Global Scientific JOURNALS

GSJ: Volume 9, Issue 12, December 2021, Online: ISSN 2320-9186

www.globalscientificjournal.com

The role of the capital market in Nigeria Socio-Economic development

Simon ovie ONOMU

1. Background of the Study

A financial market is a broad term describing any market place where buyers and sellers participate in the trade of assets such as equities, bonds, currencies and derivatives. Financial markets are typically defined by having transparent pricing, basic regulations on trading, costs and fees, and market forces determining the prices of securities that trade.

Financial markets can be found in nearly every nation in the world. Some are very small, with only a few participants, while others – like the Nigerian Stock Exchange (NSE) etc. trade millions of Naira daily. Investors have access to a large number of financial markets and exchanges representing a vast array of financial products. Some of these markets have always been open to private investors; others remained the exclusive domain of major international banks and financial professionals until the very end of the twentieth century.

Financial markets are full of imperfection, which make result inconsistent with expectations. Genuine conditions in the present world of finance, human grade, system failures or national afflictions can make things very unpredictable.

This is where risk comes into play. This chapter deals in sufficient details, the different manifestations of risk in each assets class and tries to suggest you the ways to minimize it. Many of us have one simple approach to dealing with risk. That is to avoid it by all means. In financial investment matters, this may not be a good strategy. As risk and return are correlated, every risk you are avoiding possibly deprives you of a handsome opportunity to build your wealth. Balancing risk with return in line with your individual circumstances is what financial market management is all about? This chapter throws some light on these simple but mostly neglected aspects of managing one’s own finance.

There is abundant evidence that most Nigerian businesses lack long-term capital. The business sector has depended mainly on short-term financing such as overdrafts to finance even long-term capital. Based on the maturity matching concept, such financing is risky. All such firms need to raise an appropriate mix of short- and long-term capital (Demirguc-Kunt& Levine 1996).

Most recent literatures on the Nigeria capital market have recognized the tremendous performance the market has recorded in recent times. However, the vital role of the capital market in economic growth and development has not been empirically investigated thereby creating a research gap in this area. 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 dearth of finance to the economy constitutes a major setback to its development. As a result, it is necessary to evaluate the Nigerian capital market.

In recent times there has been a growing concern on the role of capital market in economic growth and thus the capital market has been the focus of economic policies and policy makers because of the perceived benefits it provides for the economy. The capital market provides the fulcrum for stock market activities and it is often cited as a barometer of business direction. An active capital market may be relied upon to measure changes in the general level of economic activities (Obadan, 1998).

Deducing from the extensive studies on the theoretical expectations on the role of capital markets on economic growth which have formed the core of normative economics, the capital market is expected to contribute to economic growth through the transmission mechanisms of savings mobilization, creation of liquidity, risk diversification, improved dissemination and acquisition of information, provision of long-term, non-debt financial capital which enables companies to avoid over-reliance on debt financing, and enhanced incentive for corporate control amongst others. However, an x-tray on the path of ‘’positive economics’’ which is concerned with ‘’what is’’ rather than ‘’what should be’’ reveals that the argument in the literature on the growth effects of capital market has not been adequately resolved. The inconclusive nature of these theoretical and empirical studies provides the basis for a further empirical investigation on the role of capital market in economic growth.

The linkage between capital market performance and economic growth has often generated strong controversy among analysts based on their study of developed and emerging markets (Onosede; 1998 and Osinubi; 1998). The determination of the growth of an economy depends on how efficiently the capital markets perform it’s allocated function of capital. As the stock market mobilizes savings, concurrently it allocates a larger proportion of it to the firms with relatively high prospects as indicated by its rate of returns and level of risks (Alile, 1997).

Previous research conducted by researchers’ shows that the capital formation through the instrumentality of the capital market is germane to the growth and survival of any economy; therefore, it is of utmost importance to examine the impact of the Nigerian capital market on the economic development of Nigeria (Alile, 1997). In light of the above-mentioned facts, the question now is, to what extent Nigerian capital market has fulfilled the above developmental objectives. The broad objective of this study is to therefore examine the impact of capital market on the Nigerian economy and specifically, to show the trend of capital market over the years, determine the relationships between capital market and economic growth (*GDP as proxy) and proffer recommendations based on the research findings.

Nigerian capital market has undergone a series of reforms all with the hope of creating a stable economic growth and development. The most recent reform was carried out in order to provide opportunities for greater fund mobilization, improved efficiency in resource allocation and provision of relevant information for appraisal. It is expected as a result of the reform the market can provides variety of financial instruments capable of enabling economic agents to pool, price and exchange risk. In spite of these vital roles that the reform is expected to play, there is economic growth and development which when viewed from the nature of activities taking place in the market appeared superficial. This may probably be attributed to lack of providing enabling framework that sustained confidence and investors' protection and also thorough evaluation of factors that are of significance relevance in determining capital market performance.

Although from economic perspective distinction exists between economic growth and development, most of the studies conducted in the area under study fail to take into consideration the difference and also the interrelationship between the two variables. This therefore triggers the need to investigate the situation bearing in mind the distinction and also appropriateness of the methodology under study.

To the best of our knowledge, studies conducted in the area show mixed conflicting results and this could probably be attributed to failure to adopt appropriate methodology. Another issue of concern is most of the studies that evaluate capital market performance are either on data of primary market or secondary market and used to infer on the overall capital market performance but not on the combination of the two markets' data in aggregate. This informs the need to evaluate the market on aggregate data basis in order to ascertain how influential it is on the economic growth of Nigeria.

2.1 Financial system

A financial system is a conglomerate of various markets, instruments, operators, and institutions that interact within an economy to provide financial services such as resource mobilization and allocation, financial intermediation and facilitation of foreign exchange transactions to exchange foreign trade. A Financial system in a market economy is comprised of: Money and non-monetary claims (served debt and equity). Places, institutions or communication systems that provide a market where financial claims can be bought and sold. Specialists such as brokers and underwriters who aid in the direct transfer of funds from surplus to deficit units. A wide variety of intermediaries that provide attractive indirect routes for the transfer of funds surplus to deficit units. Households, business firms and government unit that generate financial surpluses and deficits.

Mbat (2001) described it as a forum through which long term funds are made available by the surplus to deficit economic units. It must however, be noted that although all surplus economic units have access to the capital market, not all the deficit economic units have the same easy access to it. The restriction on the part of the borrowers is meant to enforce the security of the funds provided by the lenders. In order to ensure that lenders are not subjected to undue risks the borrowers in the capital need to satisfy certain basic requirement. It has very profound implication for the socio-economic growth and development of any nation.

Jhingan (2004) the capital market is a market which deals in long term loans. It supplies industries with fixed and working capital and finance medium term and long-term borrowings of the central, states and local governments. Thus, the capital market comprises the complex of institutions and mechanisms through which medium term funds and long-term funds are pooled and made available to individual business and governments.

2.3 Types of Market

Efficient transfer of resources from those having ideal resources to others who have a pressing need for them is achieved through financial market. Stated formally, financial market provides channels for allocation of savings to investment. This provides a variety of assets to savers as well as various forms in which the investor can raise fund and thereby de couple the act of savings and investment.

The savers and investors are constrained not by their individual activities, to invest and save respectively. The financial market, thus, contribute to the economic development to the extent that the latter depends on the rate of savings and investment.

The financial markets have two major components:

1. Money market

2. Capital market

1. Money market: The money market is a segment of the financial market in which financial instruments with high liquidity and very short maturities are traded. The money market is used by participants as a means for borrowing and lending in the short term, from several days to just under a year. The money market is also used by a wide array of participants, from a company raising money by selling commercial paper into the market to an investor purchasing cds as a safe place to park money in the short term. The money market is typically seen as a safe place to put money due the highly liquid nature of the securities offers significantly lower returns than most other securities.

2. Capital market: A capital market is one in which individuals and institutions trade financial securities. Organizations and institutions in the public and private sectors also often sell securities on the capital markets in order to raise funds.

Thus, this type of market is composed of both the primary and secondary markets. Capital market has been described by Akigbounde (1996) as a market where medium to long term finances are raised. Ekezie (2002) revealed that it is a market for dealings (i.e., lending and borrowing in long term loan able funds. The development of capital market and apparently the stock market provides opportunities, for greater fund mobilization, improves efficiency in resource allocation and provision of relevant information for appraisal (Inanga and Chiedozie 1997). Al-faki (2006) argues that capital market is a network of specialized financial institutions with series of mechanism, processes and infrastructures that in various ways, facilitate the bringing together of suppliers and users of medium to long term capital for investment and economic development projects. The capital market comprises the complex of institutions and mechanisms through which immediate terms funds and long terms funds are pulled and made available to business, government and individuals. The capital market also encompasses the process by which securities already outstanding are transferred.

The growth and development of the capital market in Nigeria can be traced to 1946 with the floating of N600,000 (more than 300,000 pounds sterling) worth of government stocks. However, an organized market for the secondary trading of issued stocks was lacking. In 1959, following the establishment of the Central Bank of Nigeria (CBN) a year earlier, a N4 million (2 million pounds sterling).

Federal government of Nigeria development loan stock was issued in line with its role of fostering economic and financial development. In 1986, Nigeria embraced the International Monetary Fund (IMF) Structural Adjustment Programme (SAP) which influenced the economic policies of the Nigerian government and led to reforms in the late 1980s and early 1990s. The programme was proposed as an economic package to rapidly and effectively transform the Nigeria economy within two years (Yesufu, 1996). Government to judiciously implement some of its policy measures (Oyefusi and Mogbolu, 2003).

However, until SAP was abandoned in 1994, the objectives were not achieved due to the inability of the notable reforms include monetary and fiscal policies, sectoral reforms such as removal of oil subsidy in 1988 to the tune of 80%, interest deregulation from August 1987, financial market reform and public sector reform which entails the full or partial privatization and commercialization of about 111 public owned enterprises.

The Nigerian stock exchange was to play a key role during the offer for sale of the shares of the enterprises (World Bank, 1994; Anyanwu, 1997; Oyefusi and Mogbolu, 2003).

The introduction of SAP in Nigeria has resulted in significant growth of the financial sector and the privatization exercise which exposed investors and companies to the significance of the stock market (Alile, 1996; Soyode, 1990).

Capital market has been described by Akigbounde (1996) as a market where medium to long term finances are raised. Ekezie (2002) revealed that it is a market for dealings (i.e. lending and borrowing in long term loan able funds). The development of capital market and apparently the stock market provides opportunities, for greater fund mobilization, improves efficiency in resource allocation and provision of relevant information for appraisal (Inanga and Chiedozie 1997). Al-faki (2006) argues that capital market is a network of specialized financial institutions with series of mechanism, processes and infrastructures that in various ways, facilitate the bringing together of suppliers and users of medium to long term capital for investment and economic development projects.

The capital market in any country is one of the major pillars of long-term economic growth and development. The market serves a broad range of clientele, including different levels of government, corporate bodies and individuals within and outside the country. Capital formation entails accumulated savings out of the current incomes of either organization or individual. It is investment in fixed assets which in part is financed with monies raised through the capital market (al-faki, 2006). The capital market has been one of the major means through which foreign funds are injected into most economies and the tendency towards a global economy is more visible there than anywhere else. It is therefore, quite valid to state that the growth of the capital market has become one of the barometers for measuring the overall economic growth of a nation (Emenuga, 1998).

The development of the capital market has generated two major sets of economic benefits. First, it has improved the allocation of capital, because the prices of corporate debt and equity respond immediately to shifts in demand and supply, changes in the outlook for an industry (and/or company) are quickly embodied in current asset prices. The signal created by change in price of a security encourages investors as a result of higher prices or discourages them due to lower prices; this is because the investors often used the prices of securities to predict the likely trend of the market as either bullish or bearish. Businesses with high returns attract additional capital quickly and easily. When there is decline in demand, prices drop, and this signal makes investors to cut the flow of capital to the industry which leads to a decline in economic growth. The ability of companies in their early stages of development to raise funds in the capital markets is also beneficial because it allows these companies to grow very quickly. This growth in turn results into general increase of output in the economy (Abdullahi, 2005).

Although interest in identifying a formal link between financial system and economic growth is fundamental, the basic intuition behind this relation is relatively easy to surmise. This is because of the fact that the main goal of the capital market is the channeling of funds from the surplus sector unit to the deficit sector unit of the economy. It plays a major task in human capital investments which are essential elements of economic growth and development. From this point of view, one should expect that as the capital market develops and deepens, then efficient allocation of the financial resources for the investment is facilitated and thus the frontier of production possibilities is increased (Adam &Sanni, 2005).

Economic growth in a modern economy hinges on an efficient financial sector that pools domestic savings and mobilizes foreign capital for productive investments. Financial markets play an important role in the mobilization of financial resources for long term investment through financial intermediation. The financial market, which comprises the capital and money markets as well as other submarkets, plays crucial roles in the functioning of any modern economy.

However, for the purpose of this research work emphasis will be on the capital market. The capital market is believed to be an important sector of every economy whether it is developed or developing. This is because of the fact that the capital market performs a vital role in the growth of the economy by providing the avenue through which foreign investors make investment in the country which in turn may boost the growth of the economy in terms of foreign direct investment (Daniel, 1999).

The capital market mobilizes long-term debt and equity finance for investments in long-term assets. Capital markets also help in boosting the financial system as well as improving the economic growth of a country. The capital market supplements traditional lending activities of the financial institutions such as banks by providing risk capital (equity) and loan capital (debt). By means of these instruments, the market is able to mobilize long term savings and provide capital to investors to finance long-term investments thereby broadening ownership of productive assets (Daniel, 2004). Dealers in the securities segment of the capital market include banking institutions, stockbrokers, investment and merchant bankers and venture capitalists that intermediate between the market and the public. Well-functioning financial markets are very crucial for the promotion of global financial integration. An efficiently functioning domestic financial market can better position a country's competitiveness in the markets for global capital (Senbet&Otchere, 2005). Accessing global markets for capital, through a well-functioning financial system, lessens a country's reliance on foreign aid and other forms of external borrowing. It has been pointed out by a number of financial analysts that financial globalization allows for the sharing of local security risks.

Given the benefits associated with having well-functioning financial systems, a number of African countries have endeavored to put in place various measures aimed at developing the financial sector. Financial sector reforms have therefore been widely used as policy measures to encourage the development of domestic financial systems as well as the dismantling of barriers to international capital flows. African financial markets have been increasingly integrated with the other world capital markets. The encouraging drive towards globalizing capital flows in Africa has led to the growing relevance of emerging capital markets in the continent (Harris, 1997). The impact of the capital market performance is determined by a number of elements, which include how financial assets are priced, such as the size of the stock market, market capitalization, number of listed equities, transactions in buying and selling of securities (liquidity) which in this case refers to the volume of transactions and new issues of securities. This study therefore poses to examine the impact of capital market performance on economic growth in Nigeria.

2.4 The development and structure of the Nigerian financial system

The Nigerian financial system comprises the regulatory/ supervisory authority, banks and non-bank financial institutions. The regulatory/supervisory authorities are the Central Bank of Nigeria (CBN) at the apex, the Nigerian Deposit Insurance Corporation (NDIC), Security and Exchange Commission (SEC), the Federal Ministry of Finance (FMF), the Nigerian Supervisory Board (NISB), and the Federal Mortgage Bank of Nigeria (FMBN).

The CBN is a major regulator and supervisor in the money market, with the NDIC playing a complementary role. The CBN exclusively regulates the activities of finance companies and promotes the establishment of development banks. The National Board for Community banks, while the final granting of license is the CBN’s responsibility.

The SEC is the Apex regulator/ supervisor in the capital market, with NSE as self-regulatory institution. The FMF and the CBN share control over Bureau de change while the NISB is the regulatory authority in the insurance sector. The FMBN regulates mortgage financial business in Nigeria (CBN, 1990). Developmentally, the Nigeria financial system has witnessed a rapid growth in the last two decades. This could be seen from the widespread establishment of many financial institutions. The growth can be claimed to due to the oil boom and the awareness of the importance of money by Nigerians. One of the characteristics of the Nigerian financial system is the dominant role the Federal and State Government play in the financial intermediation directly or indirectly. There are a number of government parastatals which the government often lend money to. The state and federal governments also borrow money from the financial system. The governments are also involved in the financial intermediation indirectly through ownership of banks or financial institutions.

The Nigerian capital market which started operations in mid-1961 with eight stocks and equities; with about seven United Kingdom (UK) firms quoted on the Nigerian Stock Exchange (NSE) which had, at the same time, dual quotations on the London Stock Exchange. At the commencement of operations, the market started with 0.3 million shares worth N1.5 m in 334 deals and the value continued to grow steadily to N16.6m in 634 deals by 1970 (CBN 2004). According to Nigerian Stock Exchange report (NSE, 2009), in 1995 the Federal Government liberalized the capital market with the abrogation of Laws that prevent foreign investors from participating in the domestic capital market. This includes: The Foreign Exchange; Monitoring and Miscellaneous Provision Decree No: 17, 1995; Nigerian Investment Promotion Commission Decree No: 16, 1995; Companies and Allied Matters Decree of 1990 and Securities and Investment Act (ISA) 45 of 1999. These legislations have accorded Nigerians and foreign investors the same right, privileges and for investment in securities in the Nigerian capital markets. Other key measures included The Central Security Clearing System (CSCS) which commenced operations in April 1997. It is a central depository for all the share certificates of quoted securities including new issues.

With a market size of over 233 listed equities and gradual stability of the market resulting from the aftermath of the volatility induced by global economic crisis, there is a need to examine theoretical expectations with regard to the effects of Nigerian capital market on economic growth. From evidence in extant literature across different countries, the arguments are quite inconclusive and with mixed results with regard to the effects of capital market on economic.

The stock market is viewed as a complex institution imbued with inherent mechanism 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 (Nyong, 1997). The development of the capital market, and apparently the stock market, provides opportunities for greater funds mobilization, improved efficiency in resource allocation and provision of relevant information for appraisal (Inanga and Emenuga, 1997).

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

2.5 The Nigerian Financial market and economic growth

Nyong (1997) developed an aggregate index of capital market development and use it to determine its relationship with long-run economic growth in Nigeria. The study employed a time series data from 1970 to 1994. The result of the study was that capital market development is negatively and significantly correlated with long-run growth in Nigeria. The result also showed that there exists bidirectional causality between capital market development and economic growth.

Ewan et al. (2009) appraise the impact of the capital market efficiency on the economic growth of Nigeria using time series data from 1961 to 2004. They found that the capital market in Nigeria has the potential of growth but it has not contributed meaningfully to the economic growth of Nigeria because of low market capitalization, low absorptive capitalization, illiquidity, misappropriation of funds among others.

Akinbohungbe (1996) and Adebiyi (2005) have argued separately that the capital market is very vital to the growth, development and strength of any country because it supports government and corporate initiatives, finances the exploitation of new ideas and facilitates the management of financial risk. The rate of economic growth has been linked to the sophistication of the financial market and capital market efficiency. Both markets facilitate the mobilization and channeling of funds into productive constituents and ensuring that the funds are used for the pursuit of socioeconomic growth and development without being idle.

According to Okereke-Onyiuke (2000), the capital market has been a viable source of financing state and local government infrastructural projects and developmental strides with less pressures and lean on resources.

According to Soludo (2006) the bank recapitalization to N25 billion in which 25 banks emerged from the previous 89 banks clearly revealed the importance of the capital market. In fact, most of the banks in Nigeria were able to raise the required capital after going to the capital market through initial public offerings.

2.5.1 The Nigerian security and exchange commission

The Nigerian security and exchange commission (NSEC) is the apex institution for the regulation and monitoring of the Nigeria capital market. The commission was established under the security and exchange commission decree 1979, operating retrospectively from 1st April 1978.

Prior to the SEC, two bodies had in succession been responsible for the monitoring of capital market activities in Nigeria. The first was capital issues committee, which operated between 1962 and 1972. It could not be seen as the superintendent of the capital market because its functions were more or less advisory without the force of instruction even through its functions included the coordination of capital market activities. The next body was the capital market issues commission (CIC) which came into being in March 1973. The C.I.C, unlike its predecessor, had full powers to determine the price, timing and volume of security to be issued. Despite this wider power, the CIC could not be seen as the apex of capital market because it concerned itself with public companies alone and its activities did not cover the stock exchange and government securities.

2.5.2 The Nigerian stock exchange

As one of the constituencies of the capital market, the exchange is a private, nonprofit making organization, limited by guarantee. It was incorporated via the inspiration and support of businessmen and the federal government. But owned by about 300 members. The membership includes financial institution, stockbrokers and individual Nigerians of high integrity, who have contributed to the development of the stock market and Nigerian economy.

The Nigerian stock exchange started with the incorporation of the then Lagos stock exchange in 1960. Trading commenced on the exchange in 1961 after the enactment of the Lagos stock exchange Act of 1961, the self-regulatory organization was subsequently reorganized and renamed the Nigerian stock exchange 1977, based on the report and recommendation of Pius Okigbo financial system review commission.

The stock exchange is thus an institution of capital market, which provides trading floors where all dealing members operates on every business day. The exchange now has nine (9) branches and all the branches function principally has trading floor.

2.5.3 Capital Formation in Nigeria Capital Market

The role of the stock market has assumed a developmental role in global economies following observable impact the market has exerted in corporate finance and economy activities. Thus the capital market has been the focus of economic development policies and policy makers because of the perceived benefits it provides for the economy. Consequently, institutionalizing and sustaining efficient capital market performance has become a requisite condition for economies wanting to experience accelerated growth and development and this is because the capital market provides the fulcrum for stock market activities and it is often cited as a barometer of business direction. Thus, an active capital market may be relied upon to measure changes in the general level of economic activities.

Deducting from the extensive studies on the theoretical expectations on the role of capital markets on economic development , the capital market is expected to contribute to economic development through the transmission mechanisms of savings mobilization, creation of liquidity, risk diversification, improved dissemination and acquisition of information, provision of long-term, non-debt financial capital which enables companies to avoid over-reliance on debt financing, and enhanced incentive for corporate control amongst others. This section will examine both theoretical and empirical literature on capital market and economic growth, the Nigerian capital market and its performance, problems, regulatory and legal environment of the market amongst others.

2.2 Theoretical Framework

There exist a number of theories on financial market and economic growth. But this study would adopt two of those theories which are the Mckinnon Shaw theory and the theory of speculation. The two adopted theories are reviewed below

McKinnon-Shaw Theory

The theoretical framework on the effects of financial market on economic growth dates back to the work of Schumpeter, (1911 as cited in oreke-Onyiuke, 2000;) which explained that a well-developed financial system can facilitate technological innovation and economic growth through the provision of financial services and resources to investors. The above argument of Schumpeter, (1911) was later advanced as the McKinnon-Shaw, (1973 as cited in oreke-Onyiuke, 2000;) hypothesis, which is a policy analysis tool for developing countries with strong recommendation and high priority on the efficiency of financial systems in facilitating capital accumulation and financial intermediation.

The above hypothesis became formalized and popularized through the endogenous growth models of Fry (1988), Greenwood and Jovanovic (1990) and Pagano (1993) which specify explicitly the modeling of the link between financial intermediation role of capital markets and growth indicators. These models have identified the capital market as an institution that contributes to the economic growth of emerging economies, they are also considered as a variable in explaining the economic growth in the most-developed ones (Oreke-Onyiuke, 2000).

Levine and Servos (1996) postulated a strong positive relationship between stock market development and long-run economic growth. Further studies, showed that stock market liquidity plays vital role in the process of economic growth (McKinnon, 1973, and Bencivenga, et al, 1996). Though there are other scholars who share contrary views about the performance of the capital market and its attendant effect on economic growth and development of nations.

The Theory of speculation

The efficient-market hypothesis was first expressed by Louis Bachelor, a French mathematician, in his 1900 dissertation, ''The Theory of speculation''. His work was largely ignored until the 1950s; however, beginning in the 30s scattered, independent work corroborated his thesis. A small number of studies indicated that US stock prices and related financial series followed a random walk model. Research by Alfred Cowles in the 30s' and 40s' suggested that professional investors were in general unable to outperform the market.

The efficient-market hypothesis was developed by Professor Eugene Fama at the University of Chicago Booth School of Business as an academic concept of study through his Ph.D. thesis in the early 1960s at the same school. It was widely accepted up until the 1990s, when behavioral finance economists, who were a fringe element, became mainstream. Empirical analyses have consistently found problems with the efficient-market hypothesis, the most consistent being that stocks with low price to earnings (and similarly, low price to cash-flow or book value) outperform other stocks. Alternative theories have proposed that cognitive biases cause these inefficiencies, leading investors to purchase overpriced growth stocks rather than value stocks. Although the efficient-market hypothesis has become controversial because substantial and lasting inefficiencies are observed.

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 (Lo, 1991). 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 (Nagayasu, 2003 and Nyong, 2003). Note that, where the market is highly and unreasonably speculative, investors will be discouraged from parting 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 and development in Nigeria.

Efforts were also made by Ngong (1997) to develop an aggregate index of capital market development and use it to determine its relationship with long run economic growth in Nigeria. The study employed a time series data from 1970 to 1994. For measures of capital market development, the ratio of market capitalization to GDP (in percentage), the ratio of total value of transactions on the main stock exchange to GDP (in percentage), the value of equities transaction relative to GDP and listings used. The four measures were combined into one overall composite index of capital market using principal component analysis. A measure of financial market depth (which is the ratio of broad money to stock of money to GDP) was also included as control. The result of the study was that capital market development is negatively and significantly correlated with long run growth in Nigeria. The result also showed that there exists bi-directional causality between capital market and economic growth.

2.6 Empirical Review

Demetriades, et al (2001) utilized time series data from five developed countries, to examine the relationship between stock market and economic growth, controlling for other effect of the banking system and stock market volatility. Their result supports the view that, although banks and stock market may promote economic growth, the effect of bank is more. They suggested that the contribution of stock market to economic growth may have been exaggerated by studies that uses cross country regressions.

Mohtadi and Agarwal (2004) examined the capital market and economic growth in developing countries using a panel data approach that covers 21 emerging markets over 21 years (1977 - 1997), they found that turnover ratio is an important and statistically insignificant determinant of investment by firms and that these investment in turn are significant determinant of aggregate growth. Foreign direct investment is also found to have a strong positive influence on aggregate growth. The result of their study indicates that both turnover ratio and market capitalization are important variables as determinants of economic growth.

Nieuwerburgh, et al (2005) investigated the long-term relationship between capital (stock) market development and economic growth in Belgium. Their result shows that the market causes economic growth in Belgium.

Mishra, et al (2010) examined the impact of capital market efficiency on economic growth of India using the time series data on market capitalization, total market turnover and stock price index over the period spanning from the first quarter of 1991 to the first quarter of 2010. Their study reveals that there is a linkage between capital market efficiency and economic growth in India. This linkage is established through high rate of market capitalization and total market turnover. The large size of capital market as measured by greater market capitalization is positively correlated with the ability to mobilize capital and diversify risk on an economy wide basis. The increasing trend of market capitalization in India would certainly bring capital market efficiency and thereby contribute to the economic growth of the country.

Hamid (2015) studied financial Market Development and Economic Growth in Developing Countries. He actually examined the relationship between financial market development and economic growth for 21 emerging markets over 21 years, using a dynamic panel method. The Results suggested a positive relationship between several indicators of the financial market performance and economic growth both directly, as well as indirectly by boosting private investment behavior.

Muhammad (2014) examined the causality between financial Market Development and Economic Growth in Pakistan. He noted that Contemporary economies of developing countries are changing due to rapid changes in the world economy. The emergence of international financial industry for worldwide network of transactions altered the role of international economy. Increased financial flows have altered the role of private capital and subsequently effect resource allocation. The data set used covers annual times series data from 1971 to 2006. He employed two new tests, i.e., DF-GLS, and Ng-Perron to find integrating order of the said variables of the study. To test long-run robustness, J-J Co-integration and ARDL bounds testing techniques were applied. To investigate long-run causal linkages and short-run dynamics, Engle-Granger causality and ARDL tests were applied respectively. After finding order of integration, his findings suggested that there exists a very strong relationship between financial market development and economic growth. Engle- Granger-Causality estimation confirms in the long-run, there is bi-directional causality between financial market development and economic growth. However, for short-run, there exist only one-way causality, i.e., from stock market development to economic growth.

Sunday (2015) conducted an appraisal of the impact of capital market efficiency on economic growth in Nigeria, using time series data on market capitalization, money supply, interest rate, total market transaction and government development stock that ranges between 1961 to 2004. The model specification for the analysis of data was multiple regression and ordinary lest squares estimation techniques. The result of the study shows that the capital market in Nigeria has the potentials of growth inducing, but it has not contributed meaningfully to the economic growth of Nigeria. This is as a result of low market capitalization, low absorptive capitalization, illiquidity, misappropriation of funds among others. The empirical test indicates that, these variables satisfied the economic apriority and are statistically significant except total transactions and money. Thus, it was concluded and recommended that, the capital market remain one of the mainstreams in every economy that has the power to influence economic growth, hence the organize private sector is encourage to invest in it. This will enable the capital market improve its illiquidity status for economic growth and development. Therefore, the government must contribute in order to achieve these objectives through investing government securities in productive sectors and relaxing laws that spell threat to the capital market.

Abel (2015) empirically verified and examined the nature of the relationship existing between financial market development and the level of investment flows in a country with a high degree of macroeconomic instability; and whether the stock market plays a uniform role in attracting both domestic and foreign investments in such economic situation. Extrapolated macroeconomic quarterly data (over a period from 1970 to 2006) was used in the analysis. The Johansen Cointegration model was adopted to examine the long-run trends in the variables. While controlling for other variables, a vector error correction model (VERCM) was used in estimating the relationship between investment growth, on one hand, and stock market development on the other. The study shows that development in the Nigerian stock market over the years was able to spur growth in domestic private investment flows, but unable to do so in the case of foreign private investment; and that development in the country's banking system rather had some destabilizing effects on the flow of private investments. The researchers attributed this to persistent cases of distress and failure in the banking system. This study was among the few of its kind to have empirically sorted for and established some discriminate effects of financial market development in the flow of domestic and foreign private investments, at least from the point of view of a constrained market economy.

Ologunde e tal(2014) examined the relationships between stock market capitalization rate and interest rate. Time series data obtained from Central Bank of Nigeria (CBN) and Nigeria Stock Exchange (NSE) were analyzed using regression. Results showed that the prevailing interest rate exerts positive influence on stock market capitalization rate. Government development stock rate exerts negative influence on stock market capitalization rate and prevailing interest rate exerts negative influence on government development stock rate. The study further revealed information as very important to capital market development. It was therefore recommended that the operators of the Nigeria capital market should raise the level of awareness so that investors will be abreast with the happenings in the market.

Some researchers in Nigeria studied the relationship between capital market development and economic growth. For instance, Adam and Sanni (2005) cited in Kolapo and Adaramola, (2012) examine 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 observe 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. Chinwuba and Amos (2011) also conclude that capital market development is a key to economic growth.

Pedro and Erwan (2004) assert that financial market development leads to economic growth and Abdullahi (2005) also agrees with the assertion that capital market development in Nigeria is an engine to her economic growth.

Moreover,Agarwal (2001) argues that financial sector development facilitates capital market development, and in turn raises real growth of the economy. In the same vein, Kolapo and Adaramola, (2012) find that Nigerian capital market development has significant relationship with economic growth.

Obamiro (2005) sighted in Kolapo and Adaramola, (2012) investigate the role of the Nigerian stock market in the light of economic growth. The authors reported that a significant positive effect of stock market on economic growth. He suggested that government should create more enabling environment so as to increase the efficiency of stock market to attain higher economic growth.

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

Harris (1997) did not find hard evidence that stock market activity affects the level of economic growth. And also, Osinubi and Amaghionyeodiwe (2003) examine the relationship between the Nigerian stock market and economic growth during the period 1980-2000. There are findings did not support the claim that stock market development promotes economic growth.

Ewah, et al (2009) appraised the impact of the Nigeria capital market efficiency on the economic growth of the nation using time series data from 1961 to 2004. They found that the capital market in Nigeria has potential of growth inducing but it has not contributed meaningfully to the economic growth of Nigeria because of low market capitalization, illiquidity, misappropriation of funds among others.

Ezeoha, et al (2009) investigated the nature of the relationship that exists between stock market development and the level of investment (domestic private investment and foreign private investment) flows in Nigeria. The study discovered that stock market development promotes domestic private investment flows, thus suggesting the enhancement of the economy's production capacity as well as promotion of the growth of national output. However, the results show that stock development has not been able to encourage the flow of foreign private investment in Nigeria.

Afees and Kazeem (2010) critically and empirically examined the causal linkage between stock market and economic growth in Nigeria between 1970 and 2004. The indicator of the stock market development used are market capitalization ratio, total value traded ratio and turnover ratio while the growth rate of gross domestic product is used as proxy for economic growth, using the Granger causality (GC) test, the empirical evidence obtained from the estimation process suggests a bidirectional causality between turnover ratio and economic growth, a uni-directional relationship from market capitalization to economic growth and no causal linkage between total value traded. The result of the causality test is sensitive to the choice of variable used as proxy for stock (capital) market. Overall, the result of the G.C test suggested that capital market drive economic growth

3 Methodology

This section of the study therefore describes the research design, target population and area, sampling frame, sample and sampling technique, data collection instruments, procedures, analysis management and the ethical considerations that the study shall use.

3.2 Research design

Survey method was adopted through the use of questionnaires in order to collect the required data from the respondent's perspective. This research was designed to show the various methods and procedures used on collecting the necessary information about this research.

3.3 Population of study

A study population is a well-defined or specified set of people, group of things, households, firms, services, elements or events which are being investigated. The population should fit a certain specification, which the researcher is studying. A target population is one that the researcher wants to generalize the result of the study. Therefore, the targeted population of this study is professionals who have knowledge about the Nigerian financial system and how its operations affect the economy.

3.4 Sampling techniques

Sampling techniques of this study is randomly selection due to large and uneven distribution of organization who engages directly in Nigerian financial market system.

3.5 Sampling size

It is important to select a representative sample through making a sampling frame. From the population frame the required number of subjects, respondents, elements or firms is to be selected in order to make a sample. The sampling size will be determined using Nigeria business directory and research advisors 2006; this is done to ascertain the number of organizations engage in stock taking and the sample table to determine the number of questionnaires required for the sample size. A total number of 70 questionnaires will be distributed to professionals who have knowledge about the Nigerian financial system and how its operations affect the economy.

3.6 Research Instrument

This are data collection strategies used by the researcher to collect data from respondents, they include questionnaire, interview, and observation.

This research would use structured questionnaire as its research instrument. The questionnaire contained a set of close ended questions and open-ended questions. The questions were designed to guide the respondents' answers and to know their opinion about the major issues of interest of this study. The first section of the questionnaire (questions 1-5) focused on the demography of the respondents, this would include, experience, sector of employment, educational status etc. The second section focused how deficiencies of the Nigerian stock exchange affect the Nigerian economy.

The third section and fourth section of the research instrument would focus on the challenges of the Nigerian financial market and the roles played by the financial market in developing Nigerian economy.

3.7 Tools for Data Analysis

Data collected for this research work will be analyzed using descriptive statistics and inferential. This method would help to reach the objectives of this research work. Also analysis would be carried out using SPSS software. Data collected from the survey will be analyzed through a set of descriptive and inferential statistical tools as follow:

i. Frequency

ii. Mean score

iii. Mean distribution

iv. Standard deviation

v. Standard error

3.8 Mean Score

Mean will be used to evaluate each respondent assessment of the study variables from the scales built for each variable in the questionnaire.

Mean score

Where n5 is the number of measures in the scale with the ordinal score 5

3.9 Standard Deviation

Standard deviation is a statistical tool for measuring dispersion about the mean. It measures the level of agreement among the respondents.

Where sample mean and x is the mean score.

3.10 Standard Error

Standard Error was used to estimate the variance between the sample mean and the variance mean score. It also measures the reliability of the mean score to represent the general opinion.

3.11 Hypotheses Testing

Independent – sample t-test will be selected for comparing the mean score with the testing hypothesized mean at a significance level of 0.05. T-test is based on the following assumption which was presumed to be holding for the study.

Ho: There is no significant relationship between capital market operation and the growth of Nigerian economy.

H1: There are significant relationship between Capital market operation and the growth of Nigerian economy.

Conditions of acceptance or rejection of the null or alternate hypothesis are as follows. The null hypothesis would be accepted if the test result falls below the test value of 2.5 at 95% confidence level. This is expressed mathematical as:

H0: < 2.5 @ 95% confidence Null hypothesis

Hi: > 2.5 @ 95% confidence Alternate hypothesis.

3.12 Data Collection

Based on the objectives of this study a questionnaire will be developed to obtain an extensive, as practicable, from these project professionals. A questionnaire was therefore prepared and self-administered to the various respondents. The questionnaire consisted of closed ended questions. For the purpose of the study, the questions will be grouped under three categories. The first series of questions related to respondent's profile. This was intended to find out the background and experience of respondents. The second group of questions related to the other question listed in the research question. A 5-point ranking system and a five-level scale will be utilized where the respondents will be asked to indicate from the list the options that best describe his opinion.

3.13 Method of Data Analysis

Data analysis includes testing, tabulating, categorizing and examination of results to address the purpose of a study (Yin, 2003). The quantitative data obtained from the structured questionnaire were analyzed using Statistical Package for Social Sciences (SPSS) software and descriptive statistics while the qualitative data gathered from interviewees will be analyzed with qualitative content analysis method. The core purpose is to validate quantitative data and ensure validity of the research findings. Frequency tables, bar charts and pie charts were drawn from analyzed quantitative data and presented accordingly.

4.1 Data Presentation

This section deals with data collection, analysis and presentation, the general information, Demographic information, data analysis table, presentation and its interpretations. All data gathered shall be analysed and presented by using simple statistical method which involves the tabulation of data and converting the frequency into simple percentage.

4.2 Data Collection

Data collection method refers to the method adopted by the researcher in collecting and gathering of information based on the research study. Source of data can be classified into two viz: Primary sources and Secondary sources of data. For the purpose of this research work, both the primary and secondary sources were adopted.

4.3 Data Analysis

This is concerned mainly with the analysis of data collected in view of the research study and to specify the findings as well as the data collected were the response of the respondents through the use of questionnaires. It is important to indicate that the entire administered questionnaire were filled completely and returned. Below is the Analysis of returned administered questionnaire:

Table 4.3.1: Analysis of returned administered questionnaire

No of administered questionnaire	percentage (%) of returned questionnaires
70	100
Total 70	100

Source: Field Survey: 2021

Table 4.3.2 Sex

	Frequency	Percent	Valid Percent
Female	27	38.6	38.6
Male	43	61.4	61.4
Total	70	100.0	100.0

Source: Field Survey: 2021

The table above gives the respondents sex distribution. The table above shows that 27% of the respondents are Females while 43% of the respondents are males. The frequency distributions are 27 and 43 respectively.

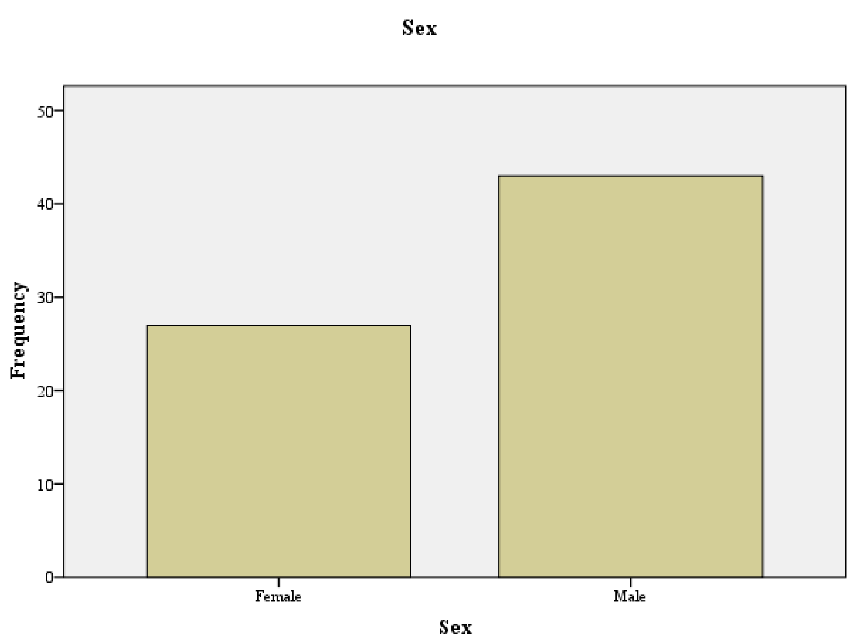


Table 4.3.3 Marital Status

Divorced/separated	3	4.3	4.3	4.3
Married	45	64.3	64.3	68.6
Single	22	31.4	31.4	100.0
Total	70	100.0	100.0	

Source: Field Survey: 2021

The table above presents the result of the analysis of the marital status of the respondents. The table above shows that 4% of the respondents are divorced, 64% are married while 22% of other respondents are single.

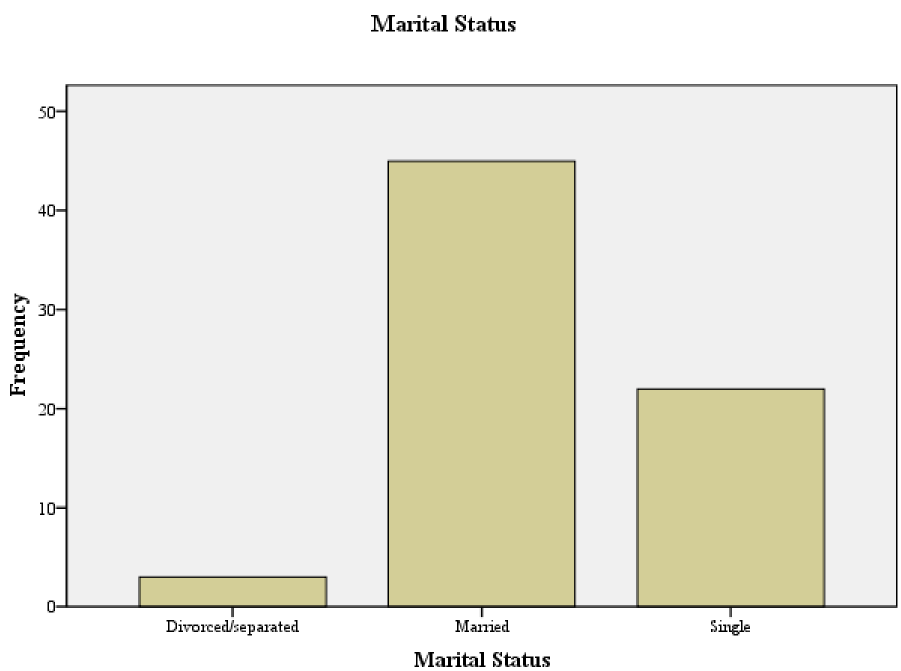


Table 4.3.4 Years of working Experience

	Frequency	Percent	Valid Percent	Cumulative Percent
10-15 years	40	57.1	57.1	57.1
5-10 yrs	24	34.3	34.3	91.4
Below 5 yrs	6	8.6	8.6	100.0
Total	70	100.0	100.0	

Source: Field Survey: 2021

The table above presents the experience range of respondents both in percentage and frequency. The table shows that respondents with experience between the age of 10-15 years is 57% while those with 5-10 years are 66% while those below 5 years 8%.

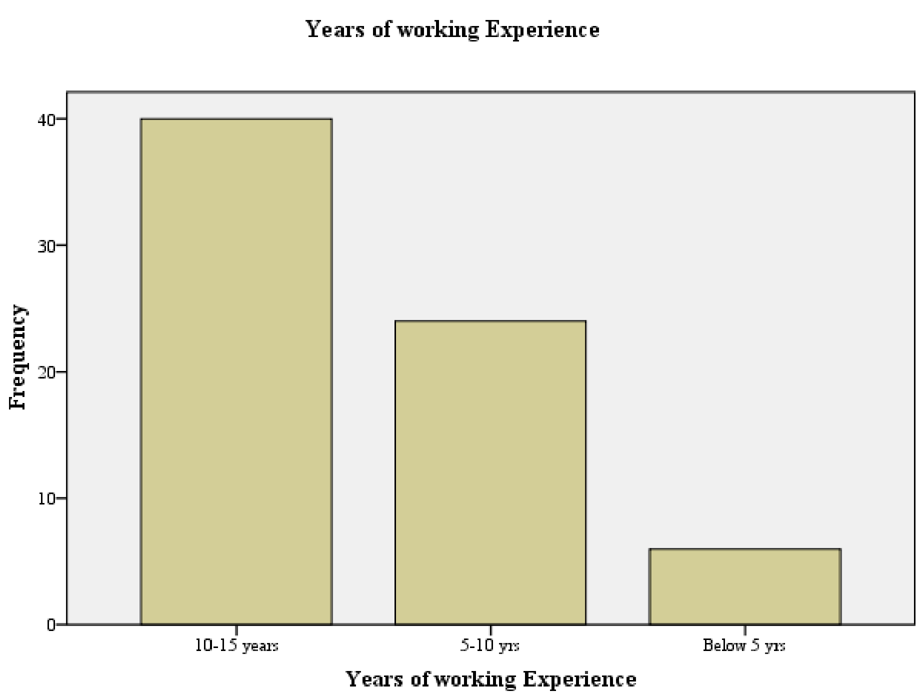


Table 4.3.5Highest level of Education completed

	Frequency	Percent	Valid Percent	Cumulative Percent
M. Sc	6	8.6	8.6	8.6
B. Sc	25	35.7	35.7	44.3
HND	39	55.7	55.7	100.0
Total	70	100.0	100.0	

Source: Field Survey: 2021

The above table gives the educational qualification of the respondents. The table shows that 6% of the respondent has MSC and 35% of the respondents also have B.Sc. while 55% of the respondents have HND.

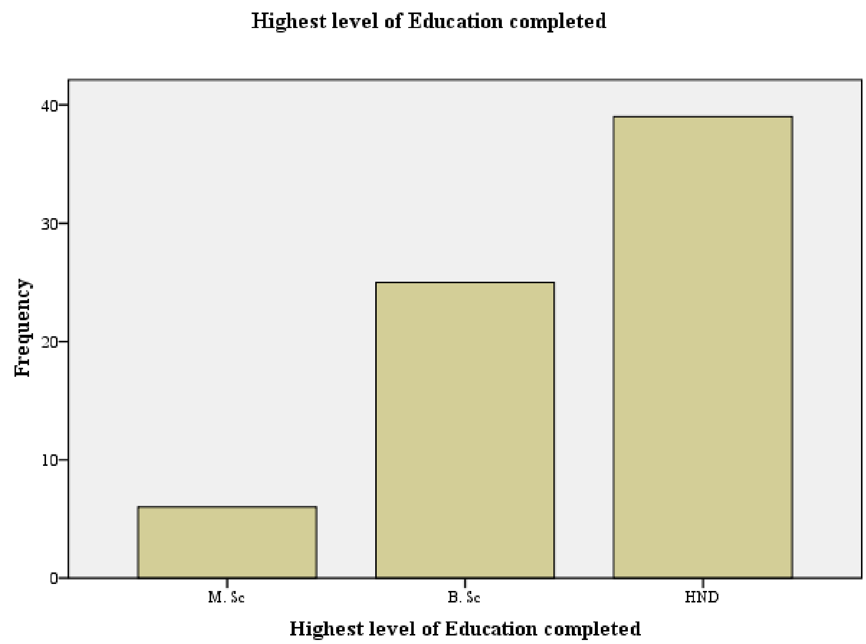


Table 4.3.6 Type of firm

	Frequency	Percent	Valid Percent	Cumulative Percent
Public firm	28	40.0	40.0	40.0
Private firm	42	60.0	60.0	100.0
Total	70	100.0	100.0	

Source: Field Survey: 2021

The above table represent the types of firms by the respondents. The table above shows the percent of the respondent's firm which is 40% for public firm while the percent for private firm are 60%.

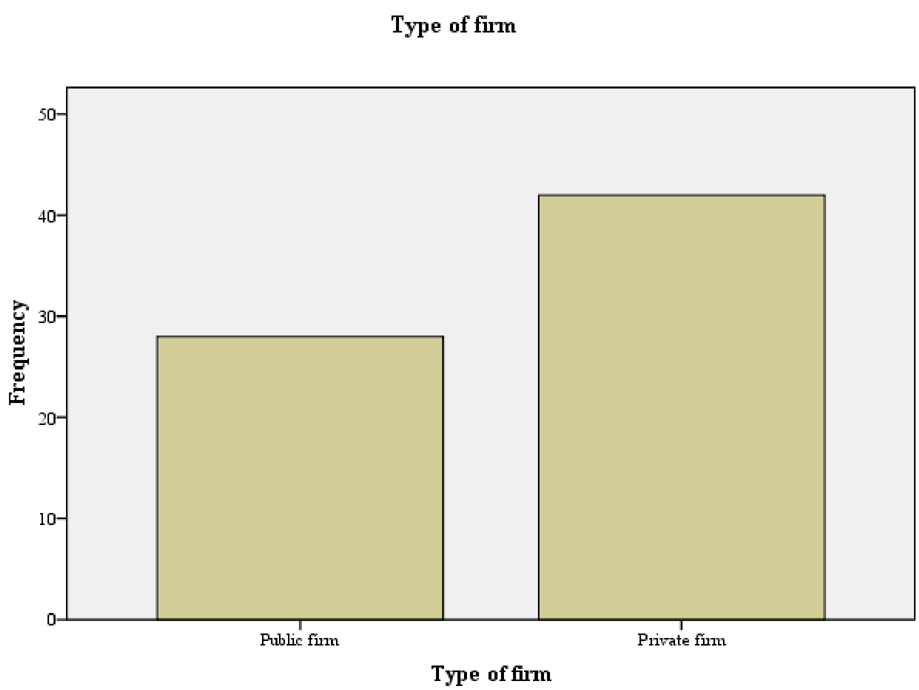


Table 4.3.7: Does the financial market play a role in the socio-economic growth and development of Nigeria

	Frequency	Percent	Valid Percent	Cumulative Percent

Yes	70	100.0	100.0	100.0
Total	70	100.0	100.0	

Source: Field Survey: 2021

The table above shows how the respondents answered to the question if financial market plays a role in socio economic growth of Nigeria. The table shows that all the respondents replied positively. This simply means that when the financial market is at a well advanced level, the impact of such market is to be seen in the economy. It is expected that the economy should grow and more so, more investors are attracted into the market from investment and this further grows the financial market

Does the financial market play a role in the socio-economic growth and development of Nigeria

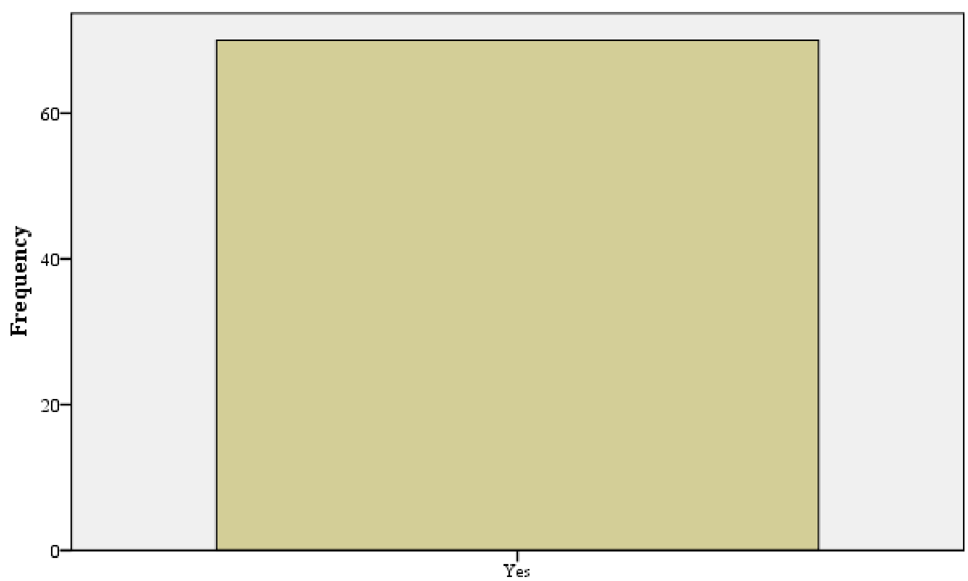


Table 4.3.8 Does the Nigerian financial market effectively channel financial resources to appropriate sectors of the economy

	Frequency	Percent	Valid Percent	Cumulative Percent
No	55	78.6	78.6	78.6
Yes	15	21.4	21.4	100.0

	Frequency	Percent	Valid Percent	Cumulative Percent
No	55	78.6	78.6	78.6
Yes	15	21.4	21.4	100.0
Total	70	100.0	100.0	

Source: Field Survey: 2021

The financial market is expected to be a source of channel for the channeling of resources to sectors of the economy for development growth. This is one of the important relationships that exist between the market and the economy. The responses from the respondent shows that the financial market as not been effective in channeling resources to various sectors for economic growth, therefore it can be said that the financial market in Nigeria needs to improve in those very function it play.

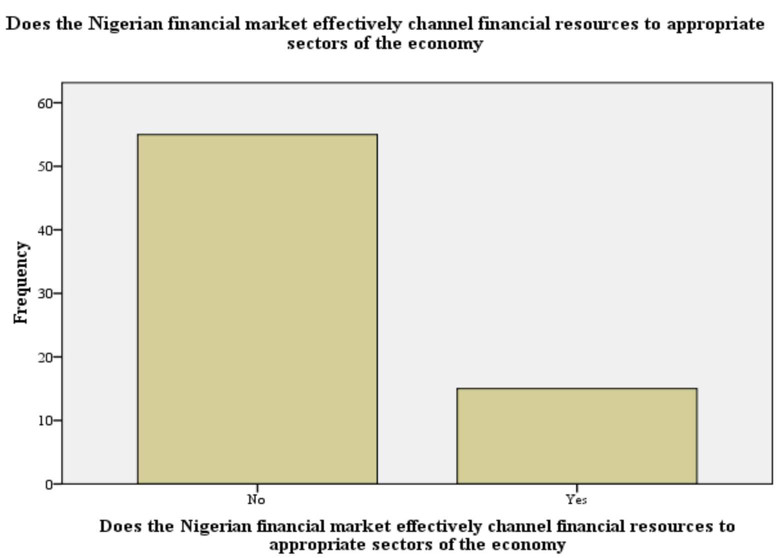


Table 4.3.9 Does the Nigerian financial market effectively serves as financial intermediation capacity to link deficit to surplus sector of the economy

	Frequency	Percent	Valid Percent	Cumulative Percent

fairly effective	36	51.4	51.4	51.4
Not effective	22	31.4	31.4	82.9
Very effective	12	17.1	17.1	100.0
Total	70	100.0	100.0	

Source: Field Survey: 2021

Another relationship the economy that the financial market plays is its function of serving as a financial capacity to link deficit to surplus sector of the economy. The result shows that the financial market has been fairly effective in its role as a link between deficit and surplus sector f the economy. The result is seen as 51% of the respondents decides on it.

Does the Nigerian financial market effectively serve as financial intermediation capacity to link deficit to surplus sector of the economy

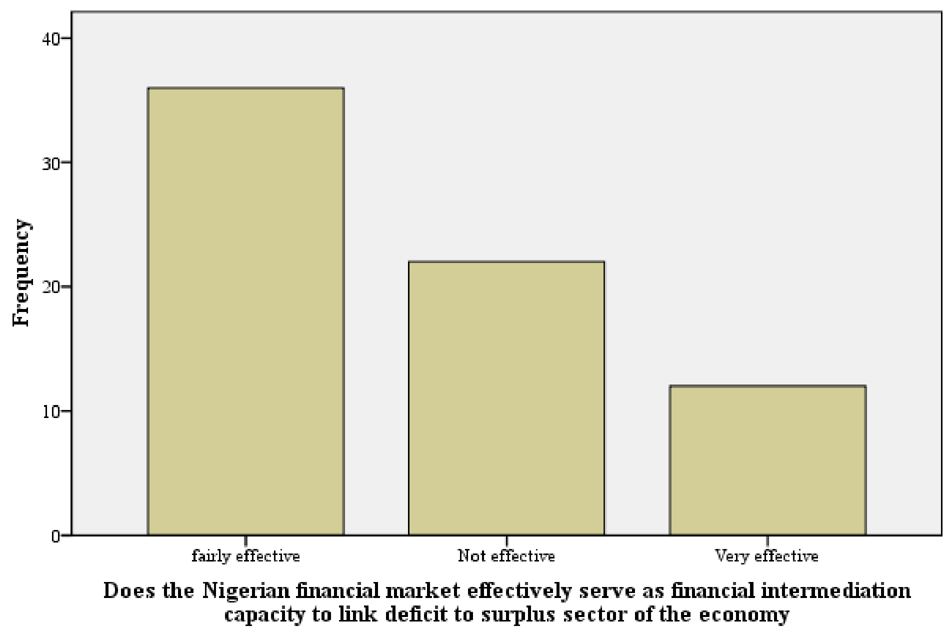


Table 4.3.10 Does the Nigerian financial market effectively serve as a veritable tool in the mobilization and allocation of savings among competitive uses which are critical to the growth and efficiency of the economy

	Frequency	Percent	Valid Percent	Cumulative Percent
fairly effective	32	45.7	45.7	45.7
Not effective	36	51.4	51.4	97.1

Very effective	2	2.9	2.9	100.0
Total	70	100.0	100.0	

Source: Field Survey: 2021

The above table shows the result of the analysis of the data collected from respondents on the second part of the questionnaire which was aimed to determine the effectiveness of financial market as it serves veritable tool in the mobilization and allocation of savings among competitive uses which are critical to the growth and efficiency of the economy. The financial market in Nigeria has not been effective when it comes to the relationship of the market and economy in terms of allocation of saving for competitive uses. The financial market needs to improve on its aspect as it is critical for the growth and efficiency of the economy.

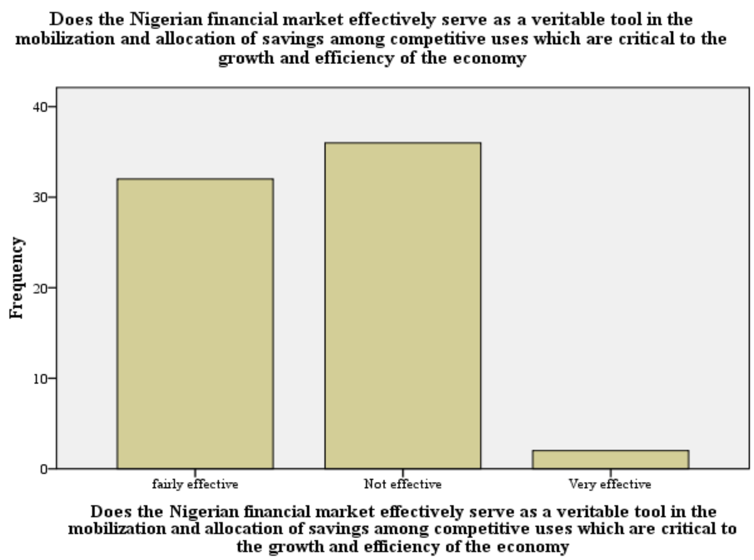


Table 4.3.11Does the Nigerian financial market facilitate the bringing together of suppliers and users of medium to long term capital for investment and economic development projects

	Frequency	Percent	Valid Percent	Cumulative Percent
No	70	100.0	100.0	100.0

Source: Field Survey: 2021

The response of the respondents as shown in the table above. Represent the state of the financial market with respect to the bringing together of suppliers and users for investment and economic developments. All the respondents suggest negative this therefore means that the Nigerian financial market do not facilitate the bringing together of suppliers and users for long term capital investment.

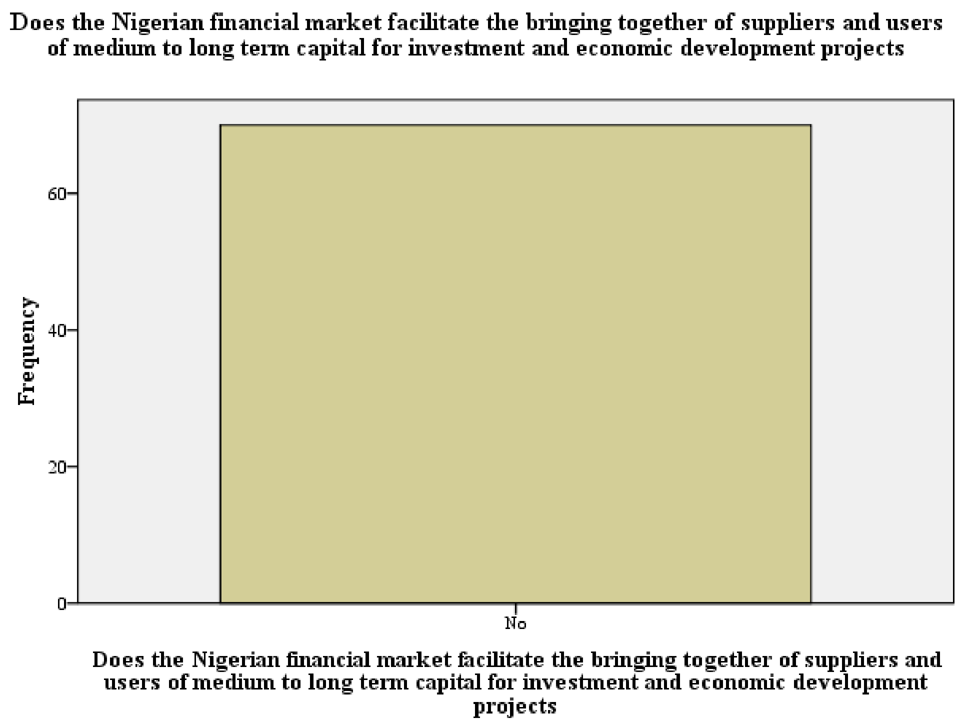
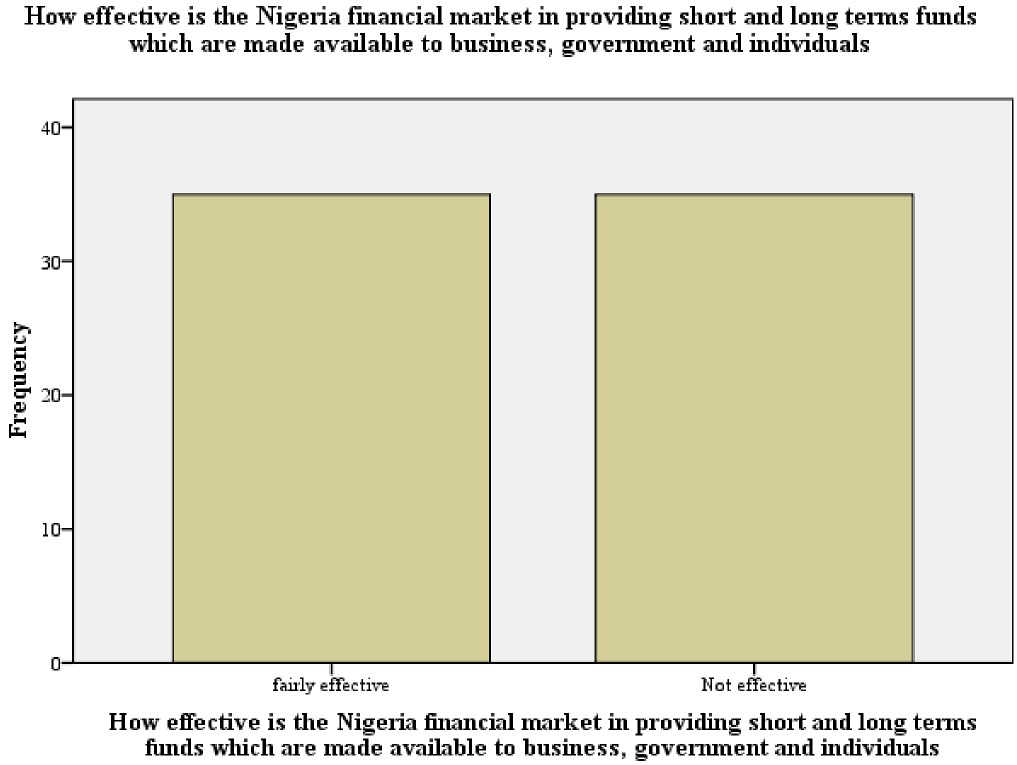


Table 4.3.12 How effective is the Nigeria financial market in providing short and long terms funds which are made available to business, government and individuals

	Frequency	Percent	Valid Percent	Cumulative Percent
fairly effective	35	50.0	50.0	50.0
Not effective	35	50.0	50.0	100.0
Total	70	100.0	100.0	

Source: Field Survey: 2021

Another function of the financial market is its role of as a provider of short and long term funds which are made available for business, government and individuals. The financial market is fairly y effective on this role. The role of providing funds either long term or short term is one of much importance for the growth of the economy. Therefore the failure of the market bin carrying out this role would therefore impede the growth of the economy.



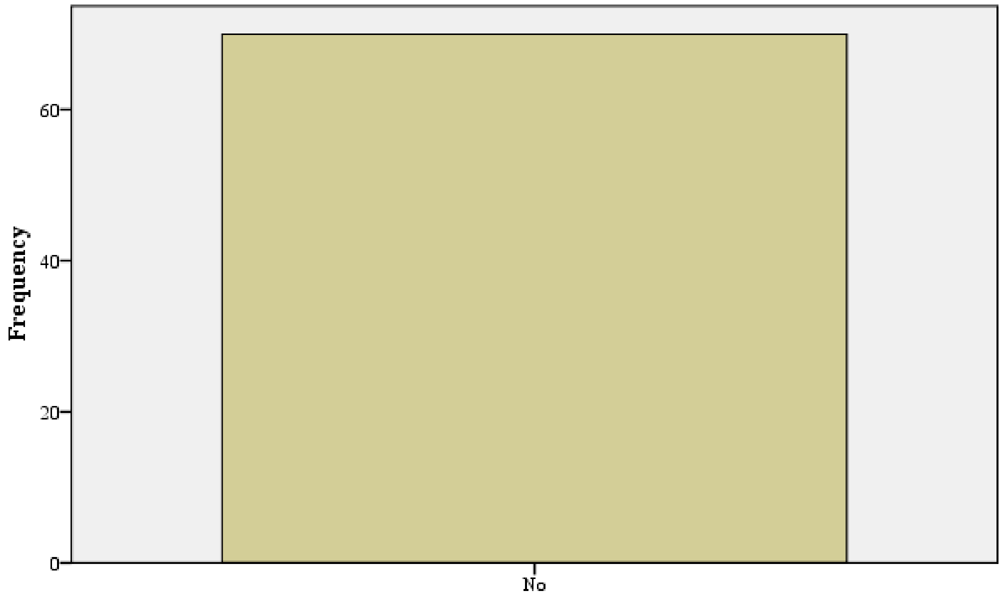
4.3.13 Does the Nigerian financial market serve as a major mean through which foreign funds are injected the Nigerian economy

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	70	100.0	100.0	100.0

Source: Field Survey: 2021

Financial market of the world is sources of link for foreign investment into the economy. Therefore the Nigerian financial market is expected to play such role. The Nigerian financial market has not been active in being a source which foreign investment is injected into the economy. Therefore the financial market needs to improve on its role as a means of foreign funds being injected into the economy which in turn brings economic growth.

Does the Nigerian financial market serve as a major mean through which foreign funds are injected the Nigerian economy

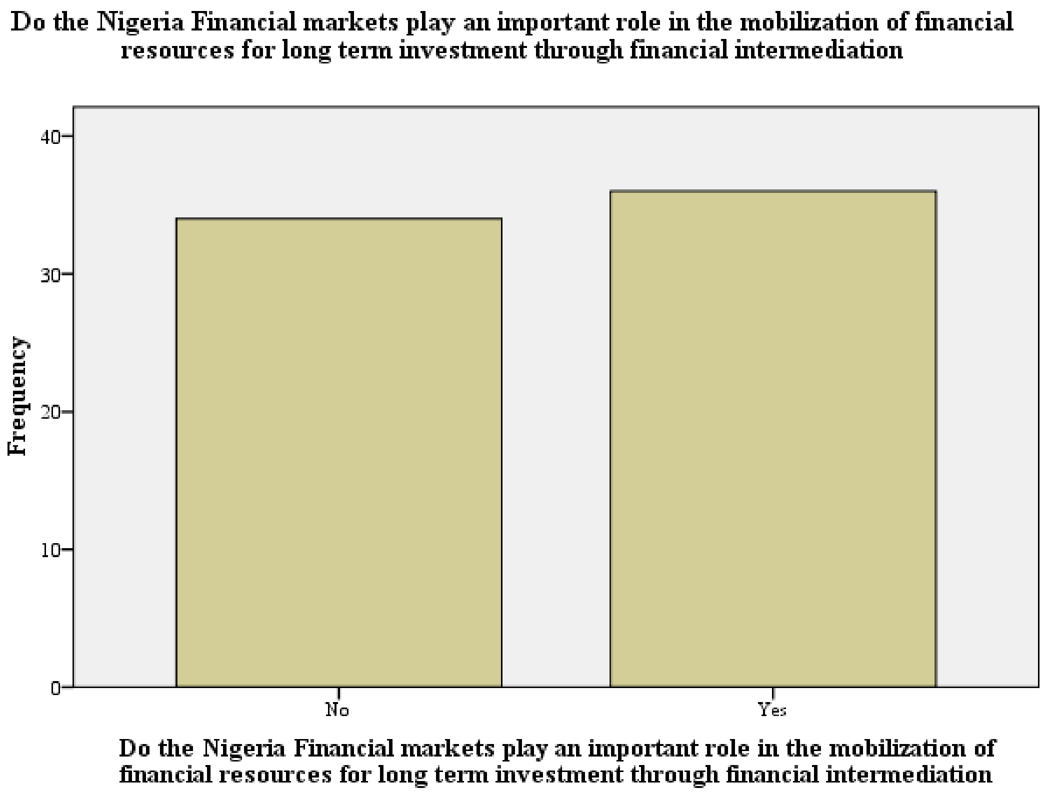


Tables 4.3.14 Do the Nigeria Financial markets play an important role in the mobilization of financial resources for long term investment through financial intermediation

	Frequency	Percent	Valid Percent	Cumulative Percent
No	34	48.6	48.6	48.6
Yes	36	51.4	51.4	100.0
Total	70	100.0	100.0	

Source: Field Survey: 2021

The mobilization of financial resources which leads to economic growth is a very important source of growing the economy. The results from the analysis show that the financial market has played important role in the mobilization of long-term funds for investment. This is a crucial mean of promoting the economic growth.

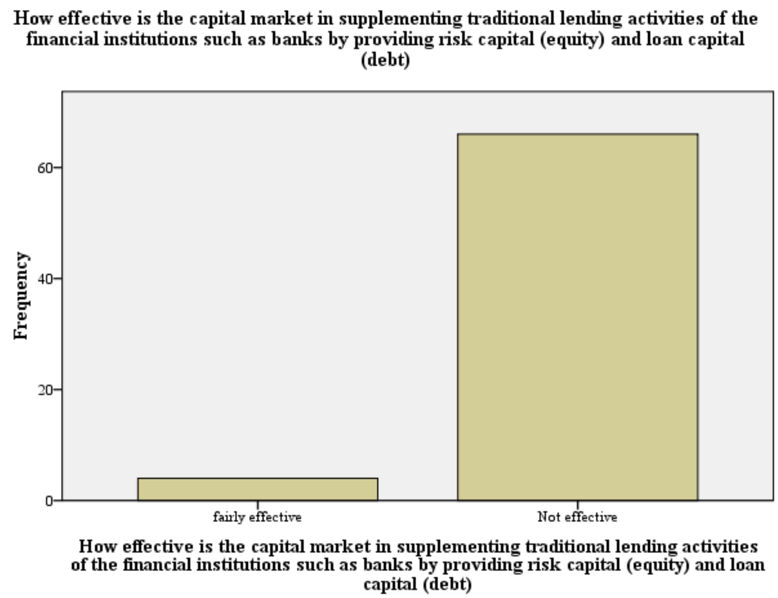


Tables 4.3.15How effective is the capital market in supplementing traditional lending activities of the financial institutions such as banks by providing risk capital (equity) and loan capital (debt)

	Frequency	Percent	Valid Percent	Cumulative Percent
fairly effective	4	5.7	5.7	5.7
Not effective	66	94.3	94.3	100.0
Total	70	100.0	100.0	

Source: Field Survey: 2021

The relationship of the financial market with the economy also involves its functions as a supplementing institution form the provision of capital and loan to business or entities whit helps grow the economy. The result from the analysis shows that the financial market has not been effective in serving as a supplementing institution for the provision of risk capital and loan. Therefore its needs to improve on this role for it to be felt in economic growth.

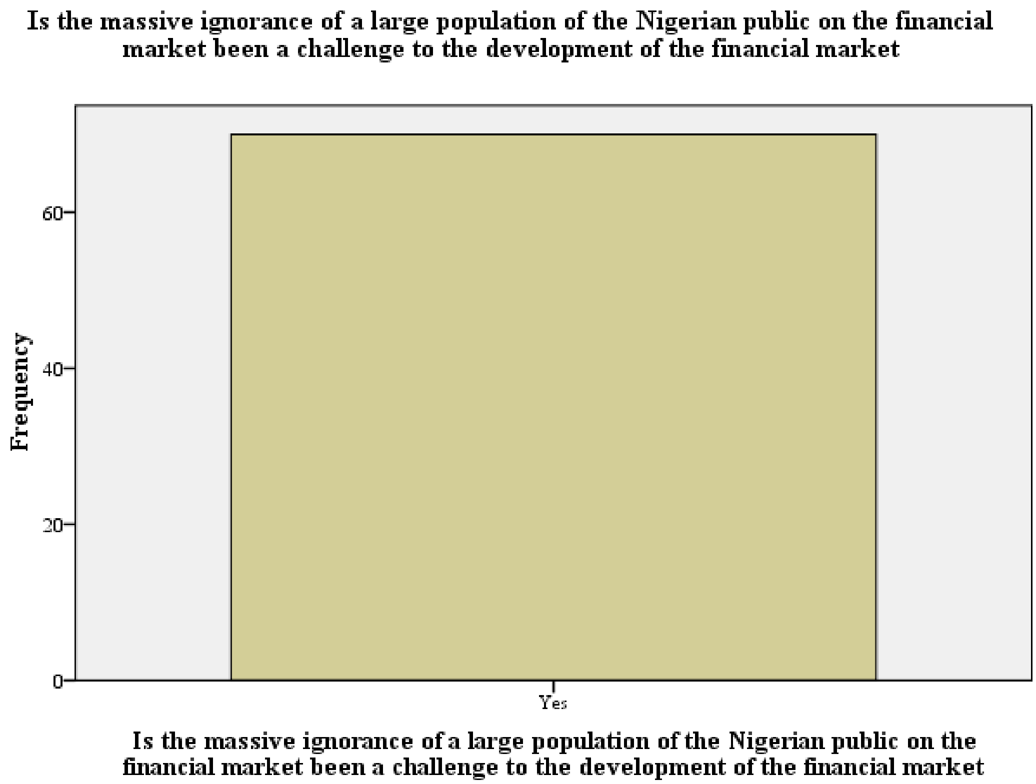


Tables 4.3.16Is the massive ignorance of a large population of the Nigerian public on the financial market been a challenge to the development of the financial market

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yes	70	100.0	100.0	100.0

Source: Field Survey: 2021

The tables above gives the result of the analysis of the respondents on the ignorance of the general public on the financial market as a challenge to the development of the market. The results show that the entire respondent agrees that ignorance of the population is a challenge. This shows that the problems of the financial market start with the populace of the nation. Therefore more enlighten should be made available so that the general population can be aware and therefore the financial market can have positive impact on the growth of the economy.

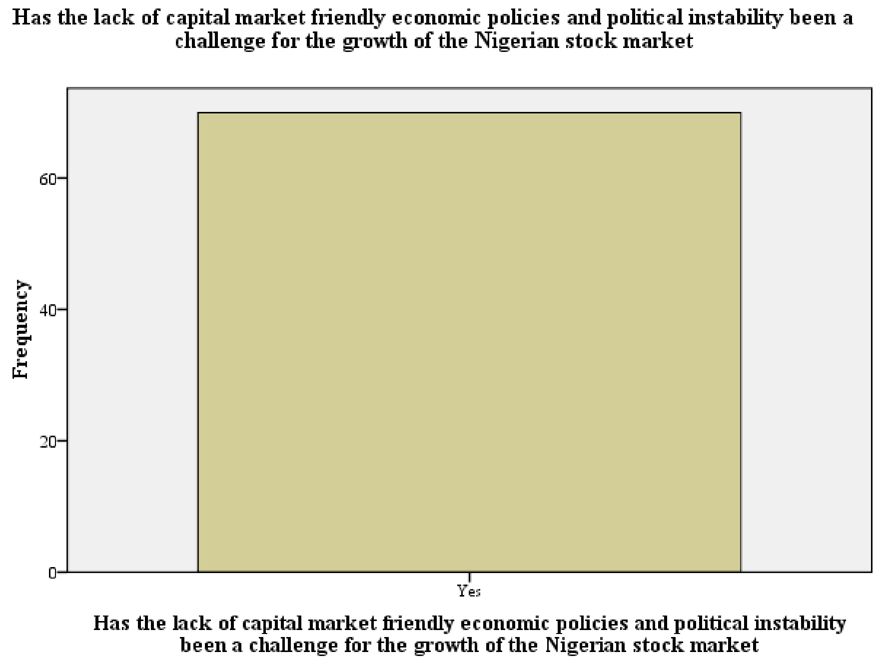


Tables 4.3.17 Has the lack of capital market friendly economic policies and political instability been a challenge for the growth of the Nigerian stock market

	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	70	100.0	100.0	100.0

Source: Field Survey: 2021

Policies are known to either promote or demote activities of sectors of the economy. This also applied to the financial market also, the results of analysis shows that the current policies which governs the financial market are not making it to have a positive impact in the economic growth of Nigeria. Therefore the policy needs to be updates or revised to all the financial market impact be felt more.

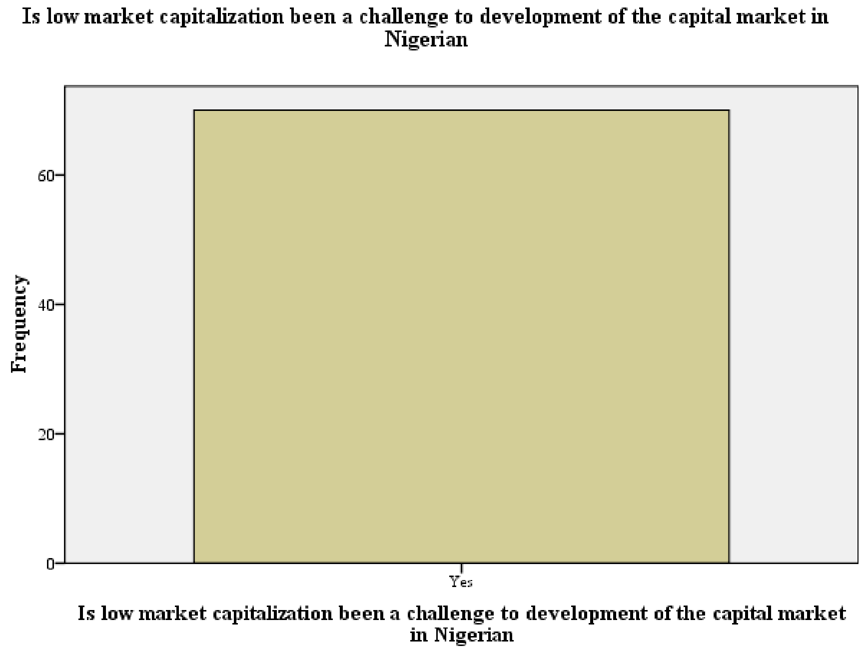


4.3.18 Is low market capitalization been a challenge to development of the capital market in Nigerian

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yes	70	100.0	100.0	100.0

Source: Field Survey: 2021

The tables above gives the result of the analysis of the respondents on the low market capitalization is a challenge to the development of the market. The results show that all the respondent agrees that low market capitalizations a challenge to the development of capital market. The current level of capitalization can be traced to the ignorance of the populace on the investment on stock and financial market and also the low investment from foreign investors. Therefore for the financial market to have impact on the economic growth of Nigeria, the capitalization needs to me increased.

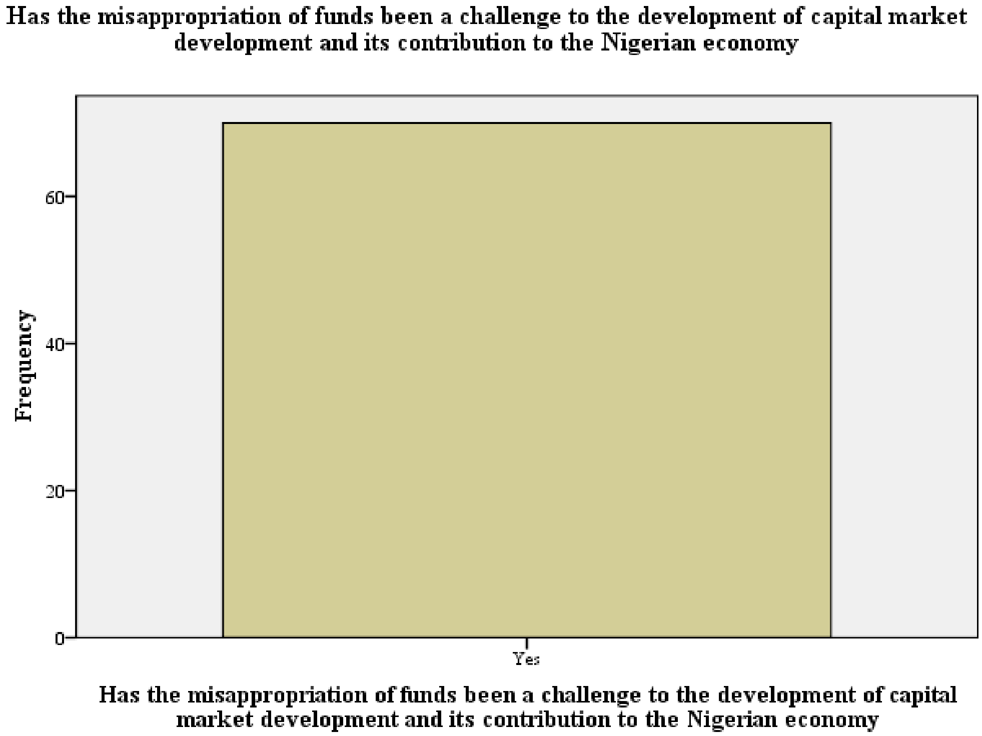


4.3.19 Has the misappropriation of funds been a challenge to the development of capital market development and its contribution to the Nigerian economy

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yes	70	100.0	100.0	100.0

Source: Field Survey: 2017

The problem of the financial market also included the misappropriation of funds which exist in the market. The Misappropriation of funds reduces the impact or effect of the market on the economy ad also ha negative effect on the market itself. Therefore the, misappropriations of funds needs to be checked and discouraged for the financial market to have impact in the economic growth of Nigeria.



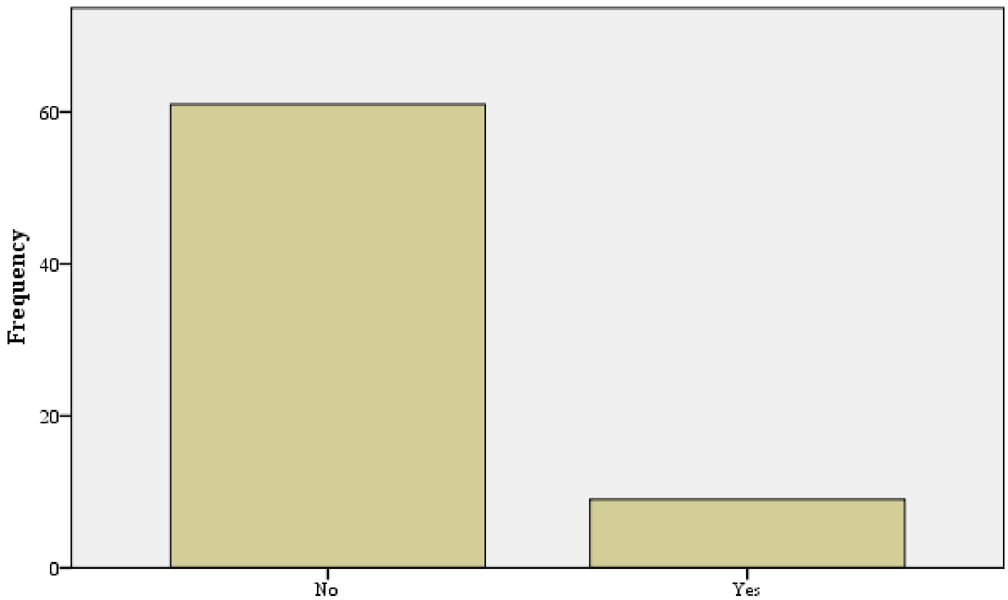
4.3.20 Does the volume of transactions and new issues of securities in the capital market sufficient for its contribution for development of the Nigerian economy.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	61	87.1	87.1	87.1
	Yes	9	12.9	12.9	100.0
	Total	70	100.0	100.0	

Source: Field Survey: 2021

The tables above gives the result of the analysis of the respondents on if volume of transactions and new issues of securities in the capital market sufficient for its contribution for development of the Nigerian economy. Another issue which has negatively affected the financial market impact on the economy is the low volume of transaction. This problem has greatly hindered the contribution of the market to economic growth of Nigeria. This is due to the poor patronage in the market. Therefore strategies should be put in place to increase the level of patronage of the financial market by investors.

Does the volume of transactions and new issues of securities in the capital market sufficient for its contribution for development of the Nigerian economy.



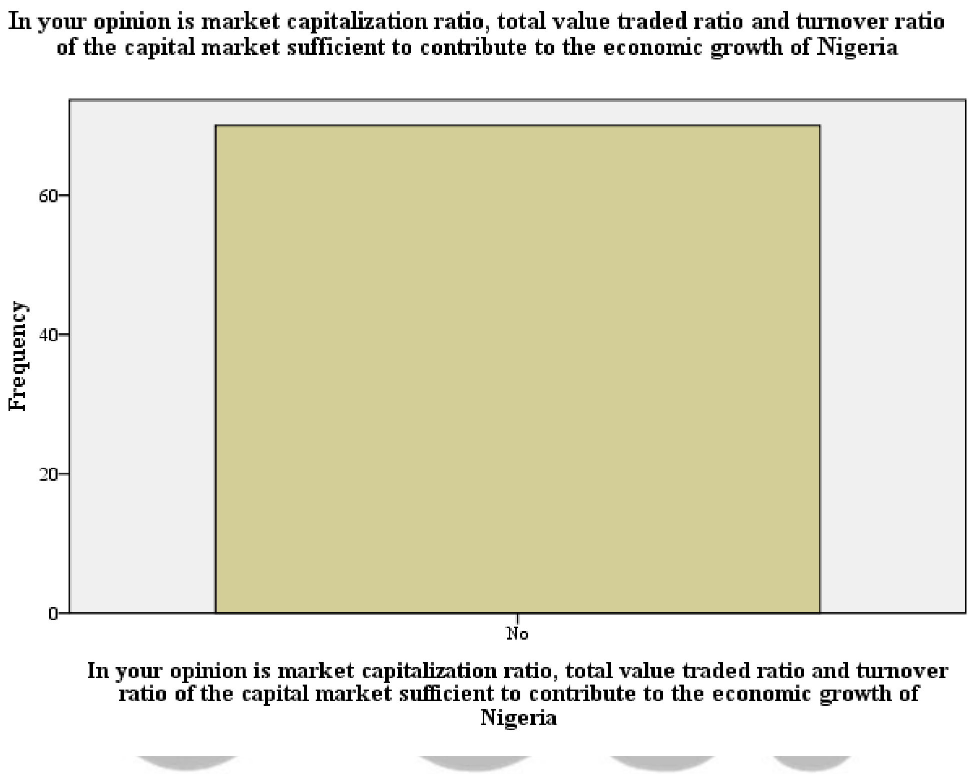
Does the volume of transactions and new issues of securities in the capital market sufficient for its contribution for development of the Nigerian economy.

4.3.21 In your opinion is market capitalization ratio, total value traded ratio and turnover ratio of the capital market sufficient to contribute to the economic growth of Nigeria

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	70	100.0	100.0	100.0

Source: Field Survey: 2021

The tables above gives the result of the analysis of the respondents on if market capitalization ratio, total value traded ratio and turnover ratio of the capital market sufficient to contribute to the economic growth of Nigeria. The result shows that the market capitalization, traded ratio, and turnover are not sufficient to contribute to the economic growth of Nigeria. This therefore requires that more investors are needed to boost the market to make it sufficient to have impact on th economic growth of Nigeria.



.

Hypothesis test

The hypothesis formulated for this study area follows-

H_o: There is no significant relationship between capital market operation and the growth of Nigerian economy.

H_1: There are significant relationship between Capital market operation and the growth of Nigerian economy.

Table 4.3.22

One-Sample Statistics

	N	Mean	Std. Deviation	Std. Error Mean
There is no significant relationship between capital market operation and the growth of Nigerian economy	70	1.7857	.41329	.04940

One-Sample Test

	Test Value = 2.5					
					95% Confidence Interval of the Difference	
	t	df	Sig. (2-tailed)	Mean Difference	Lower	Upper
There is no significant relationship between capital market operation and the growth of Nigerian economy	-14.460	69	.000	-.71429	-.8128	-.6157

The table above (Table 4.3.22) present the result of the scientific test carried out for this study. The table above shows the mean score of the test result, the standard deviation. Also the test value and the confidence level of the test result.

The table shows that there is no significant relationship between the capital market operation and the growth of the Nigerian economy. This is in line with the Null hypothesis. Therefore this study upholds the null hypothesis that which states that there is no significant relationship between the capital market operation and the growth of the Nigerian economy. The reason being that the mean value is below the test value therefore the null hypothesis will be upheld.

5.1 Discussion of findings

Having carried out the analysis of Questionnaire distributed and presented the data collected through the research instrument, summary of findings are as follows.

The study shows that despite the fact that the financial market play a role in the socio economic development of Nigeria, the system needs to be built up to an advance level as its lacking in some key areas that are crucial for economic growth. The study also reveal that the financial market do not effectively channel resources to appropriate sectors of the economy and this has led to the poor investment and profit level of the whole economy. When it comes to the role of serving as an intermediary to link up deficit and surplus sector of the economy which will lead to an equalizing and grow the economy, The present financial system is fairly effective as proven from this study. Therefore for the economy of Nigeria to be more rapid in growth the financial system or market needs to find a way of equalizing the strength of the economy with those sectors who are at deficit. Findings also show that the financial market needs to improve on its role as a tool for mobilization and allocation of savings among competitive which is very critical to economic growth of the country. This study found out that the financial market is not effective in playing that very important role in economic growth more so; the financial market has to meet up in other to facilitate the bringing together of suppliers for long term capital investment which serves as a channel for economic growth.

The study revealed that the financial market needs to improve on its role of providing short and long term funds for economic activities to government, business and individuals; this will also encourage foreign investors to invest in the economy due to the growth seen in the economy.

Findings show that the market has not been effective in supplementing the traditional ways of lending by institutions for long term loans and capital.

Having looked at some of the deficiency of the market and its import on the economic growth of the country, the study also revealed some reasons for the poor functional ability of the financial market in playing its role , some of which are , the general ignorance of the market by the population which hinders people from investing into the market, lack of friendly market policies and political instability, low market capitalization, misappropriation of funds available in the market , coupled with the poor volume of transaction and issues of securities.

5.2 Conclusion

Findings from the study have shown that market capitalization has a significant and positive impact on the economic growth of Nigeria. This is an indication that as market capitalization improves in the stock market in Nigeria the higher the economic growth of the country. However, the stock traded turnover ratio which has been described as a better indicator of the growth of the capital market is very low and failed to have any significant impact on the growth of the Nigerian economy. The implication of this is that the gains either little or large from the Financial market have not been adequately felt by the Nigerian economy. Therefore it can be concluded that the stock exchange in Nigeria is still fall short of the expected impact it should have on the growth of the Nigeria economy. In addition, the stunted growth of the Nigerian stock market has been further revealed by the weakness of the stock turnover ratio in determining the level of economic growth of Nigeria.. One of the major role of the stock market is the control of volume of cash in circulation. This role appears not to have been played very well by the stock market in Nigeria , more so, it has failed to serve as a supplement to traditional lending institutions. Finally, our findings have shown that policy that will increase the public knowledge of the market, stable policies and political non interferences, increase capitalization, control of funds to prevent mis-appropriation, and increase volume of transaction is bound to have significant impact on the economic growth of Nigeria. Going, by these findings and conclusions the following policy recommendations will be of immense benefit to the policy makers in Nigeria in repositioning the Nigeria financial market in a way that it will have a more effective and positive impact on Nigeria economic growth.

5.3 RECOMMENDATIONS

First, emphasize should be given to sound macroeconomic environment in order stimulate the development of the banking and financial sector as whole. Macroeconomic instability including high inflation retards economic activities and even brings the problem of informational asymmetries in the economy and hence weak financial system.

Emphasize should be on low and controllable rates of inflation to stimulate the growth of banking sector and financial development as whole and hence economic growth. Both stock exchange market and banking attract strategic investors to invest in a country where there is a low inflation in order to realize the full potential.

Financial Institution as whole should also be improved, including not only banking sector, but also insurance corporations, stock exchange markets, central banks autonomy and social security funds in order to increase the investment in financial sector. Efficiency and accountable supported by law and order so that to realize fast economic growth.

Making the Central Bank autonomy in order to work more independently in policies formulation and not likely be influenced by political pressure on proposing monetary policy. That is, including regulation and supervision of the banking sector and financial system as whole in order to plays a vital role in stabilizing macroeconomic environment.

Lastly, increase provision of public knowledge about the functioning of the financial services in order to promote the development of banking institutions. Knowledge about banking and other related activity can be provided through regular and intensive education programs. This can help increase the public knowledge of the financial services in the economy.

REFEREENCES

Abu, B. and Abu, Q. (2008), financial development and economic growth: The Egyptian experience, Journal of Policy Modeling, 887-898.

Adebiyi, M.A. and Akinbohungbe, S.S. (2005), Capital Market Performance and the Nigerian Economic Growth, In: Oluwatayo, AOlasupo (Eds.): Issues in Money, Finance and Economic Management, Lagos: University of Lagos.

Adeyemi, K. S. (1998): Option for Effective Development of Nigerian Capital Market, Institute of International Affairs.

Aigbokan, Ben K. (1995): Financial Development and Economic Growth: A Test of Hypotheses on Supply-Leading and Demand-Following Finance, with Evidence on Nigeria. Nigerian Economic and Financial Review (N. E. F. R.)

Akamiokhor, George (1984): The Securities and Exchange Commission and the Nigerian Capital Market, Central Bank of Nigeria

Akinifesi, Olu (1987): The Role and Performance of the Capital market, in Adedotun Philips and Eddy Ndekwu (eds) Economic Policy and Development in Nigeria NISER, Ibadan Nigeria.

Akinnifesi, O.E. (1987), the Role and Performance of the Capital Market, Journal of Nigeria Institute of Social and Economic Research, Ibadan.

Al-FakI, M. (2006), The Nigerian Capital Market and Socioeconomic Development, Paper presented at the 4th Distinguished Faculty of Social Science Public Lecture, University of Benin, 26 July,

Amadi, S.N. Onyema, J.I. and Odubo, T.D. (2002), Macroeconomic Variables and Stock Prices.A Multivariate Analysis, Africa Journal of Development Studies.

Arteta, C., Einchengreen, B. and Wyplosz, C. (2001), When Does Capital Account Liberalization Help More than Hurts, World Bank Conference on Development Economics.

Asiedu, E. (2006) Foreign Direct Investment in Africa: The Role of Natural Resources, Market Size, Government Policy, Institutions and Political Instability, the World Economy.

Atje, R. and Jovanovic, B. (1993), Stock Markets and Development, European Economic Review,

Barlett, B. (2000), Opinion Editorial on the Effect of Stock Market on the Economy, National Centre for Policy Analysis, February 2000.

Bekaert, G., Harvey, C.R. and Lundblad, C.T. (2003), Equity Market Liberalization in Emerging Markets, Journal of Financial Research.

Bencivenga, V.R and Smith, B.D. (1991), Financial Intermediaries and Endogenous Growth, the Review of Economic Study.

Bencivenga, V.R., Smith, D. and Starr, M. (1996), Equity Markets, Transaction Costs, and Capital Accumulations: An Illustration, the World Bank Review.

Binswanger, M. (1999), Stock Markets, Speculative Bubbles and Economic Growth, Cheltenham: Edward Elgar Publishing.

Levine, R. (1998). The Legal Environment, Banks and Long-run Economic Growth.Journal of Money, Credit and Banking

Levine, R., Loayza, N., and Beck, T. (2000). Financial Intermediation and Growth: Causality and Causes. Journal of Monetary Economics

Levine, R., and Zervos, S. (1998). Stock Markets, Banks and Economic Growth. American Economic Review.

Levine, R. (2004). Finance and Growth: Theory and Evidence; NBER Working Paper 10766. Retrieved from http://www.nber.org/papers/w10766.pdf.

Liew, V.K.S. (2004). Which Lag Length Selection Criteria Should We Employ?

Loayza, N., and Ranciere, R. (2006).Financial Development, Financial Fragility, and Growth. Journal of Money, Credit and Banking.

Masten, A., Coricelli, F., and Masten, I. (2008). Non-linear growth effects of financial development: Does financial integration matter? Journal of InternationalMoney and Finance, 27(2), 295-313.

Moldovan, I.A. (2012).Sistemulfinanciar – factor mobilizatorsau inhibitor îneconomia de piață [The financial system – a stimulating or inhibitor factor in the market economy]. Bucharest: ASE Publishing.

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

Oke, M.O and Adeusi, S.O (2012). Impact of Capital Market Reforms on Economic Growth: The Nigerian experience.Australian Journal of Business and Management Research.

Osammonyi, I O (2006). Capital Market imperfection and Community Economic Development of Nigerian. Academy of Management Journal.

Osinubi, T. S.&Amaghionyeodiwe, L.A. (2003). Stock Market Development and Long-run Growth in Nigeria.Journal of African Business.

Pat .D and James .O (2010). An empirical analysis of the impact of the Nigerian Capital Market on her Socio-Economic Development. Journal of social science

Pedro S. Amaral&ErwanQuintin (2004), The implications of capital-skill complementarity in economies with large informal sectors' Center for Latin America Working Papers, 0404, Federal Reserve Bank of Dallas.

Panizza, U. (2013). Financial Development and Economic Growth - Known Knowns, Known Unknowns, and Unknown Unknowns.Graduate Institute ofInternational and Development Studies Working Paper No.14.Retrievedfrom http://graduateinstitute.ch/home/study/academicdepartments/international-economics/working-papers.html.

Schumpeter, J.A. (1934). The Theory of Economic Development.Cambridge, MA: Harvard University Press.

Shan, J.Z., Morris, A.G., and Sun, F. (2001). Financial Development and Economic Growth: An Egg-and-Chicken Problem. Review of International Economics.