THE ROLE OF CAPITAL MARKET IN ECONOMIC DEVELOPMENT IN NIGERIA

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Abstract – This study examines the role of Nigerian capital market on its economic development from the period of 1990-2013. In line with the objectives of this study, secondary data were obtained from Central Bank of Nigeria statistical bulletin, 2013 and the Nigerian Stock Exchange fact book. Data obtained were analysed using both graphical and regression analysis. Gross Domestic Product was regressed on the explanatory variables: market capitalization, all-share index, volume of transaction, value of transaction and number of listed companies.

The result from the findings of the study indicates that market capitalization, all-share index, volume of transaction and number of listed companies were positively related with the GDP, while market capitalization and number of listed companies showed a significant relationship with GDP. This implies that GDP is increased by an increase in the market capitalization, all share index, volume of transaction in Nigeria, and number of listed companies. Following the outcome of this study, it is therefore concluded that the Nigerian capital market plays a major role in the economic development of Nigeria in terms of capital mobilization and allocation of productive resources to aid national economic development. It is recommended that government should assist by providing appropriate savings/investment inducing measures through the adoption of fiscal and monetary policies, economic and financial policy reforms that can encourage investment in the capital market as it can stimulate both investors and users of long-term funds, and provision of efficient infrastructure, telecommunications and investment incentives.

Keywords: Stock exchange, market-indicator, Gross Domestic Products (GDP), Market capitalization, Share index, transaction volume and economic development

Introduction

A market is an area or arena in which commercial dealings are conducted. A major engine of economic growth and development of a nation is its capital. Osaze (2000) is of the view that capital market drives any economy to growth and development because the long term growth capital formation stems from it. To a great extent, the positive relationship between capital accumulation and real economic growth has long been affirmed in economic theories Osamwonyi and Kasimu (2013).Based on its importance in accelerating economic growth and development, government of most nations tends to have keen interest in the performance of its capital market Ewah *et al*;(2009). The capital market has been identified as an institution that contributes to the socio-economic growth and development of emerging and developed countries Donwa and Odia (2010).

The capital market is a network of specialized financial institutions, series of mechanisms, processes and infrastructure that, in various ways, facilitating the bringing together of suppliers and users of medium to long-term capital for investment in socio-economic developmental projects. However, it embraces all the arrangements that facilitate the buying and selling of securities Al-Faki(2006). Eigbe (2000) noted that finance is the life blood of any enterprise. It is the key factor of Production. With adequate finance, an entrepreneur can acquire other factors of production such as labour, machinery/technology and management as well as raw materials and embark on any other business activity.

The development of capital market in Nigeria, as in other developing countries, has been induced and fostered by the government. Though, prior to the establishment of stock market in Nigeria, there existed some less formal market arrangements for the operation of capital market. It was not prominent until the visit of Mr. J. B. Lobynesion in 1959, on the invitation of the Federal Government, to advice on the role the Central Bank could play in the development of local money and capital market. As a follow-up to this, the government commissioned and a set up the Barback Committee to study and make recommendations on the ways and means of establishing a stock market in Nigeria as a formal capital market. Acting on the recommendation of the committee, the Lagos

Stock Exchange (as it was called then) was set-up in March 1960, and in September 1961, it was incorporated under Section 2 cap 37, through the collaborative effort of Central Bank of Nigeria, the Business Community and Industrial Development Bank (Wikipedia).

With the establishment of the Central Bank of Nigeria in 1959, the Nigerian Stock Exchange was founded in 1960 as the Lagos Stock Exchange. It started operations in Lagos in 1961 with 19 securities listed for trading. In December 1977, it became known as The Nigerian Stock Exchange, with branches established in some major commercial cities of the country (Wikipedia).

The capital market impacts positively on the economy by providing financial resources through its intermediation process for the financing of long term projects. The projects could be promoted by government or private sector institutions. They are usually in such areas as infrastructure, agriculture, solid minerals, manufacturing, banking and other financial services and other real sector areas. Hence without an efficient capital market, the economy may be starved of the required long-term fund for sustainable growth Oke and Adeusi (2012). To arrest the menace of the current economic downturn, effort must be geared towards effective resource mobilization. It is in realization of this that consideration is given to measure for the development of capital market as an institution for the mobilization of finance from the surplus sectors to the deficit sectors Adeusi *et al*; (2013).The capital market is subdivided into the primary and the secondary market. The primary market or the new issues market provides the avenue through which government and corporate bodies raise fresh funds through the issuance of securities which is subscribed to by the public or a selected group of investors. The secondary market provides an avenue for sale and purchase of existing securities. Sule and Momoh (2009) found that the secondary market activities have impacted more on Nigeria per capital income by tending to grow stock market earnings through wealth than the primary market. Aremu *et al*; (2011) and Donwa and Odia (2011) argued that the capital market has been identified as an institution which contributes to the socio-economic growth and development of emerging and developed economies. This is made possible by the intermediary role played by the capital market in mobilizing funds from surplus units to deficits units to be invested into projects with positive net present value (NPV) which may enhance economic growth of the nation.

Literature on financial development and growth identifies three fundamental channels through which capital markets and economic growth may be linked. First, capital market development increases the proportion of savings that is funneled to investments; second, capital market development may change the savings rate and hence, affect investments; third, capital market development increases the efficiency of capital allocation. In compliance to these channels, introducing an efficient capital market to link between the net savers (households) and net investors (entrepreneurs) result in the reduction of transactions costs associated with funneling savings, making the household savings highly liquid, enabling selection of efficient investments by gathering information on investment returns efficiently, and providing markets for diversification of risks by households and corporate.

If the capital markets are not efficient, the public offering largely disappears as a result of high transaction costs or the uncertainty of getting a fair price in the stock market. Thus, inefficient capital market may reduce the incentive to enter new ventures, reducing overall long-term productivity of the economy. On the other hand, an efficient capital market reduces the transaction costs of trading the ownership of the physical assets and thereby paves the way for the emergence of an optimal ownership structure. Osaze (2000) argues that a nation requires a lot of local and foreign investments to attain sustainable growth and development and this is made possible through capital market. Therefore, efficiently functioning capital market affects liquidity, acquisition of information about firms, risk diversification, savings mobilization and corporate control. The successful operation of industrial sectors of any nation hinges on the efficiency of capital market, the potential and the possibility of translating into economic growth.

Economic development is regarded as the core process by which all other aspect of growth is made possible and feasible. However, the rate of economic development is always limited by shortage of productive factor and if any scarce factor associated with development should be singled out Oke and Adeusi (2012).

Economic development often defined as a sustained increase in income per capital, has been one of the main objectives pursued by successive governments in Nigeria. This quest is understandable since it can improve the well-being of the poor and increase the welfare of all members of society. Thus, successive government in Nigeria has adopted several fiscal and monetary policies among which were debt rescheduling, privatization, and commercialization of government enterprises; and recently, the consolidation of the banking and insurance industry. In all these efforts, the capital market played a major role.

Economic growth and development are often used interchangeably when analyzing economic performance and changes in economic conditions in the developing countries Iyoha (2004). The two terms are used to describe the process of economic advancement in these countries but they are not, strictly speaking, identical. "Economic growth means more output, and economic development implies both more output and changes in the technical and institutional arrangements by which it is produced."Thus, economic development means growth plus structural change and transformation. Therefore, this project work will examine the role of the capital market in the Nigerian economic growth and development.

The successful operations of industrial sectors of any nation hinges on the efficiency of capital market, the potential and the possibility of translating into economic growth.

There is abundant evidence that most Nigerian businesses lack access to credit especially long-term capital. According to Donwa and Odia (2010), the paucity of long-term capital has posed the greatest predicament to economic development in most African countries including Nigeria. 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.

Most recent literatures on the Nigerian 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 will be 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 to determine its role on economic growth and development. So, from forgoing this study is guided by the following: examination and evaluation of the roles of capital market in economic development in Nigeria; determine the trend of trading activities in the country over years; evaluate the rate at which stocks move on the Nigerian capital market and discuss the way by which operations of the market can be improved to boost economic growth and development of Nigeria.

Methodology

The study was conducted in Nigeria, officially the Federal Republic of Nigeria. It is a Federal constitutional republic comprising of 36 states and a Federal Capital Territory, Abuja. The country is a West African country sharing borders with Benin, Niger and Cameroun in the West, North and East respectively. The Southern coast faces the Gulf of Guinea. The country consists of environment ranging from belt to mangrove swamp to the tropical rain forest in the elevation along the coast to the open woodland and savannah in the lower Plateau which extend through most of the country, to the plain in North and the highland in the East. Most of the Southern part of the country is characterized by a long growing period of 200-365 days with annual rainfall exceeding 1100mm, while the Northern side has a few unimodal raining season of 920-200 days and annual rainfall less than 1300mm.. The North-East, North-West, North central, South-East, South-West and the South-South make up the six geographical zone in Nigeria and account for one-fifth of the total population in sub-Sahara Africa. Nigeria is the most populous country in Africa and the seventh most populous country in the world. The density is 188.9/km sq or 489.3/sq mi and the time zone is WAT (UTC+1). The population (2013 est.) is 174,507,539while 2006 census population is 140,431,790 with growth rate of 1.9% and birth rate of 36.0/1000, infant mortality rate of 92.9/1000; life expectancy rate of 47.2 and density per square meter is 151. The official language is English while the major languages are Hausa, Igbo and Yoruba and the monetary unit is Naira. The largest cities are Lagos, Kano, Ibadan and Kaduna. The food crops are cassava, yam, maize, to the south and wheat, sorghum and cowpea to the north while cocoa, kolanut, coffee, oilpalm, rubber, cotton, groundnut, among others are important cash crops grown in Nigeria (Wikipedia 2014).

Sample size

Data for this study covers a period of 24 years from 1990 to 2013, while information on economic development of the country served as the sample frame for the study. This duration was used because it was detailed enough to give a good result and subsequent analysis.

Method of data collection

This study relied wholly on secondary data. The relevant data collected was sourced from the publications of the Nigerian Stock Exchange and Central Bank of Nigeria. Some of the publications include; the Nigerian Stock Exchange Fact books, Central Bank of Nigeria Statistical Bulletin 2013, CBN's Annual Reports and Statement of Accounts for the years under review, Securities and Exchange Commission database and from the relevant literatures (books, journals, previous studies carried out related to this study, and electronic sites). The variables for which data were sourced include: market capitalization, All-Share index, market volume, value of transactions, number of listed Companies on the NSE, and Gross Domestic Product for the period of twenty four years, from 1990 to 2013.

Method of data analysis

A combination of analytical tools was employed to analyze the stated objectives. These include descriptive statistics and regression analysis (Ordinary Least Square) which were used to estimate the relationship between capital market operations and Nigerian economic development. Descriptive statistics such as graph were used to present the roles of capital market in nation development, the trend of trading activities in the country over the years, and the rate at which stocks move on the Nigerian capital market.

Regression model

The Ordinary Least Square (OLS) regression model was used for the analysis of data collected to estimate the relationship between capital market operations and Nigerian economic growth and development. The OLS method was adopted because it possesses some optimal properties like its computational procedure and it is fairly simple. Linear regression models were also used.

The functional form (linear function) of the models is as follows:

Y = f (Bo + B1X1 + B2X2 … BnXn)

Where Bo; B1; B2 … Bn were parameters estimated,

X1, X2 … Xn were independent variables, and Y was the dependent variable.

The form suitable for empirical testing of the above functional specification is stated as follows:

$GDP = a_0 + a_1MC + a_2ASI + a_3VOLT + a_4VALT + a_5NLC + e_t$ (1)

Where:

GDP = Gross Domestic Product as dependent variable in model

The explanatory variables (capital market indicators) for the model are:

MC = Market Capitalization of the Nigeria Stock Exchange (NSE)

ASI = All share index of the Nigeria Stock Exchange (NSE)

VOLT = Volume of Transaction on the Nigeria Stock Exchange (NSE)

VALT = Value of Transaction on the Nigeria Stock Exchange (NSE)

NLC = Number of listed Companies on the Nigeria Stock Exchange (NSE)

e_t = error term

a1, a2, a3, a4, a5 = Coefficient of the appropriate research variables

a1, a2, a3, a4, a5> 0

GDP is the proxy for economic development while MC,ASI, VOLT, VALT and NLC represent the capital market.

Measurement of variables

The variables for this study include both dependent and independent variables. The dependent variable was the Gross Domestic Product of the country (Nm), while the independent variables were market capitalization (Nbn), value of transactions in the capital market (Nm), volume of transactions in the market (number of deals), all share value index (%), and number of listed companies.

Results and Discussion

This chapter presents the analysis and interpretation of result of data collected from various reliable sources such as CBN Statistical Bulletin 2013 and Nigeria Bureau of Statistics. This was done so as to determine the role of capital market on Nigeria economic development from the period of 1990 to 2013.

According to the research question, at what rate does stock move on the Nigerian capital market and what is the trend of trading activities in the country over the years after getting the results or answers to these questions.

This section presents also the graphical analysis of data obtained during the course of this study and it shows the graphical analysis of the value of transaction in Nigeria, the volume of transaction in the Nigerian capital market, all share index, number of listed companies, market capitalization and the GDP in Nigeria and how these variables affects the Nigeria economic growth and development. This chapter presents also the regression model that was used to determine the rate at which Nigerian capital market affects its economic growth and the interpretation of the result. The following table and figures are the answers to these research questions.

Graphical analysis of market capitalization

The trend in the value of transaction in Nigeria represented in figure 1 which shows the growth rate from the period of 1990 to 2013. From the graph, the value of transaction is increasing at an increasing rate from 1999 to 2006. It sprang up from 500 billion naira in 2006 to 1.5 Trillion Naira in 2008 only to drop to 700 billion naira in 2009. Between 2009 and 2012, there's a fluctuation in the value of transaction in the country. The country again experienced a sudden increase to the fold of 2.5 trillion in 2013. Value of transactions in market based on its level of development in between 1990 to 2000 could be considered to be weakly formed as the level of information dissemination and processing to influence market behavior remained weak. However, with the computerization of trading and increased transparency in the delivery of corporate information, the market has become more efficient since then.

The volume of transaction in Nigeria from 1990 to 2013 was shown in figure 2. It was revealed from the figure that volume of transaction was steady between 1990 and 1997 when it began to increase at an increasing rate up to 2001. It was steady at 500 billion between 2001 and 2002. There's a sharp increase in the volume of transaction up to 35 trillion in 2008 which dropped to 1.6 trillion in 2009. There's a slight increase in 2010 only to reduce sharply to 120 billion in 2011 and sprang up from 110 billion in 2012 up to 3 trillion in 2013.

Share index in Nigeria between 1990 and 2013 is presented in figure 3. From the figure, it shows that there were fluctuations in the market indicator of NSE between 1990 and 2001 and the share index started rising at a low rate. From the result, it was denoted that the value index on the exchange was at 1000.00 which grew at 38 percent in 1990, 33.9 percent in 1995 to reach the level of 5280.30 in 1996 but dropped in 1998 and 1999 respectively. It started rising again in 2000 to attain 20900 in 2004 and dropped drastically to 25.52 in 2005. It experienced a large increase in 2006 with a gradual rise to reach its peak of 57990.22 in 2007, but declined by -64.1 percent to 20,827.17 in 2009 due to the effect of global and economic crisis during the period. The impact of the global financial crisis also affected the Exchange performance. There is fluctuation between 2009 and 2012 at the rate of 27,230.11 and later experienced growth to 39,407.51 in December, 2013.

The performance and activities which the listed companies in Nigeria have experienced between 1990 and 2013 was shown in figure 4. From the figure, it was revealed that transactions in the market recorded increase in the number of listed companies and is traceable largely to the privatization of some government owned companies in 1991 which led to the large increase in the number of listed companies. Eighteen (18) government parastatals (16 Federal and 2 State government owned), contributed to the increased tempo in the number of companies and new securities issued and listed in the market. Furthermore, the deregulation of interest rates made many private enterprises/investors to patronize equity market to source funds as bank lending became relatively more expensive. It grew from 170 at 1990 and rose slightly in 1991 to increase sharply in to 1100 in 1993, and for it to reach its peak at 1600 in 1995 before declining to 1250 in 1996. There was stability in the number of listed companies till 1999 and declined to 700 in 2001. There was no great increase recorded till 2007 when it increased slightly and started experiencing fluctuation between the rate of 700 and 900 respectively up till 2013. Some of the major securities traded on the market during the period were government development stocks, corporate bond/debentures and equities.

Trend in the market capitalization in Nigeria from 1990 to 2013 is shown in figure 5. The figure presents the growth of listed companies coupled with greater awareness on the part of the investors resulted in the increase in the number of securities traced and it contributed to an increase in the market capitalization which was stable from 1990 to begin to increase at an increasing rate in the year 2000. It increased from 5.0 billion to 13 billion in 2007 and declined to 7,030.8 billion in 2009 and rose up again to reach its peak of 19 billion in 2013, over tenfold jump. The phenomenal growth notwithstanding, the market capitalization represents only 28.0 percent of the GDP, compared to with 167.1 percent for South Africa, 50.7 percent for Zimbabwe and 130.00 percent for Malaysia (CBN, 2007). This shows that the potentials and prospects for further growth in the Nigerian market are bright.

The Nigerian GDP between 1990 and 2013 is presented in figure 6. From the figure, it is shown that domestic output growth has shown mixed developments between 1990 and 2013. During this period, GDP growth was positive at this period. The economy has been experiencing a stable growth since 1990 till it began to rise slightly in 1994 and was increasing at an increasing rate till 2002. The economy witnessed a high growth rate of 10.2 and 10.5 percent in 2003 and 2004 respectively and declined slightly to 6.0 percent in 2008, followed by a great recovery to 8.60 percent in 2010 and it was experiencing a stable growth rate up till 2013. A key factor responsible for the stable negative growth rates of the 1990 to 1999 was the low performance of the oil sector owing to the glut in the international market. Other reasons included the sluggish performance of the agricultural sector and the manufacturing sub-sector while the reversal of the growth rates of the early 2000s was attributed to the recovery of oil and agricultural sectors of the economy. The Nigerian Bureau of Statistics recorded 42.4 trillion in the country's GDP in 2013. The significant modification is as a result of a process called 'rebasing' under which the base year of GDP calculation was changed to 2010 from 1990. While the old GDP figures were based only on output estimates, the new once gained ten new categories reflecting spending and income. Also, the GDP structure now gives greater weight to fast growing industries like communications and entertainment as activities like production of motion pictures, music, sound recording, publishing, arts, entertainments and recreation were included.

Some of the main changes to the GDP structure are:

a) Services sector grew to around 50 percent of total GDP from 25 percent
b) Manufacturing which used to account for 2 percent now stands at 7percent
c) Mining and construction sector account for around 50 percent, half of the share under the old structure.
d) Weight of agriculture declined to 20 percent from more than 30 percent.

In the third quarter of 2013, Nigeria's GDP rose while the oil sector shrank for the fourth quarter in a row hurt by supply disruptions, the contraction eased and daily average crude oil production rose. The new figures are the proof that Nigerian economy is moving away from an oil-centered structure, yet there is still a long way ahead for the average Nigerian to feel better off.

The trend and steady growth rate of market capitalization from the period of 1990 to 2013 is presented in figure 7. From the figure, it is shown that since the 1990s, most market indicators including all-share index, number of deals, market capitalization, total value and volume of transaction have recorded significant growth. The increase was reflected greatly on the value and volume of transaction. They are both increasing at a stable rate, rose greatly to its peak in 2007. However, there was a sharp decline in the growth rate between the periods of 2008 and 2010. The graph also portrays an increase after the decline from 2010 up till 2013 respectively. The GDP, market capitalization and listed companies were experiencing a relatively low growth rate from 1990 to 2006 and started increasing at an increasing rate to 2013.

New securities issued on the exchange increased remarkably throughout the years reviewed. The tremendous increase in new securities issues witnessed in 2005 and 2006 was attained to banking sector reform which necessitated the massive public offer by Nigerian banks during the year. The major indicators of activity in the stock market show that it has demonstrated remarkable growth since 1990s. Prior to this period, trading in the market was weak, attributed mainly to the low level of computerization and availability of corporate information. However, with the increased level of computerization and availability of corporate information, the market becomes more efficient. The improvements can also be attributed to establishment of the second-tier securities (SSM), the deregulation of interest rates since 1987 which had positive effect on the number of private enterprises sourcing funds from the market and it has affected the market transactions and capitalization, the privatization program of the government-owned companies, enhancement in market infrastructure and requirements, innovations, as well as the banking sector reform. Government deregulated the pricing of securities in the market disengaging the Security and Exchange Commission (SEC) from securities pricing and this left pricing of new stocks in the hand stock brokers and issuing houses. Furthermore, the establishment of some fiscal and monetary policy such as debt rescheduling, privatization, commercialization of government enterprises, consolidation of the banking and insurance industry, etc has contributed greatly to the performance of the Nigerian capital market which transforms into economic growth and development. These developments have culminated in an unprecedented growth of both primary and secondary markets from 1990 to 2013.

Regression Analysis

The effect of capital market in relation to economic development in Nigeria between the periods of 1990 to 2013 was presented in Table I. From the table, it was observed that R^2 which is the coefficient of determination was 0.801 which implies that 80.1% of the variation between economic growth and performance in capital market is explained as a result of linear association between the exogenous and endogenous variables while the remaining 19.9% is accounted for by the error term

The table above presents the effect of the performance of capital market in relation to economic growth in Nigeria. From the result of the findings, all variables have positive relationship with Gross Domestic Products except value of transaction. However, two out of five variables were statistically significant, they are the variables associated with market capitalization and listed companies.

The coefficient associated with market capitalization is positively and statistically significant at 1% level which shows that there is a positive relationship between market capitalization and economic growth in Nigeria. This is consistent with the theoretical expectation, showing that a unit increase in market capitalization will increase the nation's GDP. Also, coefficient associated with listed companies is positively related with GDP and statistically significant at 5% level. This indicates that a unit increase in the number of listed companies increases the level of GDP by 0.001 million naira.

Meanwhile, the negative sign of the value of transaction shows that there is an inverse relationship between the value of transaction and economic development. This is line with theoretical expectation, showing that a unit increase in value of transactions will lead to a decrease in economic development other things being equal.

The coefficient of determination gives 0.801 or 80.1% meaning that the regression model is approximately 80% significant, i.e. the variations in the dependent variable, Gross Domestic product (GDP) is 80% attributable to the changes in the independent variables (market capitalization, all share index, market volume, market value and listed companies) while the remaining 19.9% is accounted for by the error term. This signifies that changes in the GDP product can be attributed to changes in the explanatory variables.

Given the adjusted R square significant at 74.2%, it connotes the independent variables incorporated into this model have been able to determine variation of Gross Domestic Product (GDP) to 74%. The F value of 13.661 connotes the joint relationship between GDP and exogenous variables and also confirmed the significance of this model.

Summary

This study examined the role of Nigerian capital market on economic development from 1990 to 2013. The relationship between Nigeria capital market and economic growth has been assessed and it was made known that capital market has a positive impact on development of the economy. In line with the objectives of this study, secondary data were obtained from Central Bank of Nigeria statistical bulletin 2013 and the Nigerian Stock Exchange fact book. Data collected were analyzed using both graphical and regression analysis. To achieve this, regression model was specified in which capital market indicators (market capitalization, all-share index, value of transaction, volume of transaction, and number of listed companies) are related to Gross Domestic Products and the results obtained were generally satisfactory.

From the findings of this research work, variables associated with market capitalization, all-share index, volume of transactions and numbers of listed companies have a positive relationship with GDP while value of transactions variable has a negative relationship with the Gross Domestic Product implying an inverse relationship between value of transactions and economic development. The variables associated with market capitalization and numbers of listed companies were statistically significant. This implies that Gross Domestic product is increased by an increase in the market capitalization, all-share index, volume of transaction in Nigeria, and number of listed companies.

Conclusion

Based on the findings of this research work, the links between capital market and economic growth and development was assessed and it yielded evidence that capital market, in the years under review, has maintained a significant relationship on the GDP. In other words, Nigerian capital market has positive impact and a great role on the development of the economy after a considerable lag.

Following the outcome of this study, it is therefore concluded that the Nigerian capital market plays a major role in the economic development of its nation in terms of capital mobilization and allocation of productive resources to aid national economy development.

However, findings negates the conclusions of Ariyo and Adelagan (2005); Ewah et al (2009) who found out that the capital market in Nigeria has the potentials to induce growth and development but has not contributed significantly to economic development of Nigeria.

In spite of the improved performance of the market, the Nigerian capital market continued to be faced with many problems. Some of these problems are exogenous while others are endogenous. Among the major problems facing the capital market is the small size of the market, low market capitalization, few listed companies, low volume of transaction, lack of cooperation between SEC and NSE, high cost of raising funds on the market, double taxation, delay in the transfer and delivery of share certificates to investors, lack of effective underwriters, problem of macroeconomic instability, and liquidity.

The Nigerian capital market has the capacity to continue to provide avenues for government and corporate entities to effect optimal financing and capital base broadening. Such sound financial services, will no longer doubt, serve as hedge against vagaries of business and economic cycles which have in recent times shaken the basic fabrics of our national economy.

The stock market, as the citadel of the private sector, is a network of institutions that can render financial services capable of revamping a nation's economy.

Recommendations

In as much as it has been concluded that capital market is responsible for the growth and development of the economy, steps should be taken in order to make it take full advantage of all its potentials and in this regard, the following recommendations are hereby suggested:

i. Security Exchange Commissions should be more proactive in its surveillance role in order to ensure orderly, fair and equitable dealings in shares and stocks, to check sharp practices, and to forestall illegal deals by privileged insiders at the expense of innocent and often uninformed investors, which undermine the capital market integrity and erode investors' confidence.
ii. Government should assist by providing appropriate savings/investment inducing measures through the adoption of fiscal and monetary policies, economic and financial policy reforms that can encourage investment in the capital market as it can stimulate both investors and users of long-term funds, and provision of efficient infrastructure, telecommunications and investment incentives.
iii. Government should provide avenue for Nigerian capital market to undergoing considerable transformations to make the market more investor friendly and technology driven, especially in the area of delivery of, settlement and custodian services. Technologies like automated trading and settlement practices, electronic fund clearance and elimination of physical transfer of shares can encourage foreign investors to participate in the market.
iv. Encouraging more private limited liability companies and informal sector operators to access the market for fresh capital.
v. Review of cost of borrowing from the market will encourage more enterprises to come into the market so as to deepen the market, as high cost of borrowing has been recognized as one of the factors militating against the growth of the Nigerian Capital Market.

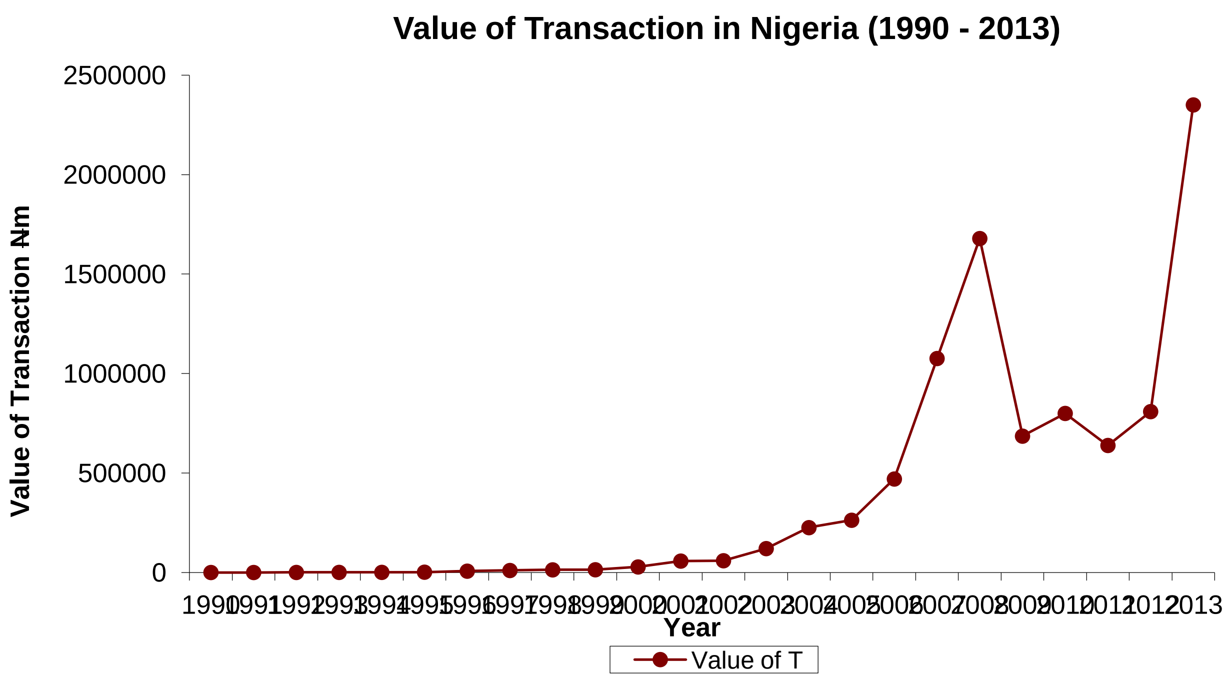

Fig.1. Value of Transaction (1990 – 2013)

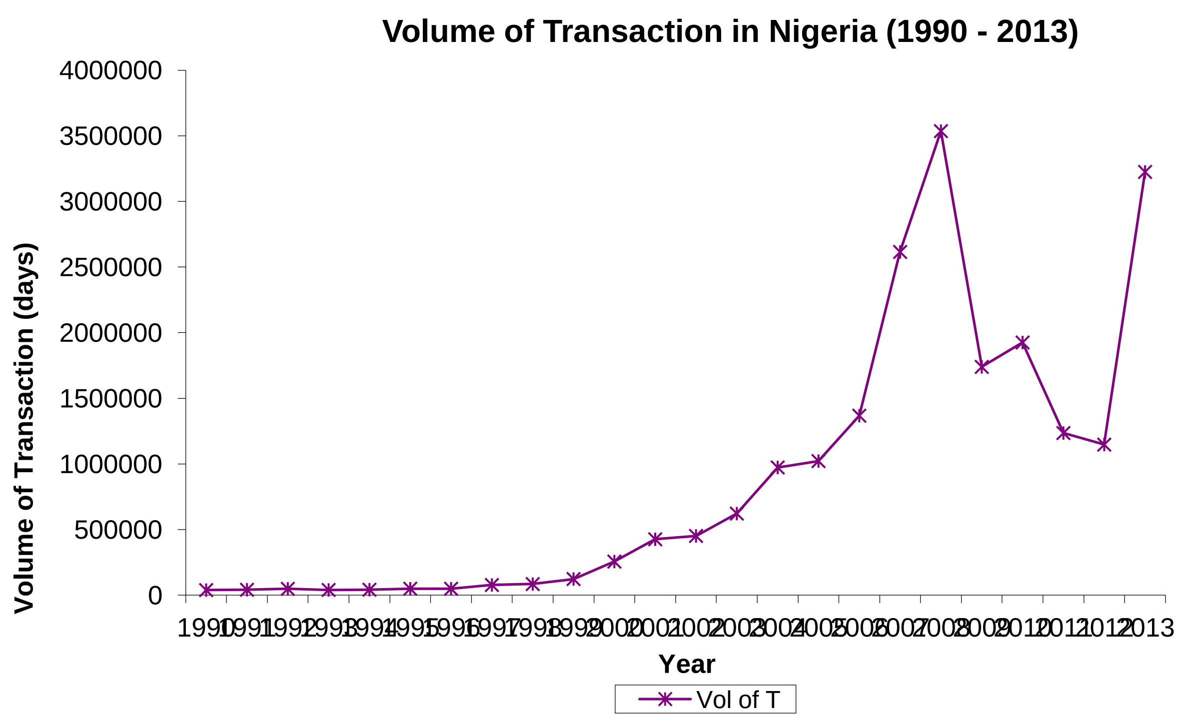

Fig.2. Volume of transaction (1990 – 2013)

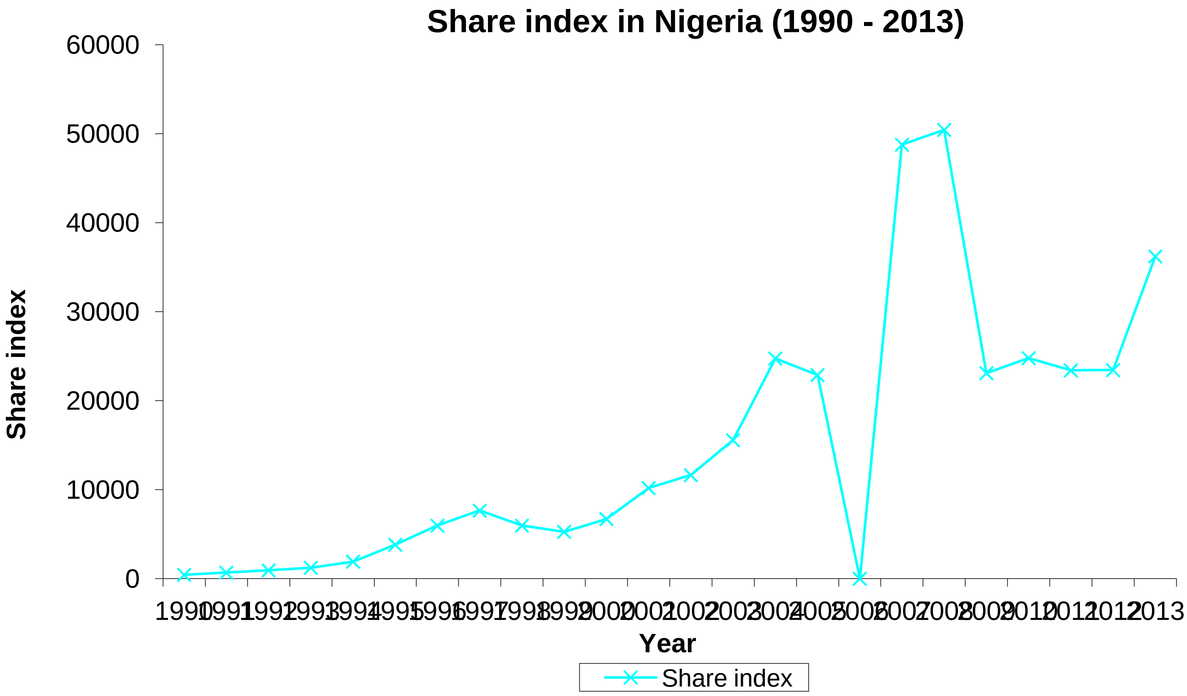

Fig.3. All Share Index (1990 – 2013)

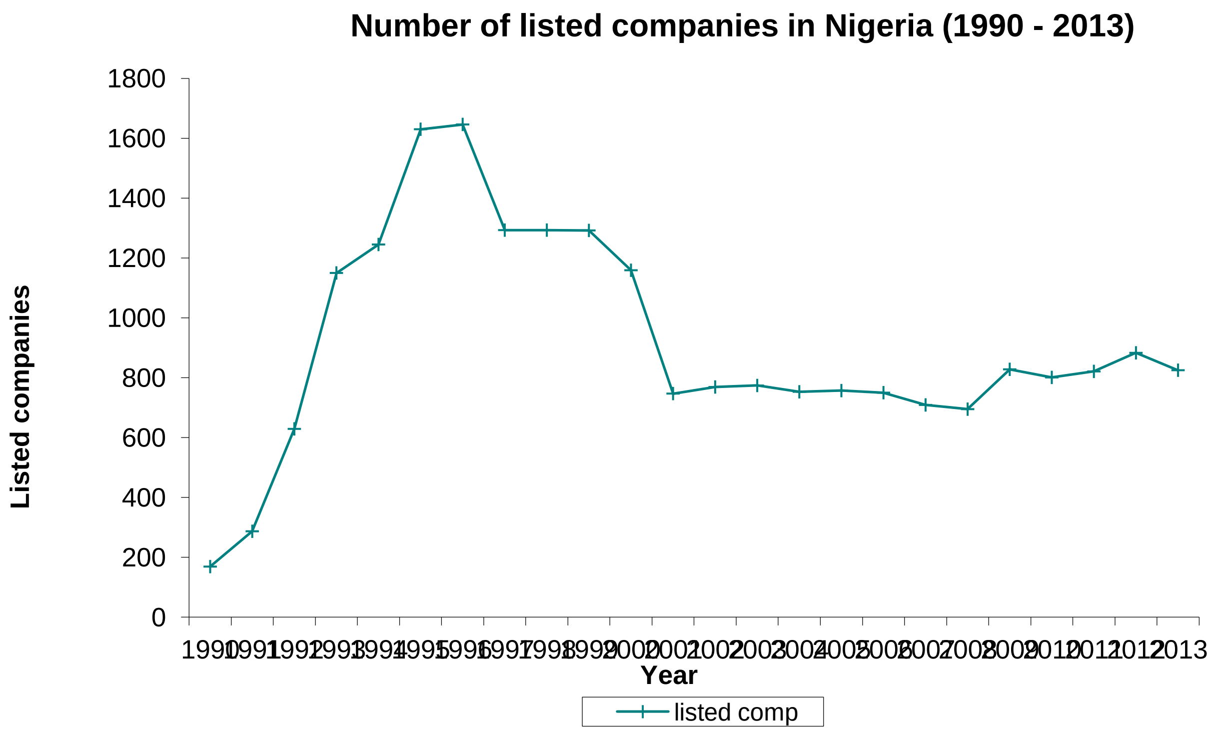

Fig.4. Number of listed companies in Nigeria (1990 - 2013)

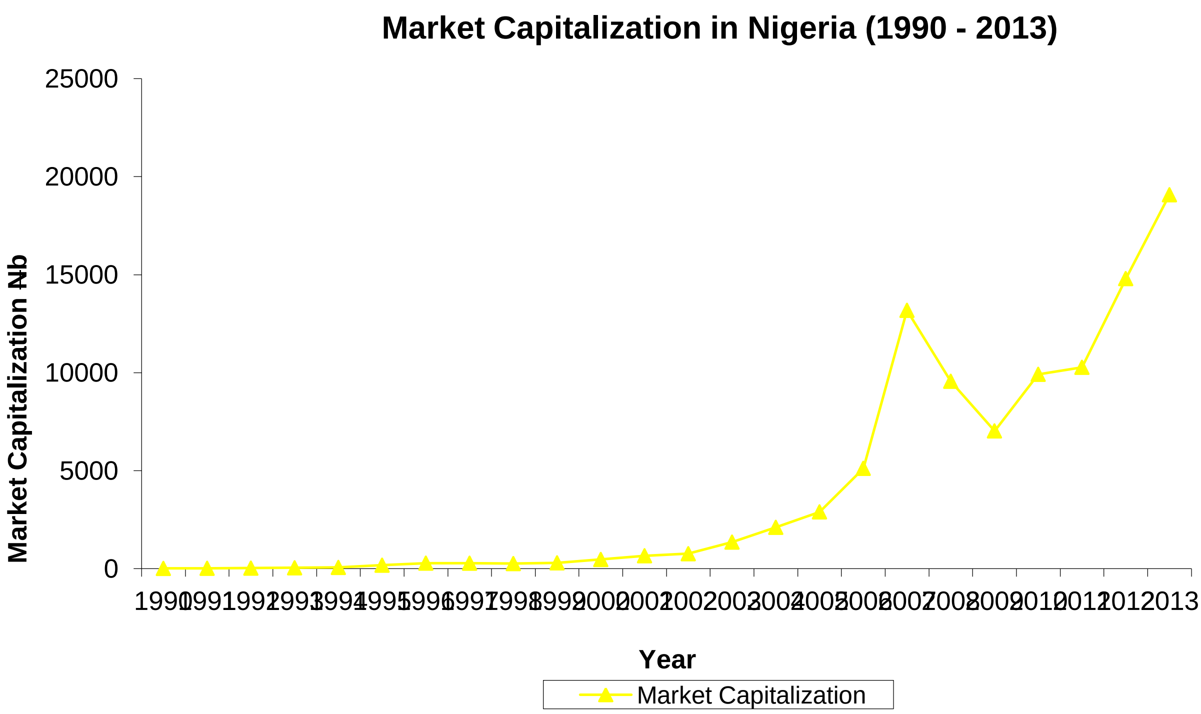

Fig.5. Market Capitalization in Nigeria (1990 – 2013)

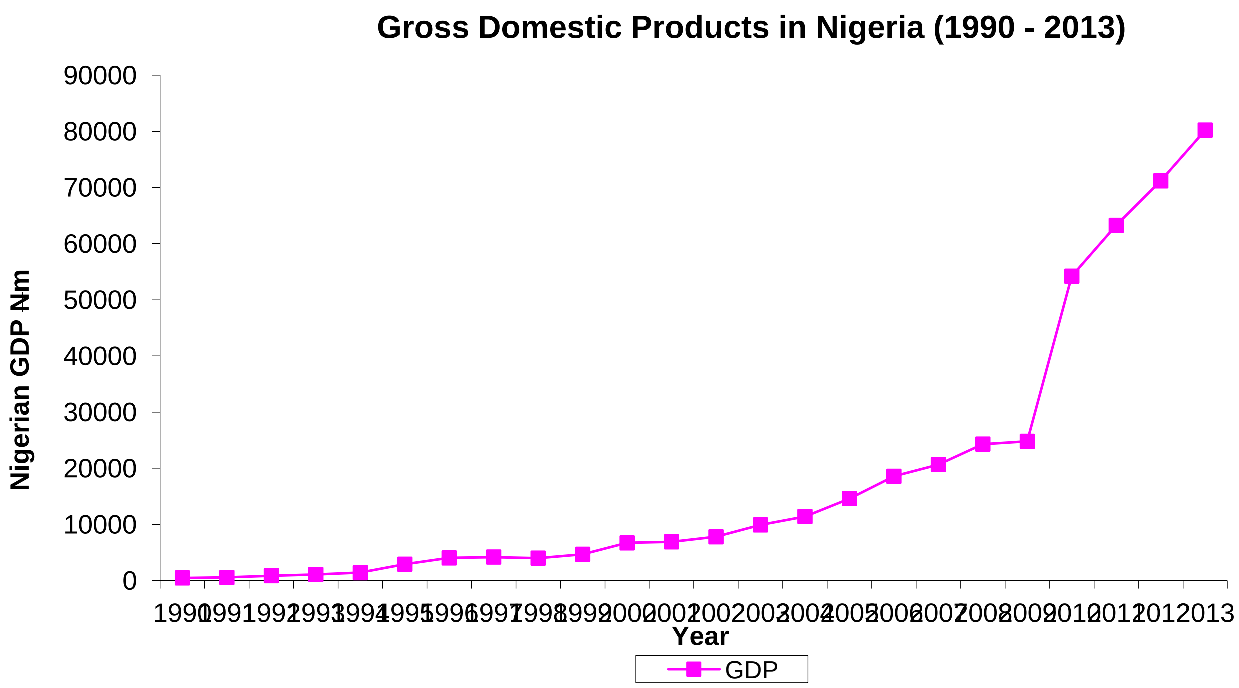

Fig.6. Gross Domestic Products in Nigeria (1990 – 2013)

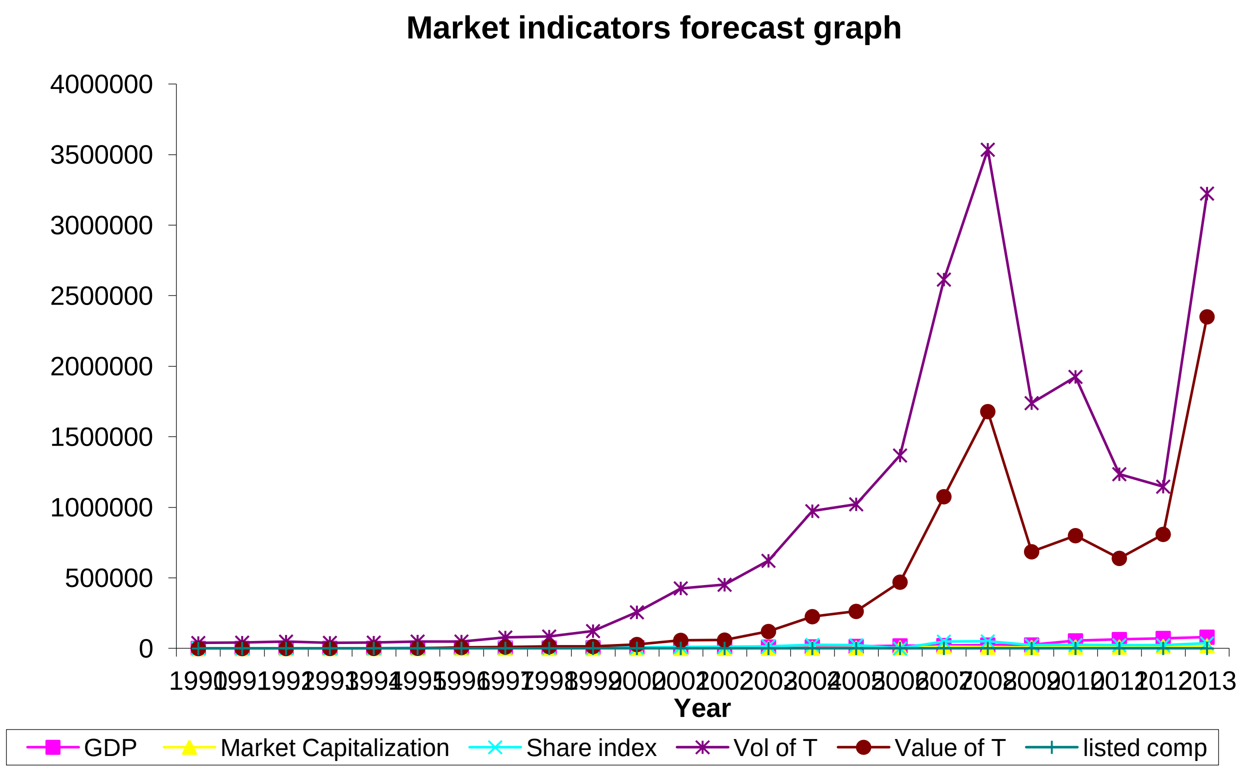

Fig.7. Market indicators forecast graph

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Table 1 Result Summary

Model	Unstandardized Coefficients		t
	B	Std. Error	
(Constant)	6.560	.548	11.981
Market cap	.000	.000	3.203*
Share index	2.128E-005	.000	.405
Volume of transaction	9.333E-007	.000	.760
Value of transaction	-2.265E-006	.000	-1.472
Listed comp	.001	.000	2.187**

a. Dependent Variable: GDP
R^2 = 0.801
Adjusted R^2 = 0.742
F = 13. 661

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