment on Opportunities in the Capital Market for Industrial Development of Kogi State "Lokoja: 29th March to 1st April, 2002."

Ewah, S.O.E, Esang, A.E & Bassey J.U. (2009). *Appraisal of Capital Market*.

Ekundayo (2002). *Local and Foreign investments in order to attain sustainable economic Growth and development.*

Ewah, et al (2009). *How the capital Market provides the opportunities for the purchase and sale of existing securities amongst investors.*

Ariyo and Adelegan (2005). *The liberation of capital market in the Contribution of growth of the Nigerian Capital Market*.

Franco Modigliani, Albert Ando and Richard Brumberg (1963). The life Cycle Hypothesis "*The Living fishery Hypothesis*" .

Gujarati, N.G. & Porter, D.C. (2009), *Basic Econometrics.* J.C. Anayanwu H.E. Oaikhenan (1995) "*Modern Macor Economics*". Theory and Applications in Nigeria. Published by Joanee Education Publisher Limited Onitsha: Anambra State.

Gabriel, (2002), Nyong (2003). *Romanian Capital Market*.

John, Black (2002). "*Oxford Dictionary of Economic*". Second Edition. Oxford University Press.

John, Maynard Keymes Theory (1996). The Absolute Income Hypothesis *"The General Theory of Money".*

Levine and Zervos (1996-1998) and Singh (1997). *The positive association between the long-run and the stock market to economic grow*.

Mbat, D.O. (2001). "*Financial Management*." Domes Associated Publishers. Uyo: Nigeria First Edition.

Nigeria Stock Exchange (NSE) *Fact Book for 2004-2009*. Lagos: The Nigeria Stock Exchange.

Nyon, (2003). *Efficiency of Capital Market as a necessary Condition for growth in Nigeria*.

Olajide, Olubayo Thomas (2004). "*Theories of Economic Development and Planning*". Agege Lagos: Published by Pumark, Nigeria Limited.

Osinubi and Amaghionuedoiwe (2003).*The relationship between Nigerians Stock Marketing and Economic Growth between 1980 – 2000*.

Obamiro, (2005). *The Role of Nigeria Stock Market in the light of Economic Growth.*

Pat, D. & James, O. (2010). *An Empirical Analysis of the Impact of the Nigerian*.
www.wikipedia.prg/wiki/economicgrowth

Paul, Rosenstein Rodan (1943). *The Big Push Theory "Industrialization of the South-East Europe*".

Paul, Streestain and Regnar, Nurkse (1907).*The Balance Growth Theory*.

Paul, Romer and Robert, Lucas Jr. (1980 – 1990).*The Endogenous Growth Theory.*

Ragnar, Nurske (1956). *"The Vicious cycle of Poverty*".

Smith, and Starr (1996). *"How stock market affect the Economic activity through the creation of liquidity"*.

Tolin, (1996). The Stock Market Theory; *"The dynamic Theory of Industry".*

JOURNALS

Adam, J.A. & Sanni, I. (2005*).* "Stock Market Development and Nigeria's Economic Growth"*. Journal of Economics and Allied Fields, 2 (2) 116 -132.*

Afees, A.S & Kazeem, B.A (2010). "*The Stock market and Economic Growth in Nigeria"*: An Empirical Investigation, *Journal of Economic Theory*, 4 65-70.

Atje, Raymond, and Boyan Jovanovic. 1993. "Stock Markets and Development" *European Economic Review* 37 (2/3), pp. 632-40.

Bencivenga, Valerie R., Bruce D. Smith, and Ross M. Starr. 1996. "Equity Markets, Transactions Costs, and Capital accumulation: an illustration" *The World Bank economic review* 10 (2).

Capital Market on Her Socio-Economic Development. *Journal of Social Science* 24 (2), 135.

Demetriades, P., Arestis, P & Luintel, K. (2001). Financial Development and Economic Growth: The Role of Stock *Markets. Journal of Money, Credit and Banking, 33, 16-41.*

Deimirgue-Kunt, Asli and Ross Levine (1996). "Stock Market, Corporate Finance and Economic Growth: *An Overview" The World Bank Review* 10 (2): 223-239.

Deimirgue-Kunt, A.A & Levin R. (1996) "Stock Market, Corporate Finance and Economic Growth: An Overview". *The World Bank Review* 10 (2)223-225.

Economic Growth: The Role of Stock Markets. Journal of *Money, Credit and Banking*, 33, 16-41.

Efficiency on Economic Growth in Nigeria. International *Journal of Business and Management*, 4 (12) 219-225.

Eugene, F. Fama, Random Walks in Stock Market Prices Financial Analysts Journal, September/October 1965 (Reprinted January-February 1995).

Ezeoha, A., Ebele, O. & Ndi Okereke, O. (2009). "Stock Market Development and Private Investment Growth in Nigeria". *Journal of Sustainable Development in Africa*, 11, (2).

Levine, Ross. 1991. "Stock Markets, Growth, and tar Policy" *Journal of Finance 46 (4): 45-65.*

Mishra, P.K. Mishra, U.S. Mishra, B.R. Mishra, P. (2010) "Capital Market Efficiency and Economic Growth": The Case of India. *European Journal of Economics, Financial and Administrative Sciences Issue* 27 (18). 130 -138.

Mohtadi, H. & Agarwal, S. (2004). "Financial Markets and the Financing Choice of firms; Evidence from Developing Countries". *Global Financial Journal*, 15 (2). 52-70.

Nagayasu, J. (2003). "The Efficiency of the Japanese Equity Market", IMF *Working Paper*, No. 142.

Nieuwerburgh, S., Buelens, F. & Cuyvers, L. (2006). "Stock Market Development and Economic Growth in Belgium Explorations in Economic History", *Global Finance Journals. 43, 13-38*.

Nyong, M.O. (2003). "Predictability and Volatility of Stock Return in Three Emerging Markets" Nigeria, South Africa and Brazil. *Nigeria Journal of Economics and Development Matters* 2 (1): 12—29.

Obamiro, J.K (2005). Nigerian Economy: "Growth and the Role of Stock Markey". *Journal of Economic and Financial Studies*, 2 (2).

Osinubi, T.S. & Amaghionyeodiwe, L.A. (2003). "*Stock Market Development and Long – Run Growth in Nigeria". Journal of African Business*, 4 (3), 103-129.