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STOCK MARKET PERFORMANCE INDICATORS AND GROWTH OF THE NIGERIAN ECONOMY

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Abstract

This paper explores the efficacy of the Nigerian stock market performance indicators and its impact on economic growth in Nigeria for the period 1986 to 2020. The study utilized secondary data sourced from the Central Bank of Nigeria, the Nigerian Stock Exchange, and the Security and Exchange Commission. The vector error correction model of the econometrics was deployed to analyze the data with pretests including the Augmented Dickey Fuller tests, the co-integration test, and the Granger causality test conducted. The major findings of the study showed that market capitalization and volume of shares traded exerted positive and significant effects on real gross domestic product in Nigeria. On the contrary, the all-share-index and value of transactions exerted negative and insignificant effects on real gross domestic product in Nigeria. Based on these findings, the study concluded that the Nigerian stock market possessed the potentials for contributing positively to the country's economic growth if, and only if, appropriate policy measures are put in place to make the Nigerian stock market broad, deep and efficient. Accordingly, it was recommended that the regulators of the Nigerian stock market should put in place appropriate policy measures to ensure that more investors (foreign and local) participate actively in the operations of the market. Also, transparency and fair trading and dealing transactions must be maintained in the market. Similarly, the current state of the art technology available in the market such as the automated trading and settlement practices, electronic fund clearance should be sustained.

Keywords: Stock Market, Market Capitalization, All-Share-Index, Value of Transactions, and Volume of Traded Shares.

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Introduction

There have been a growing concern among policy makers and capital market regulators on the role of stock exchange in the economy, especially a developing one such as the Nigerian economy. This concern is borne out of the fact that the stock exchanges in the developed countries provide the fulcrum for economic activities and they are often cited as a barometer of business direction. The major justification for this is that well-developed stock exchanges increase domestic savings by ensuring the availability and effective distribution of diverse financial resources between investors and businesses (Kirikkaleli, 2020). By so doing, investors' portfolios are well-diversified, unsystematic risks are effectively abridged, and capital is allocated to the most productive units of the economy in the most efficient manner (Asteriou & Spanos, 2019). However, in most emerging economies (Nigeria is no exception), the stock market activities are inefficient (Pan & Mishra, 2016). .

Akinmade, Adedoyin and Bekun (2020) submitted that until 2008, the stock market performance of the Nigerian stock market remained similar to that of many developed stock markets across the globe with the country's stock market indicators hitting a record high. For instance, the market capitalization of the Nigerian stock market in 2007 (₦13, 295 billion) had a quantum leap from its 1990 figure of ₦16.36 billion. Similarly, the stock market turnover grew to ₦2,100 billion in 2007 against ₦0.31 billion in 1990 (Ashamu & Soyebo, 2020; Brown & Nyeche, 2016). More so, the overall performance (All-Share Index) rose to the peak during the stock market boom (Ashamu & Soyebo, 2020; Brown & Nyeche, 2016). Apparently, the All-Share Index peaked all-time high 57,990.2 points in 2007 against 513.8 points as at 1990 (Ashamu & Soyebo, 2020; Brown & Nyeche, 2016). However, the impressive era of the stock market growth came to an end as a result of various sharp practices by the market participants. As at 2019, All- Share Index stood at 26,842.07billion while market capitalization stood at ₦25,890.22 billion. Meanwhile, the total value of transactions was estimated at ₦64,177.33 billion, while the volume of stock traded was estimated at ₦59,733 billion. More so, the total numbers of listed securities was estimated at 333 (CBN, 2019).

Fundamentally, as a macroeconomic concept, economic growth is measured in terms of Gross Domestic Product (GDP). The relevance of GDP in every economy is enormous. It is the major indicator of a country's economic growth because it is used to gauge the health of a country's economy. Agbada and Osuji (2013) opined that the best index to understand a country's economic viability is by looking at its Real Gross Domestic Product (RGDP). For this reason, we measured economic growth by Real GDP and it represents the dependent variable in the current study. In light of these expositions, the present study seeks to examine the effect of stock market indicators on economic growth in Nigeria during the period 1986 to 2020.

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Since the global financial crisis of 2008/2009 which resulted in distresses and liquidation of many financial institutions such as banks, countries of the world have been seeking for the most efficient ways to revamp their ailing economies. For instance, in Nigeria, crude oil price fluctuation, inability of the private sector to raise funds for productive purposes severely hampered the growth of the Nigerian economy. More so, even with a market size of over 233 listed equities, the Nigerian stock market could not still translate to a remarkable economic growth. This is because the Nigerian stock market is still shallow due to poor infrastructure, buy and hold attitude of most investors alongside other institutional weaknesses.

Notably, Aliyu (2014); Agbada and Osuji (2013) opined that despite the market showing a lot of potentials, investigations reveal the existence of various unethical and harmful practices that contributed to its collapse in 2008. These unethical practices according to the researchers included illegal sales of stocks by brokers, sales of non-existing shares to investors, diversion of returns on investors' stock by stockbrokers, pump and dump. Sadly, the Nigerian Stock Exchange failed to score high on integrity and the market was negatively impacted resulting in huge divestment from the country, continuous loss of employment and a lot more loss in tax revenues.

Furthermore, inferences drawn from prior studies are within two major premises. The first premise being the normative approach to the stock market explains that the stock market is expected to contribute to economic growth through the transmission mechanisms vis-à-vis savings mobilization, risk diversification, improved acquisition and dissemination of information, provision of long-term capital, amongst others. However, an x-tray on the path of "positive approach to the stock market" reveals that the link between the stock market and economic growth is yet an unresolved issue. Hence, the inconclusive nature of these empirical studies provides the basis for a further empirical investigation on the role of stock market in economic growth. This is the gap the study seeks to close.

The main objective of this study is to empirically examine the effect of stock exchange market performance indicators on the growth of the Nigerian economy. More specifically, the study sought to examine the effect of stock market capitalization, All-share-index, value of transaction and volume of shares traded on real gross domestic product in Nigeria.

The independent variables of the study include stock market capitalization, all-share-index, value of transactions, and volume of shares traded, while the dependent variable is economic growth measured by real gross domestic product. The study adopted the time series data covering the period 1986 to 2020.

Literature Review

Conceptual Review

Stock Market Performance Indicators

The term "stock market indicators" simply refer to how well the stock market as a whole or of a specific stock is doing. In other words, they give signals to the investors about their future moves. The movement in the price of a stock and the indexes gives the idea of the

near future trend of the stock, sector, or the economy as a whole. As the financial domain is the most important one of an economy, so is the stock market performance works as an indicator of the overall health of the economy. (Abina, & Lemea, 2019)

According to Wikipedia (2021), if the performance of an economy is good then the stock market performance is also good and bull markets are inevitable. Performance of an index (or a stock) might exceed that of the actual performance of the economy (or a company) because the expectations of the investors might cross the actual performance of the same. However, if the economic performances are not up to the mark then the stock market is most likely to underperform and might see a downward trend. This downward movement of the market is known as Bearish Market. Bullish/bearish market may sustain for weeks or months with temporary rally known as secondary trend (or short term). When bullish/bearish market runs continue from 5 to 20 years with occasional corrections then it is known as Secular Trend (Long Term).

Stock Market indicator is affected by a wide array of factors such as economic, political, international, and company-specific issues. When it comes to the overall index performance then the domestic economy's National Income, GNP (Gross National Product) growth, PPP (Purchasing Power Parity), monetary issues, political stability, international relations, balance-of-payment situation, etc. comes into consideration. But when it zeros down to the specific stocks then the company specific information (profitability, sales, profit margin, growth, etc.) play important role in the price determination of the stock.

A variety of liquidity measures have been developed and applied in the literature. On the basis of the five characteristics of liquid markets (tightness, immediacy, depth, breadth, and resiliency), Abina, and Lemea (2019) classify liquidity measures into four categories: (i) transaction cost measures (focusing on transaction costs); (ii) volume-based measures (measuring transaction volume relative to price variability, thus depth and breadth); (iii) equilibrium price-based measures (measuring resiliency); and (iv) market impact measures (measure resiliency and speed of price discovery).

Furthermore, it is reasonable to focus on volume-based measures of liquidity since the change in governance structure is usually aimed at attracting more participants to the market, increase trading activity, and market capitalization (Akinmade, Adedoyin & Bekun, 2020). While the perceived connection between exchange automation and market liquidity is somewhat implied by the expected increase in operational efficiency (lower transaction costs and speed of deal matching and execution), the same cannot be said about demutualization.

Economic Growth

Economic growth is the increase in the national income per capita, and it involves the analysis, especially in quantitative terms, of this process, with a focus on the functional

relations between the endogenous variables; in a wider sense, it involves the increase of the GDP, GNP and NI, therefore of the national wealth, including the production capacity, expressed in both absolute and relative size, per capita, encompassing also the structural modifications of economy. In another direction, it may be viewed as estimate that economic growth is the process of increasing the sizes of nation al economies, the macro-economic indications, especially the GDP per capita, in an ascendant but not necessarily linear direction, with positive effects on the economic-social sector, while development shows us how growth impacts on the society by increasing the standard of life (Haller, 2012).

Economic growth is obtained by an efficient use of the available resources and by increasing the capacity of production of a country. It facilitates the redistribution of incomes between population and society. The cumulative effects, the small differences of the increase rates, become big for periods of one decade or more. It is easier to redistribute the income in a dynamic, growing society, than in a static one. There are situations when economic growth is confounded with economic fluctuations. The application of expansionist monetary and tax policies could lead to the elimination of recessionary gaps and to increasing the GDP beyond its potential level.

RGDP is used to measure economic growth in the study. RGDP is a macro-economic measure of the value of economic output adjusted for price changes (i.e. inflation or deflation). This adjustment transforms the money-value-measure, nominal GDP, into an index of total output. Thus, RGDP is also known as constant GDP.

Finally, the economic growth and development is, undoubtedly, the fulfillment and multilateral development of human personality, the increase of the people's material wealth, their stepping higher on the scale of civilization and culture.

Others measures include:

Number of the listed companies in the markets indicates the size of the market. It also shows the interest and confidence of the investors on the market supervisors. It also indicates that investors are interested in the trading in the market. Listing of the company in the stock exchanges is also indicating the health and soundness of the market.

Stock Market indexes are, in general, market capitalization-weighted, including a large sample of listed domestic companies, as the all-share or composite indexes. They are generally recalculated to adjust to capital operations and to modifications in the company composition of the index. The index can be market capitalization-weighted or free float based.

Number of the transactions in equity share explains that how much amount of the transactions is made in the capital market. It shows the market worth in the specific region. Number of the transactions shows that trading of the share in the market. It also shows the circulation of the share around the seller and buyers (Wikipedia, 2021).

Market capitalization shows the strength and magnitude of the stock market. The market capitalization shows that how much the stock exchange is large and strong (Kirikkaleli, 2020). The market capitalization is calculated by the total number of issued shares of domestic companies, including their several classes, multiplied by their respective prices at a given time.

All-Share-Index (ASI)

This ASI is defined as a series of numbers which show the changing average value of the share prices of all companies on a stock exchange, and which is used as a measure of how well a a market is performing (Ughulu & Ajayi, 2020). It is a tool used by investors, financial managers and scholars to describe the market and to compare the return on specific investments. Popoola, Ejemeyonwu, Alege, Audu and Onabete (2017) assert that ASI is a statistical data computed annually to measure the changes in the value of commodities and securities. They therefore posit that ASI is derived from the price of all or some market constituents, usually expressed in percentages from base periods.

Total Value of Transactions (TVT)

The total value of transactions is the total value of shares traded on the stock market or a particular period e.g. daily, weekly, monthly or annually as the case may be. It is also the total value traded ratio which measures the organized trading of firm equities as a share of the national output. In another fashion, Gordon Scott (2021) asserts that the total value of transactions is also commonly used to refer to the market capitalization of publicly traded companies, and is calculated by multiplying the number of their outstanding shares by their current share prices.

Theoretical Framework

This study is anchored on three theories and they include the financial market theory of development, efficient market hypothesis (EMH), and Neo-classical growth theory. The choice of these theories is predicated on the fact that the stock market provides the long term capital that facilitates rapid and sustainable economic growth.

Financial Market Theory of Development

The theory impliedly posits that investors (foreign or domestic) should have access to 'well regulated' financial markets which would provide the 'surest path' to economic growth and development. Business in low -income countries gain direct access to the private capital from industrialized countries. The benefits of investors are rooted in prospective growth rates which are unattainable in advanced economics and high returns matching the risks involved.

An assumption that accompanies this theory implies that stock markets will improve economic growth to the degree based on how integrated they are into an 'institutional

matrix' that sends signals to decision makers who would look for growth opportunities (Weber, Davis & Lounsbury, 1980). Economic growth is boosted due to reduction in the riskiness of investment facilitated by stock market liquidity. Levine (1991) came up with a theoretical model which states that stock market can improve capital accumulation and growth by reducing liquidity cost, increasing average productivity of capital and rate of savings.

Efficient Market Hypothesis (EMH)

The theoretical explanation on the nexus between capital market and economic growth is further expanded using Efficient Market Hypothesis (EMH) developed by Fama in 1965. According to EMH, financial markets are efficient on prices of traded assets that reflect all known information and therefore are unbiased because they represent the collective beliefs of all investors about future prospects.

Previous test of the EMH have relied on long range dependence, because of the narrowness of their market arising from immature regulatory and institutional arrangement (Nagayasu, 2007 & Nyong, 2003). Note that, where the market is highly and unreasonably speculative, investors will be discouraged from parting with their funds for fear of incurring financial losses (Edame & Okoro, 2013).

Neo-classical Growth Theory

The theoretical framework on the effects of capital market on economic growth dates back to the work of Schumpeter (1911) which explained that a well-developed financial system can facilitate technological innovation and economic growth through the provision of financial services and resources to investors.

The above argument of Schumpeter, (1911) was later advanced as the MacKinnon-Shaw (1973) hypothesis, which is a policy analysis tool for developing countries with strong recommendation and high priority on the efficiency of financial systems in facilitating capital accumulation and financial intermediation.

Empirical Review

A good number of studies have been conducted to examine the impact of stock market performance indicators and growth of the Nigerian economy. Recently, Akinmade, Adedoyin, and Bekun (2020) analyse the effect of stock market manipulation on the Nigerian Stock Exchange and its consequences on economic performance from 2002 and 2016. The study adopted the market microstructure analysis and how various manipulation techniques impact on market measures, and the Error Correction Model was used to evaluate their economic effects. Manipulation is found to distort market efficiency measures (such as market capitalization, value traded ratio and All-Share Index) and genuine traders are forced to exit the market to avoid possible trading with a

manipulator. Such huge divestment and the subsequent financial risk weaken the ability of the Stock Exchange market to improve economic performance, creating negative consequences at the post-manipulation period. Essentially, economic variables (such as the GDP) react negatively to manipulative trading.

Similarly, Abina and Lemea (2019), examined the effect of capital market and performance of Nigeria economy. The study made use of secondary data which were sourced from Central Bank of Nigeria Statistical Bulletin, for the period spanning through from 1985 to 2017. Stationarity, Johansen Co-integration, Error correction and Granger Causality tests were executed. The result reveals that there was a long run positive relationship among the variables, the result of the Granger Causality test shows two significant unidirectional causalities flowing from gross domestic product to total market capitalization and to total value of new issues respectively. Thus, the study posits that capital market is a strong driver of economic growth in Nigeria for both public and private entities for medium and long-term investment. The study recommends that government should relax further, conditions for corporate quotation in the Nigerian Stock Exchange in order to encourage more companies to get quoted.

Md and Jianguo (2018) examined the nexus between economic growth, financial innovation, and stock market development in Bangladesh from 1980–2016. The study utilized autoregressive distributed lagged (ARDL) bounds testing approach. It was discovered from the granger causality test that reinforcement relationship is identified between financial innovation, stock market development and economic growth both in the long run and in the short run. Again, the result revealed that a well-developed stock market measured by the ratio of market capitalization to GDP is instrumental to the development of the Nigerian economy.

Muritala and Ogunji (2017) critically studied the association between the capital market and economic growth in Nigeria (1980-2015). Unit root, Co-integration and ECM methods of econometrics were employed. The finding showed that total new issue, market capitalization, and total listing positively impact on the economy. Meanwhile, the value of the transaction has impacted on real gross domestic product negatively.

Yusuf and Aminu (2016) studied the impact of capital market on economic growth in Nigeria from 2005 to 2014. The independent variable in the study by market capitalization, number of listed securities, while the dependent variable is economic growth measured by real gross domestic product. Data for the study were sourced from the CBN Statistical Bulletin, 2014. OLS econometrics technique was employed as the main analytical technique. The findings suggested that, capital market performance indicators impacted insignificantly on GDP.

Adamu and Sanni (2015) examined the effect of stock market on economic growth in Nigeria using the Granger causality test and regression approach. They discovered a one-
---way causality between GDP growth and market turnover. They also observed a positive

and significant relationship between GPD growth and market turnover ratios. The authors advised that government should encourage the development of capital market since it has a positive effect on economic growth.

Methodology

Research Design

The longitudinal research design was employed in this study because the data obtained for the study covered a specific period, that is, 35 years. Furthermore, the design allows researchers to repeatedly examine the variables of the study to detect any changes that might occur over the period covered by the study. Invariably, therefore, the research design is considered most useful for the present study as it is a type of correlation study in which researchers can observe and collect data on a number of variables without trying to influence changes in such variables.

The data utilized is annualized time series which consist of mainly secondary data. The study covered from 1986 to 2020. The data are accessed from the Central Bank of Nigeria databank and statistical Bulletin various issues. Nigerian Stock Exchange (NSE) fact books, Security and Exchange Commission (SEC) market Bulletins and relevant journals.

Data Analysis Techniques

Time series was used and the statistical technique that was used are the Ordinary Least Square (OLS), and the Parsimonious Error Correction modeling. The estimation tool implored was the Econometric Views version 9.0. More so, this study adopted Augmented Dickey Fuller (ADF) test for the unit root test in order to attain stationarity. The Engle-Granger and Johansen's Co integration was conducted to ascertain if there is a long run relationship among the variables. Meanwhile, we also considered the descriptive statistics of mean, standard deviation, skewness and kurtosis. Accordingly, the use of descriptive statistics is necessary as the data set is entirely quantitative and requires the use of analytical and statistical techniques.

Model Specification

The model of this study is based on the Classical Linear Regression Model of Brooks (2014). An econometric analysis of which Economic Growth proxy (RGDP) is the dependent variable while the independent/ explanatory variable is exchange indices proxied by stock market capitalization, All-share-index, value of transaction, and volumes of shares traded. The model is shown as follows:

$Y= \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3+ \beta_4X_4+Ut$ ----------1

Where;

Y = Dependent variable

X_1, X_2, X_3, and X_4 ----------the explanatory or independent variables

B_1, β_2, β_3 and β_4 ---------- the coefficient of the parameter estimate or the slope
Ut= Error or disturbance term

In relating this to the study:

RGDP SMAC ASI VOT VST

$RGDP = \beta_0 + \beta_1 SMAC + \beta_2 ASI + \beta_3 VOT + \beta_4 VST + Ut$ ----------2

Where:

SMCA = Stock market capitalization
ASI = All-share-index
VOT = Value of Transaction
VST = Volumes of Shares Traded

The above equation is linearized by expressing all the variables in logarithms form. The linearized model is stated thus as:

$Ln(RGDP) = \beta_0 + ln(\beta_1 SMAC) + ln(\beta_2 ASI) + ln(\beta_3 VOT) + ln(\beta_4 VST) + Ut$ --------3

Where;

Ln = Logarithm

A Priori Expectation

It is expected that $\beta 1 - \beta 4 > 0$. This suggests that all stock market indices proxied by stock market capitalization, All-share-index, value of transaction, and volumes of shares traded will exert positive effect on economic growth (RGDP).

Data Presentation, Analysis and Findings
Descriptive Statistics
Table 4.1: Summary of Descriptive Statistics

	RGDP	SMAC	ASI	VOT	VST
Mean	37437.64	8421.082	114974.7	68775702	177082.3
Median	30333.58	1062.100	39770.36	58545.25	163150.6
Maximum	74694.00	93148.02	973526.0	2.32E+09	579902.0
Minimum	15237.99	6.800000	20525.00	225.4000	1797.800
Std. Dev.	19875.64	16695.33	205847.5	3.99E+08	153628.3
Observations	**35**	**35**	**35**	**35**	**35**

Source: Researcher's computation

The descriptive statistics reported in Table 4.1, real gross domestic product, stock market capitalization, All-share-index, volume of shares traded, value of transaction reported an average value of ₦37437.64 billion, ₦8421.082 billion, ₦114974.7 billion, ₦68775702 billion, and ₦177082.3 billion respectively. Further, value of transaction is the most volatile since it had the highest standard deviation value, while the volume of stock traded is the least volatile since it had the lowest standard deviation estimated at ₦153628.3 billion.

Again, the descriptive statistics reported in Table 4.1, revealed that real gross domestic product recorded a maximum and minimum value of ₦74694.00 billion and ₦15237.99 billion respectively. In the same vein, stock market capitalization recorded a maximum and minimum value of ₦93148.02 billion and ₦6.800000 billion respectively. Meanwhile, All-share-index, volume of shares traded, value of transaction recorded a recorded a maximum and minimum value of 973526.0 and 20525.00; 2.32E+09 and 225.4000 & 579902.0 and 1797.800 respectively.

Correlation Analysis

Correlation analysis accounts for the extent of relationship (weak, moderate, or strong) between and among study variables. It also account for the direction of relationship (positive, negative or zero) between and among study variables. The Correlation matrix is presented in table 4.2:

Table 4.2: Summary of Correlation Analysis

	RGDP	SMAC	ASI	VOT	VST
RGDP	1.000000				
SMAC	0.692743	1.000000			
ASI	-0.160290	-0.180183	1.000000		
VOT	0.223291	0.026576	-0.061390	1.000000	
VST	0.797630	0.446024	0.027340	0.252833	1.000000

Source: Researcher's computation

The correlation analysis reported in table 4.2 revealed that all the study variables except All-share-index exerted negative correlation with real gross domestic product. This is because stock market capitalization; value of transaction and volumes of shares traded reported positive coefficient. Evidently, stock market capitalization; value of transaction and volumes of shares traded reported a positive coefficient values of 0.692743, 0.22329 and 0.797630 respectively.

Furthermore, stock market capitalization and volumes of shares traded reported a coefficient value of 0.692743 and 0.797630 suggesting that the correlation between stock market capitalization and real gross domestic product and volume of shares traded and real gross domestic product is high. Meanwhile, the rest study variable reported low correlation. Generally, the result from the table shows that problem of multi-collinearity is not anticipated. Though, a further test will be carried out to ascertain this condition.

VEC Heteroskedasticity Test

This test is used to check the normality of residuals in the result. The result is presented in table 4.3:

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Table 4.3: VEC Heteroskedasticity Test

Date: 08/25/23 Time: 23:11		
Sample: 1986 2020		
Included observations: 35		
Joint test:		
Chi-square	**Df.**	**Prob.**
202.9353	180	0.1159

Source: Researcher's computation

From the table 4.3, the P-value of the chi-square which stood at 0.1159. This gives us prove that there is absence of Heteroskedasticity in the study, since it is not significant at 5%. Thus, the null hypothesis that states that the residuals have no constant variance and zero mean is rejected. Hence, we conclude that the model is Homoskedastic (i.e. it has equal variance). On this note, we can boldly state the model is reliable and fit for prediction.

Multi-Collinearity Test

Multicolinearity test is used to test the absence of multi-collinearity among independent variables of the study. The result is presented in table 4.4:

Table 4.4: Multi-collinearity Test

Variables	Variance Inflation Factor	Tolerance Value
SMAC	1.83877	0.543842
ASI	1.06269	0.941008
VOT	6.11966	0.163408
VST	4.93383	0.202682

Source: Researcher's computation

From the table 4.4, the tolerance level of SMAC is 0.543842, that of ASI is0.941008; VOT is 0.163408, and VST for 0.202682which indicates that about 5.44%, 9.41%, 1.63%, and 2.03% variance in the predictor variables is not predicted by other predictors' variable. This is because their tolerance values are higher than 0.10 meanwhile the Variance inflation factor are less than 10. This shows the absence of multi-collinearity problem.

Stationarity Test

Given that, time series data are prone to spuriosity, hence there is need to test whether the time series data (variables) are stationary at level 1(0) and first difference 1(1) or not. Accordingly, inferences in testing for long-run relationship between the independent and the dependent variables are based on the assumption that all variables under

investigation are either stationary at level 1(0) or first-difference 1(1). Consequently, the summary of the Augmented Dicker Fuller (ADF) test result is therefore presented in table 4.5:

Table 4.5: Summary of Augmented Dicker Fuller Test
AT LEVEL (1(0)

Variable	ADF t-Statistic	MacKinnon Test Critical	P-value	Decision
Real Gross Domestic Product	-0.226999	-2.951125	0.9254	Non-Stationarity
Stock Market Capitalization	-1.796613	-2.954021	0.3756	Non-Stationarity
All-Share Index	-2.754750	-2.957110	0.0762	Non-Stationarity
Value of Transaction	-0.374055	-2.951125	0.9788	Non-Stationarity
Volume of Share Traded	-1.544587	-2.951125	0.4993	Non-Stationarity
AT FIRST DIFFERENCE (1(1)				
Variable	**ADF t-Statistic**	**MacKinnon Test Critical**	**P-value**	**Decision**
Real Gross Domestic Product	-4.188353	-2.954021	0.0025	Stationarity
Stock Market Capitalization	-6.331174	-2.954021	0.0000	Stationarity
All-Share Index	-6.633967	-2.963972	0.0000	Stationarity
Value of Transaction	-4.372886	-2.954021	0.0015	Stationarity
Volume of Share Traded	-6.579404	-2.957110	0.0000	Stationarity

Source: Researcher's computation

The Stationarity test result presented in Table 4.5 revealed the summary of the unit root carried out. The decision here is that the critical value should be greater than the test statistics value for unit root to exist. The ADF test executed shows that none of the study variables attained stationarity at their natural level but when subjected further, they became stationary at first difference. This is premised on the fact that their respective ADF t-statistics values estimated at -4.188353, -6.331174, -6.633967, -4.372886, and -6.579404 were greater than their MacKinnon Critical Values estimated at -2.954021, -2.954021, -2.963972, -2.954021, and -2.957110. This depicts that the variables under study

are very fit model for the empirical study because the variable data series have equal variance and equal mean overtime 1986-2020. Again, the result reaffirm that, the OLS test retain its Best Linear Unbiased Estimate (BLUE) property. The next stage is to proceed to co-integration and granger causality test as suggested by Iheanacho (2016).

Co-integration Test

Having established stationary of the variables, we determine the existence of a long-run equilibrium relationship among the variables in the model. To realize this, the study employed the Johansen co-integration technique. The co-integration results of the variables are presented below:

Table 4.6: Summary of the Johansen Co-Integration Test

Date: 08/25/23 Time: 22:45
Sample (adjusted): 1986 2020
Included observations: 35 after adjustments
Trend assumption: No deterministic trend
Series: RGDP SMAC ASI VOT VST
Lags interval (in first differences): 1 to 1
Unrestricted Cointegration Rank Test (Trace)

Hypothesized		**Trace**	**0.05**		
No. of CE(s)	Eigenvalue	Statistic	Critical Value	Prob.**	
None *	0.630702	77.96439	60.06141	0.0008	
At most 1 *	0.537635	45.09137	40.17493	0.0148	
At most 2	0.334949	19.63514	24.27596	0.1723	
At most 3	0.154805	6.174696	12.32090	0.4150	
At most 4	0.018746	0.624499	4.129906	0.4902	
Trace test indicates 2 cointegratingeqn(s) at the 0.05 level					
*** denotes rejection of the hypothesis at the 0.05 level**					
****MacKinnon-Haug-Michelis (1999) p-values**					
Unrestricted Cointegration Rank Test (Maximum Eigenvalue)					
Hypothesized		Max-Eigen	0.05		
No. of CE(s)	**Eigenvalue**	**Statistic**	**Critical Value**	**Prob.****	
None *	0.630702	32.87302	30.43961	0.0244	
At most 1 *	0.537635	25.45623	24.15921	0.0332	
At most 2	0.334949	13.46044	17.79730	0.1997	
At most 3	0.154805	5.550197	11.22480	0.4037	
At most 4	0.018746	0.624499	4.129906	0.4902	
Max-eigenvalue test indicates 2 co-integrating eqn(s) at the 0.05 level					

*** denotes rejection of the hypothesis at the 0.05 level**		
****MacKinnon-Haug-Michelis (1999) p-values**		

Source: Researcher's computation

The results of Johansen co-integration presented in the table 4.6 shows that the test failed to accept null hypothesis of No co-integration at 5% level of significance. Both the trace and maximum Eigen value suggest the presence of 2 co-integrating vector. The Johansen co-integration test shows this by comparing the statistic values with the critical value, a result is chosen at the value where the trace or max-Eigen statistic is greater than the corresponding critical value. This implies that a long run equilibrium relationship exists among the co-integrating variables market capitalization, volume of shares traded, value of transaction, All-share-index, total numbers of listed securities and real gross domestic product in Nigeria. This study is inconsistence with the findings stated in Nom Fundo (2016) and Alajekwu and Acheegbu (2012), which says that the result of trace statistics shows only one (1) co-integration equation, there is existence of long run relationship in the series.

Granger Causality Test

Granger causality test is used to examine the causal direction; that is, which of the dependent or independent variables influences the relationship between each other. The null hypothesis is: Independent variable does not granger cause the dependent variable. The decision rule for causality is to reject the null hypothesis of no causality if the probability value is less than 0.05.The Granger causality test is therefore explicitly presented in table 4.7:

Table 4.7: Pairwise Granger Causality Tests

Null Hypothesis:	F-Statistic	Prob.	Decision
SMAC does not Granger Cause RGDP	73.6930	0.0000	Bi-directional
RGDP does not Granger Cause SMAC	19.1316	0.0001	
ASI does not Granger Cause RGDP	0.93930	0.3400	No Causality
RGDP does not Granger Cause ASI	0.63010	0.4334	
VOT does not Granger Cause RGDP	0.90332	0.3492	No Causality
RGDP does not Granger Cause VOT	0.12801	0.7229	
VST does not Granger Cause RGDP	4.81032	0.0359	Bi-directional
RGDP does not Granger Cause VST	6.14332	0.0188	
ASI does not Granger Cause SMAC	0.44936	0.5076	No Causality
SMAC does not Granger Cause ASI	0.29221	0.5927	
VOT does not Granger Cause SMAC	9.10386	0.0051	Bi-directional
SMAC does not Granger Cause VOT	240.300	0.0000	

VST does not Granger Cause SMAC	5.75520	0.0226	Uni-directional
SMAC does not Granger Cause VST	2.62929	0.1150	
VOT does not Granger Cause ASI	0.64383	0.4284	No Causality
ASI does not Granger Cause VOT	0.00647	0.9364	
VST does not Granger Cause ASI	1.23623	0.2747	No Causality
ASI does not Granger Cause VST	0.02358	0.8790	
VST does not Granger Cause VOT	1.77793	0.1921	No Causality
VOT does not Granger Cause VST	2.19000	0.1490	

Source: Researcher's computation

A run through the results of the pair-wise granger causality test above indicates that almost all the study variables did not granger cause each other. However, bi-directional relationship runs through SMAC and RGDP, between VST and RGDP, and between VOT and SMAC. Meanwhile, uni-directional relationship exists between VST and SMAC.

Regression Result

The Vector Error Correction Model was used to test the regression analysis. The regression result is therefore presented in table 4.8:

Table 4.8: Vector Error Correction Model Estimates

Parameter	Coefficient	Std. Error	t-Statistic	Prob.
CointEq1	-0.426013	0.100975	-4.219015	0.0003
D(RGDP(-1))	-0.505247	0.286955	-1.760717	0.0900
D(SMAC(-1))	25530.35	3777.742	6.758097	0.0000
D(ASI(-1))	-2490.246	1015.192	-2.452981	0.0212
D(VOT(-1))	-0.002583	0.001015	-2.544406	0.0172
D(VST(-1))	21310.86	4684.326	4.549398	0.0001
C	4289.129	760.6628	5.638674	0.0000
R-squared	0.658462	F-statistic		8.354379
Adjusted R-squared	0.579646	Prob.(F-statistic)		0.000042
Durbin-Watson stat		2.212861		

Source: Researcher's computation

The regression result in table 4.8 reported an error Correction Term (ECT (-1)) which value which stood at -0.426013. This indicates that in case of initial distortions, there is convergence towards long run equilibrium by 42.60% annually. Again, it also passed the test of statistical significance since it p-value estimate at 0.0003 is less than 5% significance level. This further suggests that the model is free from perturbations and is thus appropriate for policy formulation.

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The intercept (C) indicates the expected value of the dependent variables under investigation if all the independent variables are equal to zero. Specifically, the VECM result in table 4.8 revealed that, if other factors are held constant, a unit rise in the independent variables under investigation (MCAP, ASI, VOT, and VST) will lead to a corresponding 4289.129change in RGDP.

The coefficient of determination otherwise known as R^2 determines the magnitude of the relationship between the explanatory variable and the explained variable. If the R^2 is positive, it is said to be positively related and that all the explanatory variables put together have direct relationship with the dependent variable. The result of the overall relationship in VECM estimate in table 4.9 above is estimated at 0.658462. This revealed that all the explanatory variables (MCAP, ASI, VOT, and VST) jointly accounted for 65.84% variation in the dependent variable (RGDP) in Nigeria.

The adjusted coefficient of determination ($Adjr^2$) suggests that 57.96% of variations in RGDP can be explained by changes in both the independent variable (MCAP, ASI, VOT, and VST) taking into consideration the degree of freedom. This shows the degree of spread of the capital market operation in Nigeria. In other words, 57.96% could not be accounted for due other changes are attributed to stochastic variables/other variables not included in the model.

The result for the test of significance uses P-value of F-statistics. The test for overall or joint significant effect of the explanatory variables on the dependent variable revealed that the F-stat is 8.354379and Prob. (F-stat value is 0.00000). This shows that the overall significance of the independent variable (MCAP, ASI, VOT, and VST) is high. This conforms to the study of Inimino, Bosco and Abuo (2018) that an efficient capital market is very instrumental to the growth of the Nigerian economy.

The Durbin Watson (DW) test statistic was used to test for the existence of autocorrelation among disturbances. The D.W test statistic is expected to lie between 2 and 4. However, the D-Watson value as depicted in table 4.8 estimated at 2.212861 is within the acceptable region of no serial autocorrelation. This signals that the model fit for prediction.

Hypothesis Testing

Hypothesis One

H_o1: Stock Market capitalization has no significant effect on real gross domestic product in Nigeria.

The regression result in table 4.8 clearly revealed that past values of stock market capitalization denoted by SMAC(-1) exerted positively significant effect on economic growth (RGDP). This is because its coefficient value which stood at 25530.35 is positively signed. Meanwhile, its p-value estimated at 0.000 is lower than 5% significant level. In this wise, we conclude that the null hypothesis one

which states that stock market capitalization has no significant effect on real gross domestic product in Nigeria is rejected.

Null Hypothesis Two:

H_o2: All-share-index has no significant effect on real gross domestic product in Nigeria.
The regression result in table 4.8 clearly revealed that past values of all share index denoted by ASI (-1) exerted negative significant effect on economic growth (RGDP). This is because its coefficient value which stood at -2490.246 is negatively signed. Meanwhile, its p-value estimated at 0.0212 is lower than 5% significant level. In this wise, we conclude that the null hypothesis two which states that all-share index has no significant effect on real gross domestic product in Nigeria is rejected.

H_o3: Value of transaction has no significant effect on real gross domestic product h in Nigeria.
The regression result in table 4.8 clearly revealed that past values of Value of transaction denoted by VOT (-1) exerted negative significant effect on economic growth (RGDP). This is because its coefficient value which stood at 0.002583 is negatively signed. Meanwhile, its p-value estimated at 0.0172 is lower than 5% significant level. In this wise, we conclude that the null hypothesis three which states that Value of transaction has no significant effect on real gross domestic product in Nigeria is rejected.

Ho4: Volumes of shares traded has no significant effect on real gross domestic product in Nigeria.
The regression result in table 4.8 clearly revealed that past values of value of stock traded denoted by VST(-1) exerted positively significant effect on economic growth (RGDP). This is because its coefficient value which stood at 21310.86 is positively signed. Meanwhile, its p-value estimated at 0.0001 is lower than 5% significant level. In this wise, we conclude that the null hypothesis four which states that value of stock traded has no significant effect on real gross domestic product in Nigeria is rejected.

Discussion of Findings

Based on the test of hypotheses stated in the preceding of the work, the following findings were discussed:

Stock Market Capitalization and Real Gross Domestic Product

The VECM estimate in Table 4.8 revealed that past values of stock market capitalization has positive and significant effect at 5% level of significance on economic growth. This means that stock market capitalization enhanced economic growth. The results showed

that a unit increase in market capitalization will increase economic growth by 25530.35. This is predicated on the fact that it has a positive beta coefficient value, positive t-statistics value, and p-value less than 5% level of significance. This result conforms to the a-priori expectation of this study. This suggest that there is enough evidence to reject the null hypothesis which states that stock market capitalization has no significant effect on economic growth in Nigeria.

All-Share-Index and Real Gross Domestic Product

The VECM estimate in table 4.8 revealed that past values of All-Share-Index as denoted by ASIN (-1) has a negative effect on the Nigerian economy. This is attributed to the fact that it has a negative beta coefficient value (-2490.246) and negative t-statistic value (-2.452981). The policy implication of this result implies that, if other independent variables are held constant, a unit rise in past values of All-Share-Index will reduce economic growth (RGDP) by 2.452981. The result contradicts the aprioiri expectation of this study. However, in terms of statistical significant, past values of All-Share-Index passed the test of statistical. This is predicated on the fact that ASI(-1) have Probability value of 0.0212 is lower than 5% significant level. This indicates that ASI(-1) is instrumental to the growth of the Nigerian economy throughout the periods under study.

Value of Transaction and Real Gross Domestic Product

The VECM estimate in Table 4.8 revealed that the value of transaction in the short- run has negative and significant effect on the Nigerian economy. The negative result suggest that, the value of transaction is detrimental to the growth of the Nigerian economy such that a percentage increase the Value of Transaction will lead to a corresponding decrease of -0.002583 in economic growth (RGDP).The negative effect of value of transaction on economic growth may not be unconnected with the crash in the stock market as a result of the global financial crisis, which started in the United States of America in 2007. This crisis shut down most of the activities of the capital market all over the globe. Again, both institutional and individual investors lost large amounts of their investment in the NSE. It was during this period that about three banks were nationalized in Nigeria. It is therefore not surprising that value of transaction did not affect positively on economic growth in Nigeria.

The foregoing result contradicts the a-priori expectation of positive relationship between Value of Transaction and economic growth. Conclusively, the result suggest that there is enough evidence to reject the null hypothesis which states that value of transaction has no significant effect on economic growth in Nigeria and accept the alternative hypothesis which states that value of transaction has significant effect on economic growth in Nigeria.

Volume of Shares Traded and Real Gross Domestic Product

The VECM estimate in Table 4.8 revealed that the volume of shares traded in the short-run has positive and significant effect on the Nigerian economy. This depicts that percentage increase the volume of shares traded will lead to a corresponding increase of 21310.86in economic growth. More so, such increase is said to be significant to the Nigerian economy. This is predicated on the fact that, the parameter estimate (VST (-1)) had a positive beta coefficient value, positive t-statistics, and p-value that is less than 95% confidence level but greater than 5% significance level. This revealed that at present, the buy and hold attitude of most investors in the Nigerian capital market is gradually fading away.

Summary, Conclusion and Recommendations

This study was carried out to examine empirically the relationship between stock market capitalization, all-share-index, total value of transactions and volume of shares on real gross domestic product in Nigeria during the period covered by the study. Secondary data sourced from the Central Bank of Nigeria, the Nigeria Stock Exchange, and the Securities and Exchange Commission. The error correction model was deployed to analyze the data of the study. The findings recorded by the study are summarized thus:

1. Past values of Stock Market capitalization exerted a positive and significant effect on real gross domestic product in Nigeria.
2. Past values of All-share-index exerted a negative and insignificant effect on real gross domestic product in Nigeria.
3. Past values of Value of transaction exerted a negative and insignificant effect on real gross domestic product h in Nigeria.
4. Past values of Volumes of shares traded exerted a positive and significant effect on real gross domestic product in Nigeria.

Conclusion

Based on the aforementioned findings, the study concluded that the Nigerian stock market possessed the potentials for contributing positively to the country's economic growth if, and only if, appropriate policy measures are put in place to make the market broad, deep and efficient.

Recommendations

Sequel to the findings and conclusion of the study, the following recommendations were made:

1. Capital market regulators should sustain the current market capitalization by encouraging more foreign investors to participate in the market, maintain state of the art technology like automated trading and settlement practices, electronic

fund clearance and eliminate physical transfer of shares since it has been found to have positive and significant effect on the Nigerian economy.

2. There is also need to restore confidence to the market by regulatory authorities through ensuring transparency and fair trading transactions and dealings in the stock exchange.
3. The Nigeria stock exchange should soften the requirements for corporation or business to be able to access such cheap funds in the exchange so as to increase the value of transaction of securities in the exchange.
4. There should be a strong need to put in place policy measures that would guarantee competitive participation and cause investors to stop the attitude of "buy and hold" of securities which will delay rapid development of Nigerian economy.

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