The Impact of the Nigerian Capital Market on Economic Growth (1990-2010)

F.T Kolapo  
Banking and Finance Department, Ekiti State University, Ado Ekiti

A.O Adaramola  
Banking and Finance Department, Ekiti State University, Ado Ekiti

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Abstract

This paper seeks to examine the impact of the Nigerian capital market on its economic growth from the period of 1990-2010. This means that the performance of the stock market is an impetus for economic growth and development. The economic growth was proxied by Gross Domestic Product (GDP) while the capital market variables considered include; Market Capitalization (MCAP), Total New Issues (TNI), Value of Transactions (VLT), and Total Listed Equities and Government Stocks (LEGS). Applying Johansen co-integration and Granger causality tests, results show that the Nigerian capital market and economic growth are co-integrated. This implies that a long run relationship exists between capital market and economic growth in Nigeria. The causality test results suggest a bidirectional causation between the GDP and the value of transactions (VLT) and a unidirectional causality from Market capitalisation to the GDP and not vice versa. The F statistics is significant at 5 percent using a two-tailed test. On the other hand, there is no “reverse causation” from GDP to market capitalization. Furthermore, there is independence “no causation” between the GDP and total new issues (TNI) as well as GDP and LEGS. This is a clear indication of the relative positive impact the capital market plays on the economic growth of the country. The evidence from this study reveals that the activities in the capital market tend to impact positively on the economy. It is recommended therefore that the regulatory authority should initiate policies that would encourage more companies to access the market and also be more proactive in their surveillance role in order to check sharp practices which undermine market integrity and erode investors’ confidence.
The impact of foreign direct investment on Nigeria economic growth (1980 – 2010). By Chrisantus Oden. The result at this revealed that FDI impacted positively on the growth of the Nigerian economy over the period under study. Based on this, the study recommended the provision of adequate infrastructure and policy framework that will be conducive for doing business in Nigeria, so as to attract the inflow of FDI necessary to stimulate growth. CHAPTER ONE

Capital was one regarded by most economists as the principal obstacle to economic development and this is lot attentions were paid to capital formation. However, interest rate and liquidity rate impacted negatively on the GDP but minimum rediscount rate cooperate income tax and federal budget affect the GDP positively. Monetary and fiscal policies measures are jointly statistically significant to level of economic growth in Nigeria. The reaction of money and fiscal policies measure on the level of economic growth in Nigeria was found to be unstable over the years of study which indicated no long run relationship. However, the study further revealed that fiscal policy measures are more effective in gearing economic growth in Nigeria. Capital market also provides equity capital and infrastructure development capital that has strong socio-economic benefits through development of roads, water and sewer systems, housing, energy, telecommunications, public transport, etc. These projects are ideal for financing through capital market via long dated bonds and asset backed securities. The Impact of the Nigerian capital market on economic growth (1990-2010). International Journal of Developing Societies, 1(1), 11-19. 4. Nwankwo G.O. (1991): “Money and capital market in Nigeria today”. Lagos: University of Lagos Press. 5. Obamiro, J.K. (2005). Nigerian economy: Growth and the role of stock market. Journal of Economic and Financial Studies, 2 (2).