The Link Between Stock Market Performance and Economic Growth: Evidence from Nigeria

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Abstract

The relationship between stock market performance and economic growth has always been a major focus in public discourse. The stock market plays the role of fund mobiliser from the surplus to the deficit sectors of the economy. Such funds have contributed immensely to the growth of major economies around the world. This study is therefore carried out to examine the linkage between stock market performance and the growth of Nigerian economy between 1986 and 2023. The data for the study were sourced from the Central Bank of Nigeria, the Securities and Exchange Commission as well as the Nigerian Stock Exchange Annual Report and Statement of Accounts. The study utilises the ex-post-facto research design technique since the data were already in existence. Cointegration and Error correction model was adopted to analyse the data. The result obtained shows that Gross Fixed Capital Formation, Market Capitalisation, All Share Index and Total Value of Share Traded were all positively related to Gross Domestic Product. However, only GFCF was statistically significant in explaining the changes in GDP. It was therefore recommended that government should reduce all forms of taxes on income receivable from stock market in order to encourage more funds into the market. It was also recommended that government should stop interfering with the operation of the stock market. This will then engender increased portfolio investment from both local and international investors.

Keywords: Market Capitalisation, All Share Index, Value of Share Traded, Gross Fixed Capital Formation and Economic Growth. JEL CLASSIFICATION CODE: G14, G13, G12, F63, F43.

Introduction

The idea of mobilising resources for national development has been the major concern of most advanced economies. Demirgue-Kunt and Levine 1996 among others gave a considerable attention to the importance of savings and investment on economic growth. For economic growth to be sustained and ultimately lead to development, funds must be effectively moved from the surplus to the deficit units of the economy. This will enable businesses to harness their human and material resources for optimal output production. The stock market provides a platform for government and industry to raise long term funds, to expand existing projects or start new ones (Akpokerere et al 2024). Specifically, through equity funding, the stock market enables firms to avoid over reliance on debt financing.

Since the introduction of Structural Adjustment Programme (SAP) in 1986, the stock market in Nigeria has been growing (Alile and Anao, 1986), (Soyode, 1990). The deregulation of financial sector which has privatisation as a major component of SAP exposed the fact that the stock market

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remains one of the cheapest sources of fund especially for a developing economy like Nigeria, Edo (2021) The global financial crisis which started in United States of America Mortgage Institutions in 2007, led to crisis in the housing market that ultimately impacted weaker countries negatively. Nigeria was one of such countries at the receiving end. According to the former governor of CBN, (Sanusi, 2010), the effect saw Nigeria capital market collapsing by more than 70%. Although the stock market picked up after that crisis, its growth has been slow and characterised by complexities arising from increase in variety of new instruments now being traded. Such include: equity options, derivatives, index futures etc. The linkage between stock market performance and economic growth has led to controversies among experts in finance, Ighoroje & Akpokerere (2022), Osinubu, (2022), Emenuga, (2020) among others believed that the mix between debt and equity financing changes as the economy develops and ultimately reduces the cost of capital thereby increasing shareholders' wealth. Growth in any economy is a function of how efficiently the stock market plays its role of mobilising savings and simultaneously allocating a larger proportion of it to the firms with high prospect based on its rate of return on investment and risk classification (Garicia, 2021). This means that capital resources are allocated by forces of demand and supply to firms with higher productivity that can enhance economic expansion and growth (Chem, 2021)

The floating of federal government stocks in the 1950s did not pose any problems, but the selling of the stocks by subscribers who wished to exchange their stocks for cash was a real problem due to the absence of secondary market for stock trading (Onoh, 2002). This inadequacy in the Nigeria financial system at that time led to the establishment of Lagos stock exchange in 1961. In 1977 this stock exchange was redesignated the Nigeria stock exchange (NSE) with branches in Kaduna in 1978 and Port Harcourt in 1980. These exchanges were established to have trading floors where securities are physically traded by licensed dealing members and broker on behalf of their clients. Between 1972 and 1978, when the indigenisation programme was put in place, the private sector activities at the capital market reach an unprecedented level. By 1978, private sector securities began to outnumber government securities in terms of the number of securities offered. Stock market in Nigeria is not in operation primarily to mobilize funds for government or trade in government securities. No stock exchange is truly a stock exchange until the private sector securities dominates the market. According to Onoh, (2002) Government bonds are normally floated to raise long-term funds for public project which can also be augmented by other sources of funding. However, floatation of public securities is normally and deliberately timed to improve the vibrancy of the market at the time market activities are sluggish.

The growth trends of the market indicators have been significantly influenced by macroeconomic policies and institutional change deliberately designed by government since the 1970s to engineer a market driven economy. They have grown phenomenally since the deregulation or Structural Adjustment Programme (SAP) of the economy.

The Nigeria stock market is gradually falling in line with other stock market driven economies where the secondary market is primarily an institution for providing liquidity to private sector enterprises and where government bonds are expected to periodically stimulate and influence the market. The emergence of the private sector securities dominated stock market is a welcome development. According to (Ozigbo and Ekane, 2022), this has started attracting foreign portfolio investors into the market.

The Central Securities Clearing system (CSCS) introduced in 1997, now facilitates quicker and efficient delivery and settlement of securities. This in conjunction with the Automated Trading System (ATS) introduced in1998 have continued to attract both local and foreign investors in their numbers to the market. As it is the case of many third world economies, activities like insider dealing, political instability and management interference still pose some challenges which no doubt might have also impacted its overall contribution to the growth of Nigerian economy (Okojie, 2020).

Given the above scenario, this study is therefore carried out to ascertain whether there is a link between stock market performance and economic growth between 1986 and 2023 and the extent to which such link might have impacted the growth of the Nigerian economy. Although previous researchers had done similar studies in the past, many of them did not capture the major indices that could impact growth in their models. Also, many of these studies are now behind time, hence the need for updated research to take account of current data.

OBJECTIVE OF THE STUDY

The major objective of this study is to empirically investigate whether there exists any link between stock market performance and economic growth in Nigeria between 1986 and 2023. Other specific objectives include, To:

Investigate if stock market indices like Market Capitalization, all share index, Total value of share traded and Gross Fixed Capital Formation have significant relationship with Economic Growth (EG) in Nigeria.

LITERATURE REVIEW

Conceptual Review:

Stock Market and Economic Growth

The stock market as it is today, remains a complex financial institution made up of in built mechanism through which long-term funds comprising that of the households, firms, and government are mobilized and made available to the productive sector of the economy (Nyong 2020). A developed stock market makes provision for adequate fund mobilization, market efficiency, and create enabling environment for relevant information for a free market enterprise to thrive. (Glenday and Ryan,2021) posited that investment in securities is a proper medium of changing savings to economic growth and development. Also, Osinubu (2022) acknowledged that a notable feature of economic progress in Nigeria since 1960, is the expansion of stock market which has resulted in facilitating the trading in stock and shares. According to experts, one of the parameters for recognizing a developed economy is having a stock of capital per head which must be replenished when exhausted. When this is lacking under development sets in. This was why the Structural Adjustment Programme propagated and promoted in the 1990s by the World Bank and International Monetary Fund in developing countries laid emphasis on self-sustained growth process anchored on investible resources which are available at the stock market.

All-Share Index: According to (Garicia ,2021) ASI is a series of numbers that reveal the average value of all the share prices of firms in the market. It is one of the yard-stock for measuring stock market performance. However, the Nigerian Stock Exchange ASI monitors the performance of listed companies in the market and provides a comprehensive picture of the trading which can give investors a reliable information about market trend and investment opportunities. It measures basket of securities intended to replicate a certain aspect of the market, (Ozigbo and Ekane, (2022).

Market Capitalisation: This is the total naira value of all listed stock on the exchange. It is arrived at by multiplying the number of outstanding shares with current market price of the shares

and it fluctuates with the firm's share price. It is important in estimating the firm's value in naira and can be used when building a portfolio of investments. Some analyst also uses it in deciding whether a stock of fund fits into their asset allocation or not. (Okojie ,2020).

Value of Share Traded: This is the total value of number of shares traded multiplied by their various prices. It represents the monetary amount of stock bought and sold within a specified period, thereby providing insight into market activities. This enables potential investors to gauge the strength of a trend or potential price (Edo, 2021).

Gross Fixed Capital Formation: According to Okolo and Odia, (2021), Capital formation is the process of investment in a nation's capital stock through acquisition of plants, tools and equipment for further production. This is because capital and labour are the major factors which can successfully drive the quality and quantity of a nation output composition. The Central Bank of Nigeria (CBN) recognises Gross Fixed Capital Formation as the expenditure on fixed assets example include buildings and machinery either for adding to the stock of existing assets or replacing the worn out/obsolete ones.

Since the economic reforms in Nigeria however, capital formation has continued to fluctuate; this has led to breakdown of major infrastructural facilities. The stock market which is supposed to bridge the funding gap for refurbishment of these facilities has not lived to expectation due mainly to its epileptic performance for a very long time (Ojo, 2022). Past evidence e.g Benddies (2010) reveals that private capital formation rather than government capital formation has a stronger effect on growth due mainly to the fact that private capital is more efficient and less associated with corruption. The stock market is one of the avenues where the mobilization of such capital can be guaranteed. This can be supported by a number of studies on the Kenyan growth processing, Azam and Daubree (1997) and Glenday and Ryan (2021) concluded that private investment via the stock market has been a stronger and significant contributor to growth in that country. There are also a number of evidences which support the fact that efficiency of capital use worsened over time especially with respect to public sector dominated economies of the third world. This reduces the growth effects of investment that can be propelled by the capital market, Collier (2021).

Stock Market Operation in Nigeria

The stock market is a market for issuing of various types of securities which are traded through a broker that is a pure go-between in market transaction. He is not a party to any transaction himself, rather he acts as an agent for his clients, be the buyers or sellers (Ekechi, 2022). For his services, the broker charges his clients a fee or commission which is usually related to the value of the transaction. A dealer is also an intermediary in the exchange process. In contrast to the broker, the dealer actually becomes a party to market transactions. He is in the market to add to that inventory, and sells out of his inventory to other buyers, perhaps at a different time or place. He hopes to make a profit on a spread between buying and selling price. On the other hand, the techniques of underwriting vary depending on the conditions, an underwriter is basically a dealer who handles new issues of securities. He buys them and then sells them into the market hoping to make a profit on the difference between the selling and the buying price. Again information and market contacts are the vital ingredients in the underwriter's activities in Nigeria (Ekechi, 2022). Stocks of large firms with huge paid-up capital are formally listed on the Nigerian Stock Exchange and trade in them is carried out on the exchange floor. Other stocks trade over the counter in brokers' offices, or on telephone these days, this is known as the OTC market.

The stock traded in the market are basically either ordinary or preference. Ordinary shareholders share in residual profit without limit, though they receive as cash only the amount declared as dividends. Preference shares holders normally give up voting rights and also accept a ceiling on the dividend rate in exchange for being paid dividends before ordinary shareholders. Preference shares are redeemable by the issuers as a rule, so they are not permanent financing instruments. Some are also redeemable at the discretion of the holder and or convertible into ordinary shares at a specified price. Convertibility gives the holder the protection of preference shares and still the right to unlimited capital gains (by converting to ordinary shares) if the firm is wildly successful Ozigbo and Ekane, (2022).

Pricing Of Securities

Issuing houses in Nigeria were denied the role of securities pricing by Securities and Exchange Commission (SEC) until 1993. In countries with developed financial markets, merchant banks play an important role in the pricing of new issues. This function was exercised in Nigeria by SEC until 1993. The reasons advanced were, that the Nigerian issuing houses were too inexperienced to engage in such a complex and weighty exercise. The SEC had a duty to protect innocent investors from purchasing overpriced securities. In view of millions of naira worth of new issues generated yearly, any miscalculation in the pricing of a new issue by an issuing house may prove very fatal to the investors and the economy. It was argued that the new issues market would be chaotic, if the issuing houses were to apply their individual criteria in the valuation or pricing of securities.

With the deregulation of the economy in the last quarter of 1986, the demand to deregulate the capital market; especially in pricing of securities was great. Accordingly in 1993, the SEC issued the following guidelines to capital market operators, on the valuation of securities:

- Issuing houses are to familiarize themselves with all the Accounting Standards and SEC requirements, when valuing securities in the primarily market;
- Issuing houses should not use pricing methods which are to currently in use in Nigeria, without SEC's price approval;
- Asset revaluation is to be carried out by qualified competent professionals, who are members of recognized professional bodies. All valuations must be reflected in the company's audited accounts;
- Issuing house should state clearly the method of valuation used in determining the offer price;
- An issuing house sponsoring public offers must ascertain the ownership of the client's assets;
- The relevant guidelines issued by the Productivity, Prices and Incomes Board (PPIB) have to be adhered to by the issuing houses.

Before the pricing of a new issue, the profit performance of the company over a period of not less than five years, has to be taken into consideration. The profit information enables the new stock to be priced (Onoh, 2022).

Empirical Review:

In a study conducted by Levine and Zervos (1996) the long-run relationship between stock market performance and growth of the economy was ascertained. They used a pooled cross country time series data to run a regression from (1990 – 2021).

The growth rate of GDP per capital was regressed on a number of independent variables eg political stability, investment in human resources etc. It was discovered that there is a significant relationship between stock market appreciation and long-run EG. Adenuga (2010), Using multiple regression analysis investigated the relationship between stock market performance and EG. The study revealed that stock market promotes EG in the positive direction in Nigeria. Nyong, (2020), using correlation coefficient discovered that market capitalization and value traded ratio have a weak negative correlation with economic growth in Nigeria.

Akpokerere and Oboro (2019) studied relationship between selected stock market variables and economic growth in Nigeria for the period 1986-2016. Their finding stated that there is a negative and insignificant relationship between the variables studied.

On their own part Okolo and Odia (2021) using time series data and multiple regression analysis also found out that stock market indices have no significant impact on EG in Nigeria. In a study conducted by Bayar (2014) and Olweny and Kimani (2011), it was discovered in their study that there is a unidirectional causality running from stock market development to EG in Ivory Coast, Kenya and Turkey respectively. Ayetobi (2021) in a study of EG and stock market performance relationship in Sierra Leone, used Cointegration and Error Correction analysis between 1990 and 2020. He discovered that there was a long-run relationship between the two variables. But only one of the indicators –market capitalization was significant. In their submission Kalapo and Ademola (2019) as well Wayas (2020) in their study on the link between EG and stock market performance in selected Central African countries revealed that a bi- directional causal relationship exist between EG and stock market performance between 1990 and 2020 covered by their study.

Theoretical Framework

The relationship between stock market performance and EG is always in the front burner in major academic discourse. In making it a major focus in this study, we developed a model which is often referred to as the growth accounting framework so as to explain the source of growth in an economy. Bringing this into Nigeria case, the national accounts become the basis of economy to be analysed. This is used in conjunction with the aggregate production function (Akinlo and Odusola, 2000). Based on the production function approach, the growth rate of output (GDP) is a function of the following factors:

- The growth of labour and the rate of growth of its quality, multiplied by the labour income share, and the rate of growth of gross capital input or its quality multiplied by the capital income share
- Change in technology or total factor productivity.

This can be represented as follows:

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G = f(L,K,T) .....(1)
Where:
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- G = growth of GDP
- L = Labour
- K = Capital formation/investment
- T = Technology

Research Methodology

Source of Data: This study utilised secondary data which were collected from (CBN) statistical Bulletin, and annual Report of the Nigerian Stock exchange for various years.

We used the expost –facto research design method because the data were already available at the sources mentioned above. The estimation started with analysis of the descriptive statistics and correlation matrix. The unit root test was there after conducted to find out whether the variables are statioinary and the order of their stationarity. The Johansen cointegration method was used to determine the existence of any cointegrating equation so as to establish a long-run relationship among the variables. There after we proceeded to carry out the parsimonious Error Correction estimates. The result showed which of the variables were significant as well as their impact on the dependent variable. At the end, the diagnostic check which comprised of Breusch-Godfrey serial correlation LM test, Jarque-Bera and Heteroskedasticity as well as stability test were conducted.

Model Specification

From our Theoretical Framework, it has been established that:

G = f(L, K, T)(1) The above notation has been extended to capture other determinants of economic activities like the financial sector development proxy by stock market development indices. Demirgue-Kunt and Levine (1996). Based on the above specification, our model is therefore specified as follows: RGDP = f(MKTC, VST, ASI, GFCF)(2) Modelling econometrically we have $RGDP = \alpha_0 + \alpha_1 MKTC + \alpha_2 VST + \alpha_3 ASI + \alpha_4 GFCF + U_t \dots (3)$ Where $\alpha_1, \alpha_2, \alpha_3$, and $\alpha_4 > 0$ (apriori expectation) RDGP = Real Gross Domestic Product Proxy for EG MKTC = Market Capitalisation VST = Total Value of Share Traded ASI = All Share Index GFCF = Gross Fixed Capital Formation $U_t = Error Term$ Applying logarithm to equation 3 we have: $LRGDP = \alpha_0 + \alpha_1 LMKTC + \alpha_2 LVST + \alpha_3 LASI + \alpha_4 LGFCF + Ut \dots (4)$

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Table 1: Descriptive Statistics					
	LRGDP	LVST	LMKTC	LGFCF	LASI
Mean	45207.08	7483.703	11757.78	180947.3	22446.59
Median	41126.00	4083.000	5120.000	89244.00	22065.00
Maximum	78731.00	40012.00	75202.00	741356.0	69431.00
Minimum	19030.00	9.000000	10.00000	6331.000	22.00000
Std. Dev.	21552.39	9924.015	16749.82	213322.3	18907.47
Skewness	0.207532	1.795279	2.056177	1.468387	0.674588
Kurtosis	1.403901	5.963566	7.376639	4.048519	2.773580
Jarque-Bera	4.193041	33.41537	55.60240	14.99122	2.885295
Probability	0.122883	0.000000	0.000000	0.000556	0.236301
Sum	1672662.	276897.0	435038.0	6695051.	830524.0
Sum Sq. Dev.	1.67E+10	3.55E+09	1.01E+10	1.64E+12	1.29E+10
Observations	37	37	37	37	37
Source: E-View 10 Printout					

Descriptive statistics explains the variable quantitative values. It considers the past trend of variables with descriptive analysis.

Based on the figures on the table, the mean value of RGDP is 45207.08 which is greater than the median value of 41126.00. Its positive value shows that it increased over the study period. The maximum value was 78731.00 and minimum value was 19030.00. The standard deviation of 21552.39 shows a moderate deviation. The value of share traded (VST) has a mean of 7483.703 which is greater than the median of 4083.00. It shows that VST also increased within the study period. The highest and lowest value were 40012 and 9.000. The standard deviation of 9924 shows a significant difference between the upper and lower limit implying that the VST fluctuated significantly within the study period. In the case of market capitalisation, the mean was 11757.78 which is also greater than the median of 5120.00. This indicate that MKTC also increased in the study period. It has a maximum value of 57202 and a minimum value of 10.000. The standard deviation of 1674.82 shows that there was a significant variation between the upper and the lower values. This means that MKC also fluctuated violently throughout the period. In the case of GFCF, the mean value was 1809447.3 and is greater than the median value of 89244.00 indicating that it also increases within the study period. The maximum value of 741356 and minimum value The standard deviation of 213322.3 also indicated that the variable fluctuated was 6331. significantly within in the period of the study.

Lastly, (ASI) has a mean value of 22446.59 and a median value of 22065.00 indicating a progression within the period. The maximum and minimum values were 69431.00 and 22.00 respectively. With a standard deviation of 18907.47, indicating there was a significant deviation from the mean value. This implies that ASI was not also stable.

Table 2: Correlation Metrix

	LRGDP	LVST	LMKTC	LGFCF	LASI
		0.83724978221	0.81240248441	0.85050804825	0.80536003921
LRGDP	1	8281	63962	7472	45405
	0.83724978221		0.98568514982	0.95966019008	0.85464456333
LVST	8281	1	8168	08294	37788
	0.81240248441	0.98568514982		0.95744924815	0.81918043851
LMKTC	63962	8168	1	13888	81886
	0.85050804825	0.95966019008	0.95744924815		0.77345744742
LGFCF	7472	08294	13888	1	04014
	0.80536003921	0.85464456333	0.81918043851	0.77345744742	
LASI	45405	37788	81886	04014	1

Source: E-View 10 output.

Correlation Matrix shows the linear association between two variables. It tells about the degree of association among any two variables under consideration. The coefficient and signs of the variables indicates degree of connection and direction. When correlation coefficient between two independent variables is greater than or equal to 0.90, it implies a strong multicolinearity. Table 2 explains the correlation coefficient of variables of this study. The diagonal values have values equal to unity because a single variable is perfectly correlated to itself. All the variables of the study present a correlation less than 0.90 threshold for establishing the presence of multicollinearity among the explanatory variables of this model. This implies that the variables are free from multicollinearity.

Variables	ADF Test Statistical	5% Critical Value	Orders of Integration
LRGDP	-4.63	-2.98	1(1)
LMKTC	-4.98	-2.96	1(1)
LGDCF	-6.06	-2.93	1(1)
LASI	-4.08	-2.24	1(1)
LVST	-3.17	-2.67	1(1)

Table 3: Result of the Augmented Dickey Fuller (ADF) Unit Root Test

Source: Author Computation Via e-views 10

The result obtained shows that all the variables were non-stationary at levels but they became stationary after the first difference was obtained. This means that all the variables are integrated of order (1). This now enables us to proceed to test whether the variables are cointegrated. This is done deploying the Johansen cointegration test as shown below:

Table 4: Johansen Cointegration Test Result

Hypothesized No. of CE(s)	Eigenvalue	Trace Statistic	5 Percent Critical Value	1 Percent Critical Value
None **	0.763104	93.70415	68.52	76.07
At most 1 *	0.582739	49.05995	47.21	54.46
At most 2	0.340873	21.96458	29.68	35.65
At most 3	0.227326	9.042568	15.41	20.04
At most 4	0.033233	1.047723	3.76	6.65

Unrestricted Cointegration Rank Test

*(**) denotes rejection of the hypothesis at the 5%(1%) level Trace test indicates 2 cointegrating equation(s) at the 5% level Trace test indicates 1 cointegrating equation(s) at the 1% level

Hypothesized No of CE(s)	Eigenvalue	Max-Eigen Statistic	5 Percent Critical Value	1 Percent Critical Value
None **	0.763104	44.64420	33.46	38.77
At most 1 *	0.582739	27.09537	27.07	32.24
At most 2	0.340873	12.92201	20 97	25.52
At most 3	0.227326	7 994845	14.07	18.63
At most 4	0.033233	1.047723	3.76	6.65

*(**) denotes rejection of the hypothesis at the 5%(1%) level

Max-eigenvalue test indicates 2 cointegrating equation(s) at the 5% level Max-eigenvalue test indicates 1 cointegrating equation(s) at the 1% level

Source: E-View 10 Output.

The trace statistic indicates two cointegrating equations at 5% level of significance. It therefore rejects the null hypothesis of no cointegration and accepts the alternative hypothesis of cointegration in one case. The max-Eigen statistic also indicates the existence of two cointegrating requations at 5% level of significance. It can therefore be concluded that there is a long-run equilibrium relationship among the variables. This now allows us to estimate the parsimonious or preferred ECM results.

5. Results And Discussion

Variable	Coefficient	Standard Error	t-statistic	Probability
	0.047045	0.012321	1.324321	0.0021
LMKTC				
LGFCF	0.127043	0.0121314	4.024320	0.0000
LASI	0.012314	0.056123	0.814321	0.0100
LVSI	0.032453	0.032124	1.023451	0.0003
ECM(-1)	-0.254132	0.056321	-4.321452	0.0003
С	5.234623	0.432145	11.732132	0.0000

Source: Author Computation Via e-views 10

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R-Squared	0.881761	
Adjusted R-Squared	0.848636	
S.E. Regression	0.86463	
Sum of Squared resid	0.2124121	
Durbin-Watson stat	2.092734	
Mean Dependent Var	12.878960	
S.D. dependent Var	0.521560	
F. Statistic	321.6429	
Prob (F-Statistic	0.00000	
Akaike info criterion	2.307207	
Schwarz Curterion	2.415092	

From the result in the ECM table above, 88 percent of the variation in RGDP has be explained by the explanatory variables, MKTC, GFCF, ASI and VST taken together. The remaining 12 percent is explained by factors outside the model but captured by the error term. The result shows that one period lag market capitalization impacted GDP positively. It implies that a one unit change in (MKTC) will result in 0.05 unit change in RGDP. Again, the GFCF with a coefficient of 0.127043 is also rightly signed. This means that a one period lag GFCF will cause the RGDP to increase by 0.13 units. Also, the ASI has a coefficient of 0.012314. Therefore, a one period lagged ASI will cause the RGDP to increase by 0.012 units. Lastly, the VST is rightly signed with a coefficient of 0.032453. This implies that if VST is increased by one unit, RGDP will increase by 0.03 units all other factors held constant. In general, with a t-statistic of 1.324321, 0.81421^m 1,023451 and a critical value of 1.96 at 5% significant level, MKTC, ASI and VST are not statistically significant in explaining the changes in RGDP with in the period of the study. However, the GFCF with a tstatistics of 4.024320 which is above the critical value of 1.916 at 5% significant level is significant in explaining the changes in RGDP within the study period. We therefore hold that the one period lagged GFCF is the only independent variable that is statistically significant in explaining changes in RGDP within study period. Also, the ECM is statistically significant with the negative sign. It indicates that 25% of the errors are corrected in the short run before it returns to equilibrium in the long-run.

Discussion of Findings

Our result is in consonance with Levine and Zervos (1996) who found out that stock market indices were positively related to EG as well as significant in Nigeria between 1986 and 2023. However, the result of Nyong (2020) which showed that market captialisation and value of shares traded had a weak and negative correlation with EG in Nigeria is at variance with the result of our study. Also, Okolo and Odia (2021) result which revealed that stock market indices had no significant impact on EG did not conform with our result.

Our result is in support of the findings by Bayar (2014) who found out in Ivory Coast, Kenya, and Turkey that a unidirectional causality run from stock market development to EG. Our findings are also in line with the findings of Ayetobi (2021) and Olwenty and Kimani (2011) who found that a significant relationship exist between stock market index – market capitalization and economic growth.



Source: E-views 10 Output.

The result of the cumulative sum of Recorsive Residuals and cumulative sum of squares of Recorsive Residuals lines falls in-between the two 5% lines as shown in the graphs above. This indicates the stability of the models.

Diagnostic Check Results

The Jargue-bera test has a probability of 0.16, this shows that the residuals are normally distributed. Also, Breusch-Godfrey serial correlation LM test has a probability of 0.05 meaning that the null hypothesis that the residuals are not serial correlated is validated. The heterosikedasticity has a probability of 0.42 indicating that the residuals are heteroskedastic (i.e constant variance)

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Table 6:	Jarque-Bera			
F-Statistic	3.08	Probability	0.16	
	White Hetero	skedasticity		
F- Statistic	1.12	Probability	0.42	
	Breusch-Godgrey Ser	ial Correlatior	n LM Test	
F- Statistic	3.42	Probability	0.05	

Source: Author Computation Via e-views 10

Conclusion

In this study, we focused on the link between stock market performance and economic growth in Nigeria between 1986 and 2023. This period was chosen because it was the period the stock market started gaining some modicum of stability after the civil war. We used the neoclassical growth model which is often referred to as the growth accounting framework.

The result revealed that market capitalization, All share index and value of share Traded were positively related to GDP. They however failed to pass the significance test as all them were not significant enough to explain changes in GDP within the study period. This result is not surprising in view of the fact that stock market activities was not attractive to both internal and foreign investors within this study period as it was characterized by several military coups and political upheavals in Nigeria. No investor would want to stake his hard earned money in an economy which has many uncertainties in various sectors. From the result also we can see that the GFCF significantly impacted the GDP due mainly to development of infrastructural facilities form the oil wind fall of that period. We therefore conclude that only GFCF was significant enough to impact GDP positively within the period covered by the study.

Recommendations

Government interference with the stock market should be reduced if not totally eliminated. Such interference has resulted in frequent changes in management of the stock exchange with serious consequences on its growth.

Again, the Nigerian economy should be moved away from consumption to production as to create additional wealth that could result in more savings, to boost activities in the stock market. Government can also reduce the current rate of withholding tax and repeal other legislations that discourage investments in stock market.

The world is now a global village; therefore, efforts should be made by the relevant authorities to link the stock exchange with other major exchange in the world in order to attract foreign portfolio investors.

Lastly, government should stop interfering with the activities of the stock market and allow the forces of demand and supply to govern receipts and disposal of funds to build the confidence of all stake holder.

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