

Impact of Stock Exchange Performance on the Economic Growth of Nigeria

AWE, Richard Akin

Department of Accounting,
Bingham University,
Karu, Nasarawa State

E – Mail: richardakinawe2014@gmail.com, Phone No: +234 7063161540

Abstract

This study shows the overview on the critical impact of stock exchange performance on the Nigerian economic growth for the period between 1990 and 2020 as a reference point for developing economies is the bedrock of this work. The results indicate that the stock market indeed contributes to economic growth as all variables conformed to expectation. The Nigerian Stock Exchange has not been having the best of times as an aftermath of the global Economy crisis after an unprecedented surge in returns on investment which has resulted in a continuous downturn in market capitalization. Multiple regression method of econometric analysis was used for the work. The major findings revealed a negative relationship between the market capitalization and the Gross Domestic Product as well as a negative relationship between the turnover ratio and the Gross Domestic Product while a positive relationship was observed between the all-share index and the Gross Domestic Product. These findings led to some policy formulations aimed at an improved and developed market for potential gain to the benefit of rational investors even across national borders.

Keywords: Stock Market, Economic Growth, Performance

INTRODUCTION

The stock exchange market has contributed so much to the growth of the nation's economy since its establishment. A buoyant and dynamic economy is built upon a sound financial system. Such financial system should be stimulated and maintained by the effective activity of an efficient stock exchange. The stock exchange therefore is the market where companies raise capital on a short term and long term basis. This role of mobilization and allocation of funds to every sector of the economy which made it [stock exchange] the toast of investors has given it a pride of place in every economy there is no doubt that the success or failure of every sector in the economy rest to every large extent on its stock exchange market. This is because for any sector in the economy to grow an efficient means of capital formation must not be ignored considering the importance of capital in any organization setting. A stock exchange is a market where stock brokers and traders can buy and sell stock or share bonds and other securities stock exchange may also provide facilities for issue and redemption of securities and other financial instrument and dividend securities traded on stock exchange include stock issued by listed companies unit trust derivative securities pooled investment products and bonds. Stock exchange often referred to as continuous auction, market with buyer and seller consummating transactions at a central location.

Securities are documentary evidence of ownership or debt that has been assigned a value and may be sold or redeemed this can be a government quasi government or even a business organization security are generally classified as either equity securities or such as stock and debt securities such as bond and debenture the sale of securities to investor is one of the primary ways that publicly traded companies drive a new capital for operation absolute but traded openly in the stock exchange market values which are subjectively determined by those buying and selling them. Stock exchange is one of the most vital components of the free market economy as it provides companies which access to capital in exchange for giving investors a slice of ownership in the company. The stock exchange market makes it possible to grow small initial sums into large money and to become wealthy accompany without taking the risk of starting a business or making the sacrifice that often a high paying career.

LITERATURE REVIEW

Conceptual Framework

Areagon, (1990) defined stock exchange as a place like market where people buy and sell shares. The buying and selling of shares is called trading. It is also a place where business can raise capital to become bigger. Okafor, (1983) described a stock exchange as an organized secondary system that enables an investor to acquire or dispose

securities. In other words, money, to get back what they want by selling their holdings to fresh investors. All the above definition arrived at the same point; however, a security market has been defined as “argentic term which denotes the market for exchange of shares, debentures and securities issued by the government public authorities or firms”.

Functions of Nigeria Stock Exchange

The functions of Nigeria stock exchange include the following as noted by Anyawu, (1993:7 194).

- i. The exchange provides appropriate machinery to facilitate further offering stocks and shares to the general public.
- ii. It encourages the investment of savings as soon as it is clear that stocks and shares are readily available.
- iii. It provides increasing participation by the public in the private sector of the economy.
- iv. The exchange provides a central meeting places for members to buy/sell existing institutions who, in addition to being an ordinary member, is licensed to buy and sell securities on the trading floors of the exchange, on behalf of the investing public and is bound by the rules and regulations of the exchange as a dealing member such a person is also known as stock Broker. There are 21 stock brokers now on the exchange.

Section (4) of the article of association of the Nigeria stock exchange provides guidelines on how to apply for membership of the exchange and state that: “Every candidates for admission to membership of the exchange shall made application in writing to the secretary in such a form as the council may from time to time prescribe and such application shall be sponsored by the branch exchange to which the applicant wishes to affiliate and supply, orally, or in writing as the council may deem desirable for prosper consideration of the applications”

Benefits of Securities Transaction of Nigeria Stock Exchange

This research was particularly carried out to access the performance and roles of the NSE as an agent of development of Nigerian economy in which the Commercial Banks is one of the major institutions, through the promotion of a flexible active and dynamic stock exchange market. The stock exchange is a place where securities (i.e. bonds, stock and shares) of varying types are traded. It is also a market where enormous capital can be raised in large amount competitive term. The opportunity which stock exchange offers is a major factor facilitating capital mobilization. The securities Transaction on the exchange has contributed immensely to mobilizing of long-term fund and efficient allocation of such fund among several productive unit of Nigeria economic for the benefit of Nigerians. The foreign investors are also encouraged to have confidence in Nigeria economy. Securities transactions on the exchange have created job opportunities to many Nigerians. Securities transaction on the exchange offers numerous benefits and these can be classified as:

- i. Specific benefit: Some bodies including the government benefits tremendously from securities transaction in the exchange.
- ii. To long term funds: The major benefits of going public market. Private companies may have limited sources capital and this hampered its earning capacity and ability to expand its operative. Such companies ones gone public, financing is no longer limited to cash provided from its operations.
- iii. Improved financial condition: Any company which sell its share to public and receives permanently invested equity funds that will improve its financial conditions and gives it a better credit standing hence increased borrowing capability.

Financial Market

The financial market provides a major institutional mechanism for the mobilization of capital for development of the society and as Obitayo, (1992) put it “The market enhances competition, reduces intermediation costs and

provides borrower equity debts financing for the period most convenient for the borrowers or lenders as short or long term as the case may be Anyawu, (1993:P.156) stated that, the finance market are made up of: Money market: which is regarded as selection or group of financial institution or exchange system set up for dealing in short-term credit instrument of high quality such as treasury bill, treasury certificates, call money. Capital market: which is the market for long term funds? It is collection of financial institution set up for the granting of medium and long term loans.

Money Market Instrument

These instruments have after the years developed into standards loan and credit instrument in which personal contract are relationship between the lender and the borrower are not of any great importance the dealers instead of being indirect contact with one another.

- i. Treasury Bill (TB) is issued by the federal government through the central bank of Nigeria (CBN). They are of various denominations and are available at maturity up to 365 days. They are issued by the government, as a result are usually regarded both in the primary and secondary markets.
- ii. Treasury Certificate (TC): like the Treasury bill, treasury certificate is a financial instrument available to the federal government to raise short term funds. The interest on Treasury bill and treasury certificate where 12.09% and 13% per annum in December 1996.
- iii. Certificate of Deposit: This is usually referred to as CD's and it is a certificate issued against fund deposited with a bank for definite time, period, usually a minimum of 30 days. It earns a specific rate of interest. Interest paid on they constitute important determining factor in investment decision CD's have, in a stable economy become an important money market instrument. They give banks an easy access to funds, which would have kept out of its banking system or invested in speculative activities.

Commercial Paper: Commercial paper is an instrument for raising short-term funds by corporate bodies to finance short-term credit needs, e.g. finding raw materials purchases or as a bridging facility pending the completion of a long term or more permanent financial arrangement. It is usually of 90 days tenor, cheap and as straight forward method of raising short term funds. Issuers have unlimited restriction to the usage of the fund loan and advances from the banks usually types to particular project and can only be diverted only with express permission of the banker.

Capital Market

Capital market refers for sourcing medium to long-term investible funds. The market involves the regular interplay of some economic gents that is institution and agent who facilitate funds mobilizations for economic activities. Such economic activities as the establishment of an enterprise or the sustenance of existing one in perpetuating

The Nigeria Commercial Banks

According to Ojo, (1987), a commercial bank may be defined as a financial institution set up for keeping and lending money to people for the main purpose of making profit. Okigbo, (1985) defined commercial banks as financial institution which as a major factors in economy growth as they mobilized investible funds, as well as disbursing same and keeping some viable item for the customers. Odife, (1985) agreed with the above definition, went further to say that "The financial systems of any society are the frame within which the saving of the members of the society is available to other members of the society for productive investment. Commercial banking in Nigeria pre-date central banking and provided the foundation stores of the Nigeria financial system. Investors owed up to 100% of share of a bank more and more foreign participation is currently being recorded. Commercial bank

constitutes the forces of the Nigeria financial system, because of the early start; they placed a predominant role in Nigeria development and become all-purpose lenders. Commercial banks in Nigeria continued to play a vital role in the financial system by mobilizing financial resources and making same available for financial development. They accounted for 2% of total institutionalized savings as at 31st December, 1994. They also play a key role in the money transmission process; provide financial advice services to individual and corporate bodies that participate in government schemes such as the national economic reconstruction and (SME) loan scheme, their assets/liabilities as at 31st May, 1992 amounted to N133.4 billion with loan advanced totaling N33.6 billion. Traditionally, the commercial bank system deals and believes in the “bill only” doctrine that is dealing with short-term credit to enterprise for working capital needs and financing of trades which makes their liabilities largely short-term. They have the year as a result of central bank directives accepted risk and engaged in long term mortgage financing for residential construction and agricultural lending.

Empirical Framework

Areogo, (1990) says stock exchange is a place where people buy and sell stocks and shares. It is also a place where businesses can raise new capitals to become bigger. Windfield and Canny, (2001) described stock exchange as an institutions where quoted investment and shares may be exchanged between socks and shares. Okafor,(1983) describe a stock exchange as an organized secondary system that enables investor to acquire or dispose securities, in order words, money, to get back what they want by selling their holdings to fresh investors. Odetayo and Sajuyigbe, (2012) examine the impact of Nigerian capital market on economic growth and development during the period 1990 – 2011 using ordinary least square regression. The authors discover that capital market indices have significant impact on the economic growth. Afees and Kazeem, (2010) also, critically and empirically examine the causal 2009 and the result shows that capital market development drives economic growth.

Babatunde, (2005) examined the relationship between stock market development and economic growth making use of pair-wise regression analysis to show the relationship over the period between 1986 and 2002. The major implication of the findings of this study is that stock market is vital to economic growth in Nigeria. Abu, (2009) is another empirical work that investigates whether stock market development raises economic growth in Nigeria by employing the error correction model approach. The econometric result indicates that stock market development (market capitalization ratio) increases economic growth. Kolapo and Adaramola, (2012) examined the impact of the capital market on economic growth between 1990 and 2012 using Johansen cointegration test and granger causality test. Osinubi, (1998) employed OLS to examine how stock market promotes economic growth. The results indicate that there is a positive relationship between growth and all the stock market development variables used. Gerald, (2006) also states that stock market development is important because financial intermediation supports the investment process by mobilizing household and foreign savings for investment process by firms. For sustainable growth and development, funds must be effectively mobilized and allocated to enable business and economy harness their human, material and management resources for optimal output. Mislikin, (2001) and Caporale, (2004) assert that organized and managerial stock market stimulates investment opportunities by recognizing and financing productive projects that lead to economic activity, mobilizes domestic savings and facilitates exchange of goods and services.

2.3 Theoretical Framework

Cumulative Prospect Theory (CPT)

Cumulative Prospect Theory is a model for descriptive decisions under risk which has been introduced by Amos Tversky and Daniel Kahneman in 1992. It is a further development and variant of prospect theory. The difference from the original version of prospect theory is that weighting is applied to the cumulative probability distribution function, as in rank-dependent expected utility theory, rather than to the probabilities of individual outcomes.

Alpha Theory

Alphas a risk-adjusted measure of the so-called active return on is the return in excess of the compensation for the risk borne, and thus to assess active managers' performances. Often, the return of a subtracted in order to consider relative performance, which yields Jensen's alpha coefficient (α_i) is a parameter in the Capital Asset Pricing Model the intercept of the security characteristic line (SCL), that is, the coefficient constant in a market model regression. It can be shown that in an efficient market, the expected value of the alpha is zero. Therefore, the alpha coefficient indicates how an investment after accounting for the risk it involved: - $\alpha_i < 0$: the investment has earned too little for its risk (or, was return) - $\alpha_i = 0$: the investment has earned a return adequate for the risk taken - $\alpha_i > 0$: the investment has a return in excess of the reward for the For instance, although a return of 20% may appear good, the investment a negative alpha if it's involved in an excessively risky position. The concept on Alpha comes from an observation increasingly made during the twentieth century, that around 75 percent of stock investment managers as much money picking investments as someone who simply invested in proportion to the weight it occupied in the overall market in terms capitalization, or indexing. Many academics felt that this was due to the being "efficient" which means that since so many people were paying stock market all the time, the prices of stocks rapidly moved to the correct one moment, and that only random variation beyond the control of the it possible for one manager to achieve better results than another, before were considered. The name for the additional return above the expected the beta adjusted return of the market is called "Alpha".

It can be shown that in an efficient market, the expected value of the alpha coefficient is zero. Therefore the alpha coefficient indicates how an investment has performed after accounting for the risk it involved: $\alpha_i < 0$: the investment has earned too little for its risk (or, was too risky for the return) $\alpha_i = 0$: the investment has earned a return adequate for the risk taken $\alpha_i > 0$: the investment has a return in excess of the reward for the assumed risk. For instance, although a return of 20% may appear good, the investment can still have a negative alpha if it's involved in an excessively risky position. The concept and focus on Alpha comes from an observation increasingly made during the middle of the twentieth century, that around 75 percent of stock investment managers did not make as much money picking investments as someone who simply invested in every stock in proportion to the weight it occupied in the overall market in terms of market capitalization, or indexing.

The Arrow–Debreu Model (ADM)

The model (ADM model) is the central model in the General (Economic) Equilibrium Theory and often used as a general reference for other microeconomic models. It is named after Kenneth Arrow, Gerard Debreu and Lionel W. McKenzie Compared to earlier models, the Arrow–Debreu model radically generalized commodities by time and place of delivery. So, for example, ‘apples in New York in September’ and ‘apples in Chicago in June’ are regarded as distinct commodities. The Arrow–Debreu model applies to economies with maximally complete markets, in which there exists a market for every time period and forward prices for every commodity at all time periods and in all places. The ADM model is one of the most general models of competitive economy and is a crucial part of general equilibrium theory, as it can be used to prove the existence of general equilibrium.

METHODOLOGY

The population of the study consists of the statistical or stochastic variables the data generating process (DGP) that generated these macroeconomic variables for Nigeria are activities and actions of different economic units (households, business, government and the foreign sectors, and on the political underplay at work in the economy).

Macroeconomic data on selected variables consisting of the gross domestic product, the all market share index and the market capitalization were collected from a secondary source (Central Bank of Nigeria Bulletin for various years). Inferential statistics were used for data analysis. This entailed the use of multiple regressions in order to capture the effects of all share index and market capitalization on the gross domestic product of Nigeria. Regression is an analytical procedure used to investigate the relationship that exists between all the variables involved. Multiple regressions were used to determine the relationship between the all share index and market capitalization (exogenous variables) on gross domestic product (the endogenous variable).

The Central Bank of Nigeria and the Debt Management Office, on behalf of the Federal Government of Nigeria are responsible are responsible for the collation of data used in the research work. Data collated by these institutions

were crosschecked with that of the World Bank for accuracy and consistency. The independent variables (exogenous variables) of the study are the All share Index and Market Capitalization while the dependent variable (endogenous variable) is the Gross Domestic Product of Nigeria. The model adopted for this study is the classical least regression model that will use the ordinary least square (OLS). The choice of this method is because it is best suited for testing specific hypothesis about the nature of economic relationship (Studemunde, 1998). The structural form of the model is stated below.

$$Y = a_0 + a_1b_1 + a_2b_2 + u_i$$

Where:

Y = dependent variable

a_0 = intercept

a_1, a_2, a_3, a_4 = Regression Co-efficient (slope efficient)

U_i = stochastic variable

However, to be able to estimate the equation we transformed it into the following;

$$GDP = a_0 + a_1ASI + a_2MC + u_j$$

Where”

GDP = Gross Domestic Product

ASI = All Share Index

MC = Market Capitalization

u_j = error term

RESULT AND DISCUSSION

The data used in this research were collected from the Central Bank of Nigeria (CBN) Annual Report and Statistical Bulletin for various years under review ranging from the period 1990 to 2019. It contained the Gross Domestic Product (GDP), Market Capitalization (MACP) and All Share Index (ASI) as exogenous variables of the Nigerian Stock Exchange.

In order to avoid spurious regression result, the stationarity test of the variables will be conducted. Presented in the table below is the Augmented Dickey-Fuller Unit Root test. The Augmented Dickey-Fuller test (ADF) is unit root test for stationarity. Unit roots can cause unpredictable results in your time series analysis. The Augmented Dickey-Fuller test can be used with serial correlation. The ADF test can handle more complex models than the Dickey-Fuller test, and it is also more powerful.

Null Hypothesis: There is a Unit root among the variables

Alternate Hypothesis: There is no Unit root among the variables

Table1: Augmented Dickey-Fuller Unit Root Test

Variable	ADF statistics At level	Order of integration	ADF statistics At 1st difference	Order of integration
GDP(-1)	-0.941833	1(0)	-1.499229	1(1)
MACP(-1)	-0.253724	1(0)	-1.276720	1(1)
ALLSHARE(-1)	-0.135537	1(1)	-1.408387	1(1)

Computed at 5% ADF critical value by Eviews 9 software, 2018.

The hypotheses that all the data used (GDP, Market Capitalization and All Share Index) had unit root or are non-stationary were tested via the Augmented Dickey-Fuller Unit root test. The results of the Augmented Dickey-Fuller test above indicates that at 5% critical level, GDP was stationary at levels 1(0)), while Market Capitalization and All Share Index became stationary at first difference 1(1)), or integrated of order one, I(1). Thereby providing the basis for testing the long run co-movement among the variables using the Johansen test of co-Integration bellow.

The Johansen co-integration test is procedure for testing co-integration of several time series variables for the presence of co-integrated movements amongst the various variables under study.

Table 2: Johansen Co-Integration Test

No. Of CE(S)	Trace stat.	0.05% CV	No. Of CE(S)	Max-Eigen Stat.	Probability
None **	29.55745	29.79	None **	0.583634	0.0533
At most 1 *	10.28127	15.49	At most 1	0.309641	0.2597
At most 2	2.129304	3.84	At most 2	0.092250	0.1445

*(**) denotes rejection of the hypothesis at the 5% level

The Trace test indicates no co-integrating equation at the 5% level. Also, the Max-Eigen value test indicates no co-integrating equation at 5% levels. On the basis of both Trace and Max-Eigen statistics we reject the null hypothesis which states that the model has at least one co-integrating vector, and therefore conclude that there is no long run relationship among all the variables. This therefore provides the basis for running the Vector Auto Regressive Model (VAR) below. The Vector Error Correction Model offers the possibility to apply Vector Auto Regressive Model (VAR) to integrated multivariate time series. The most important problem in regression is the spurious regression. This is where t-statistic or the r^2 (coefficient of determination) is very large even though there is no real relationship between the exogenous and endogenous variables.

Table 3: The Vector Error-Correction Model

REAL VEC RESULT

Dependent Variable: GDP

Method: Least Squares (Gauss-Newton / Marquardt steps)

Date: 02/22/20 Time: 23:02

Sample (adjusted): 1992 2013

Included observations: 22 after adjustments

$$GDP = C(1)*GDP(-1) + C(2)*GDP(-2) + C(3)*MACP(-1) + C(4)*MACP(-2) + C(5)*ALLSHARE(-1) + C(6)*ALLSHARE(-2) + C(7)$$

	Coefficient	Std. Error	t-Statistic	Prob.
C(1)	0.277476	0.166868	1.662844	0.1171
C(2)	-0.159911	0.167120	-0.956866	0.3538
C(3)	-60.61448	19.12123	-3.170010	0.0063
C(4)	102.1187	21.68841	4.708446	0.0003
C(5)	16.40877	4.624278	3.548395	0.0029
C(6)	-20.84764	5.998823	-3.475288	0.0034
C(7)	342719.5	603208.7	0.568161	0.5783
R-squared	0.630908	Mean dependent variance	870859.7	
Adjusted R-squared	0.483272	S.D. dependent variance	1585692.	
S.E. of regression	1139856.	Akaike info criterion	30.98407	
Sum squared resid	1.95E+13	Schwarz criterion	31.33122	
Log likelihood	-333.8248	Hannan-Quinn criter.	31.06585	
F-statistic	4.273386	Durbin-Watson stat	2.355616	
Prob(F-statistic)	0.010442			

Computed by Eviews 9 at 5% critical value, 2019

R-squared: 0.630908
Adjusted R-squared: 0.483272
Durbin-Watson stat: 2.355616
F-statistic: 4.273386

From the Vector Error Correction result as shown above, all share index (ALLSHARE) in the first time period shows a positive and significant on impact on economic growth (GDP), but a negative and significant impact on economic growth (GDP) in the second time lag at 5 percent critical value. It shows (in the first time lag) that ALLSHARE holding other variables constant, is directly related to GDP by -16.40877 percent. The second period lag also states that a percentage increase in ALLSHARE holding other variables constant increases GDP by -60.8473 percent but the impact is still significant. This is indicative of the fact that ALLSHARE and the value of goods and services (GDP) in the second time lag are inverse but significantly correlated. This result calls for further tests as it goes contrary to economic theory and apriori expectation.

The coefficient of market capitalization (MACP) in the first time period shows a negative and insignificant on economic growth (GDP), but a positive and insignificant impact in the second time period (lag) at 5 percent critical value. It shows (in the first time lag) that MACP holding other variables constant, is inversely related to GDP by -60.61448. The second period lag also states that a percentage increase in MACP holding other variables constant increases GDP by 102 percent. This is indicative of the fact that MACP and the value of goods and services (GDP) are significantly correlated. The F-statistic which measures the joint statistical influence of the explanatory variables in explaining the dependent variable was found to be statistically significant at 5 percent level. The F-statistic critical value of 4.273386 which, is greater than its tabulated value of 2.76 shows that the explanatory variables have a significant effect on the gross domestic product of Nigeria. The value of Durbin Watson statistic is 2.355616 (approx. is 2.5) for the model, implies the absence of autocorrelation among the explanatory variables in the model.

Table 4: Wald Test

Test Statistics	Value	Df	Prob.
F-statistic	3.857812	(11, 10)	0.0056
Chi-square	42.43593	11	0.0421

Computed at 5% critical value

The coefficient of error correction mechanism (ECM) is correctly signed (-0.154987) but insignificant at 5 per cent critical level as shown by its high probability value of 24 percent. This shows that about 15 per cent disequilibria in Nigeria's output growth is corrected for in the current year. The negative sign but insignificance of the ECM coefficient shows the existence of a long run unstable equilibrium relationship between economic growth and all the explanatory variables. The Wald test in indicates the existence of a short run relationship among the variables noting that the probability of the chi-square value is less than 5 percent.

The overall goodness of fit of the model as shown by the R-Squared coefficient of determination is 0.794022 it shows that about 79 percent of the variation experienced in economic growth in Nigeria for the period being investigated may be explained by the independent variables included in the model.

Hnce, the second null hypothesis (H_0^2) that all share index has no significant effect on the economic growth of Nigeria is rejected at the 5 percent level of significance. Also, the null hypothesis (H_0^1) that market capitalization has no significant effect on the economic growth of Nigeria is rejected at the 5 percent level of significance.

Discussion of Findings

The first and second findings of this study align with that of Odetayo and Sajuyigbe, (2012) who examined the impact of Nigerian capital market on economic growth and development during the period 1990 – 2011 using ordinary least square regression. It was found out in their study that market capitalization and share index had a significant relationship with gross domestic product of Nigeria. In the same light, Afees and Kazeem (2010) also, critically examined the causal linkage between stock market and economic growth in Nigeria between 1970 and

2009 using causal design down to the econometric model. The results of their findings showed that market capitalization had a significant effect on economic growth.

CONCLUSION AND RECOMMENDATION

The research is on the analysis of the contribution of stock exchange to Nigeria economy with focus on the Nigeria stock exchange. In the introductory part of this study the research presented the problems, the objectives of the study and the hypothesis. Chapter three deals with research methodology, data were collected through journals. The statistical technique used is e-view and the hypothesis formulated and tested. The major findings revealed a negative relationship between the market capitalization and the Gross Domestic Product as well as a negative relationship between the turnover ratio and the Gross Domestic Product while a positive relationship was observed between the all-share index and the Gross Domestic Product. These findings led to some policy formulations aimed at an improved and developed market for potential gain to the benefit of rational investors even across national borders, For the establishment of this long run relationship between stock market development and economic growth, co-integration Analysis and Error Correction Model (ECM) approaches were used as method of analysis. As well, descriptive statistics which involved the use of table, frequency and percentages were used to assess investors' confidence. The empirical study found that stock market capitalization is the major determinants of stock market indicators that promoted economic growth in Nigeria because there is a long positive relationship between stock market capitalization and gross domestic product and at the same time, the indicator is robust and statistically significant.

Previously, an effort was made to highlight the performances, problems and prospect of Nigeria stock exchange as well as its contribution towards the national economic development for instances by providing long term fund for companies. The Nigeria stock exchange provides issuers and investors with a responsive, fair and effective stock market through competent and dedicated professional using the latest technology thus assuring local and foreign investor access to the Nigeria stock exchange with confidence both in the regulatory framework and in reliability of trading and settlement system so as to promote increase capital formation in Nigeria. From the research conducted, the study examined whether stock market promotes economic growth in Nigeria or not from the period 1990 – 2016. In this regard, this exercise has demonstrated that there is a positive relationship between the stock market and economic growth. Though the stock market has been greatly criticized, this study has helped promote a greater depth to the workings of, and need for an efficient capital market. Specifically, the study attempted to establish empirically, the link between the Nigerian stock market and economic development. That the stock market promotes economic growth is not in doubt. It serves as an important mechanism for effective and efficient mobilization and allocation of savings, a crucial function, for an economy desirous of growth. This study attempted to place this role in the Nigerian context between the period of 1990 and 2016. By the use of some notable stock market development indicators, the relationship between stock market development and economic growth was found to be positive. This suggests that for a significant growth the focus of policy should be on measures to promote growth in the stock market. The Nigerian stock market has a bright prospect given the recent policy direction especially the abrogation of all laws that hitherto hamper its effective and efficient functioning. Also, the internationalization, the improvement in the infrastructural facilities in the market in line with what obtains in the developed market and also the present democratic dispensation will all work individually and jointly to ginger the prospect of the stock market.

After thorough investigation and research on an analysis of the contribution of stock exchange to Nigeria economy, the researchers find it necessary to come out with the following recommendation design which if implemented would go a long way in assisting the Nigeria stock exchange to overcome its current problem and improve their performance thereby making more significant impact on the Nigeria economy. Firstly the “buy” and hold attitude of Nigeria investor should be discourage through creating awareness of the Nigeria stock exchange activities, fraudulent activities as well as manipulation of stock prices by certain operators should be discourage so that investors may feel more secure to invest their money in the market. Secondly more sectors in the economy such as the health care insurance sectors etc. should be encouraged to participate more in the trading activities of the stock exchange.

References

- Alajekwu, U.B. & Achugbu A. A. (2012); The Role of Stock Market Development on Economic Growth in Nigeria: A Time Series analysis, *Africa Research Review*, 6(1), 51-70.
- Alile, H.I. (1984); "The Nigerian Stock Exchange Historical Perspective, operations and contributions to Economic Development" Central Bank of Nigeria Bullion, Silver Jubilee edition vol. 11 page 65– 69.
- Alile, Hayford (1997); "Government must Divest" *The business concord of Nigeria*, 2nd December, pp. 8.
- Augustine, U. and Salami P.O. (2010); *Stock Market Development and Economic Growth: Evidence from Nigeria*.
- Babatunde, O.O. and Mokuola J.O. (2005): *Stock Market Development and Economic Growth in Nigeria: An*
- Benchivengs V.R. and Smith B.D., (1991); "Financial intermediation and Endogenous Growth" 58, pp. 195 – 209.
- Benchivengs V.R. and Smith B.D., and Starr R.M. (1996): *Equity Markets, Transaction costs and Capital Accumulation: An illustration. The World Bank Economic Review* vol. 10 241 – 265.
- Caporale, Howells and Soliman, (2004); "Stock Market Development and Central Bank of Economic Growth: A causal linkage, Nigeria's Economic and Financial Review, September, 43, pp. 2 – 8.
- Johansen, S. and Juselius, K., (1990), "Maximum likelihood estimation and inference on co-Integration. With application to the Demand for money" *Oxford Bulletin of Economics and Statistics*, 52, (169 - 210).
- Kolapo, F.T. and Adaramola A.O.(2012). *The Impact of the Nigerian capital market on Economic Growth (1990-2010). International journal of developing societies, 1(1), 11-19.*
- Mishkin, Federic S. (2001); "*The Economics of Money, Banking and Financial Markets*" 6th Edition, New York; Addison Wesley Longman.
- Olowe, O., Mathew, O. and Fasina F.(2011); *Nigerian stock Exchange and Economic Development, knowledge Management, Information Management Learning Management, 14, 14-37*
- Owolabi, A. and Ajayi, N. O.(2013); *Econometric Analysis of Impact of Capital Market on Economic Growth in Nigeria (1971-2010), Asian Economic and Financial Review, 3(1)*
- Owolabi, O. (2012). *Liquidity Management and Corporate Profitability: Case Study of Selected Manufacturing Companies Listed on the Nigerian Stock Exchange. Business Management Dynamics, 2(2), 10–25. Retrieved from www.bmdynamics.com.*