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CAPITAL MARKET AS A CATALYST FOR ECONOMIC GROWTH: NIGERIA IN PERSPECTIVE

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ABSTRACT:

The growth of a nation has a related alliance with a capital market that drives the economy and a solid financial base for expansion and development. This research examines the efficiency and effectiveness of the Nigerian capital market as a catalyst for economic growth; this means that the performance of the stock market is an impetus for economic growth and development. This research study involved the use of a questionnaire to collect first-hand data from one hundred and eight (108) respondents. The data collected were analyzed using descriptive statistics such as percentages while the hypotheses were analyzed using chi-square and the appropriate level of confidence (0.05). Finding from the research study showed that the Nigerian capital market and economic growth are integrated, this implies that a long-run relationship exists between capital market and economic growth in Nigerian. Therefore the government must contribute to achieving these objectives through investing government securities in productive sectors and receiving laws that spell threat to the capital market. 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 to check sharp practices which undermine market integrity and erode investors' confidence.

INTRODUCTION

The growth and development of the capital market in Nigeria can be traced to 1946 with floating of ₦600,000 (More than ₦300,000 pounds sterling) worth of government stocks. However, an organized market for the secondary trading of issued stocks was lacking. In 1959, following the establishment of the Central Bank of Nigeria (CBN) a year earlier, an ₦4 million (2million pounds sterling), Federal government of Nigeria development loan stock was issued in line with its role of fostering economic and financial development. In 1986, Nigeria embraced the International Monetary Fund (IMF) structural adjustment programme (SAP) which influenced the economic policies of the Nigerian government and led to reforms in the late 1980s and early 1990s. The programme was proposed as an economic package to rapidly and effectively transform the Nigerian economy with two years (Yesufu, 1996) and for government to judiciously implement some of its policy measures (Oyefusi and Mogbolu, 2003)

However, until SAP (Structural Adjustment Programme) was abandoned in 1994, the objectives were not achieved due to the inability of the notable reforms include monetary and fiscal policies, sectoral reforms such as removal of oil subsidy in 1988 to the tune of 80%, interest deregulation from August 1987, financial market reform and public sector reform which entails the full or partial privatization and commercialization of about 111 public owned enterprises. The Nigeria stock exchange was to play a key role during the offer for sale of the share of the affected enterprises (World Bank, 1994; Anyanwu et' al 1997; Onyefusi and Mogbolu, 2003). The introduction of SAP in Nigeria has resulted in significant growth of the financial sector and privatization exercise which exposed investors and companies to the significance of the stock market (Alile, 1996; Soyode, 1990).

Arroyo and Adelgan (2005) contend that the liberalization of the capital market led to the growth of Nigerian capital market, yet its impact at the macro-economic level was negligible, again the capital market was instrumental to the initial twenty-five banks that we're able to meet the minimum capital requirement of ₦25 billion during the banking sector consolidation in 2005, the stock market has helped government and corporate entities to raise long term capital for financing new projects, and expanding and modernizing industrial/commercial concerns (Nwankwo, 1991). Given the roles the capital market has played during the privatization of public-owned enterprises, recent recapitalization of the banking sector and avenue of long term funds to various governments and companies in Nigeria, the objective of this study, therefore, is to evaluate the efficiency and effectiveness of the Nigerian capital market as sources of funds and how it has impacted as a catalyst on her economic growth.

The Problem

The importance of the capital market in accelerating the economic growth of the nation cannot be overemphasized. The capital market serves as veritable sources of fund for economic growth. However, sources of credit to borrowers are inadequate. Capital market also appears to have her inadequacies which have impacted the provision of finance. This research wants to investigate exhaustively efficiency and effectiveness of capital market as a source of finance for economic growth.

Objectives of the study

a. To ascertain the adequacy or inadequacy of the Nigerian capital market.

b. To determine if the inherent risk and default rate of borrowers in repayment inhibit the capital market credit to borrowers.

Hypotheses

1. Ho: The capital market has not contributed effectively and efficiently to economic
growth in Nigeria.

H_1: The capital market has contributed efficiently and efficiently to economic growth
in Nigeria.

2. Ho: The deficit unit in the economy has not been able to raise fund through the capital
market.

H_1: The deficit unit in the economy has been able to raise fund through the capital market.

REVIEW OF RELATED LITERATURE

Theoretical and Conceptual ***Framework***

Capital market is defined as the market where medium to long terms finance can be raised. The capital market is the market for dealing (that is lending and borrowing). In long term loanable funds. Substantial academic literature and government strategies support the finance-led growth hypothesis, based on observation first made almost a century ago by Joseph Schumpeter that financial market significantly boost real economic growth and development. Schumpeter asserted that finance had a positive impact on economic growth as a result of its effects on productivity growth and technological change. As early as 1989 the World Bank also endorsed the view that financial deepening matters for economic growth "by improving the productivity of investment.

Mbat (2001) described it as a forum through which long term funds are made available by the surplus to deficit economic units. It must however be noted that although all surplus economic units have access to the capital market, not all the deficit economic units have the same easy access to it. The restriction on the part of the borrowers is meant to enforce the security of the funds provided by the leaders. To ensure that leaders are not subjected to undue risks the borrowers in the capital need to satisfy the certain basic requirement. It has a very profound implication for the socio-economic growth and development of any nation.

Capital Market and ***Economic Growth***

In principle, the capital (Stock) market is expected to accelerate economic growth, by providing a boost to domestic savings and increasing the quantity and the quality of investment. The market is expected to encourage savings by providing individuals with an additional financial instrument that mobilization may increase the saving rate. The capital market also provides an avenue for growing companies to raise capital at a lower cost. Also, companies in countries with the developed stock market are less dependent on bank financing, which can reduce the risk of a credit crunch. The capital market, therefore, can positively influence economic growth by encouraging savings among individuals and providing avenues for firm financing (Charles & Charles, 2007; Daniyan-Bagudu et al., 2017; Anike et al., 2017).

The capital market offers access to a variety of financial instruments that enable the economic agent to pool, print and exchange through assets with attractive yields liquidity and risk characteristics, it encourages savings in financial form. This is very essential for the government and other institutions in need of long term funds and suppliers of long term funds. Companies can finance their operation by raising funds through issuing equity (Ownership or debenture) bond borrowed as securities. Equity has perpetual life while debenture/bond issue is structured to mature in periods of years varying from the medium to long term of usually between five and twenty-five years. (Mbat 2001).

Based on the performance of the capital market in accelerating economic growth, the government of most nations tends to have a keen interest in its performance. The concern is for sustained confidence in the market and a strong investor's protection arrangement. Economic growth is generally agreed to indicate development on the economy because it transforms a country from a five per cent saver to a fifteen per cent saver. Thus it is argued that for the capital market to contribute or impact on the economic growth in Nigerian, it must operate efficiently, most often, where the market operates efficiently, confidence will be generated in the minds of the public and investors will be willing to part with hard-earned funds and invest them in securities with the hope that in future they will recoup their investment. (Ewah et al, 2009; Anthony et al., 2017; Ogbo et al., 2017; Emmanuel et al., 2017).

The theoretical explanation on the nexus between the capital market and economic growth is further expanded using the Efficient Market Hypothesis (EMH) developed by Fama in 1965. According to Fama, EMH has relied on long-range dependence of equity returns. It shows that past information is useful in improving predictive accuracy. This assertion tends to invalidate the EMH in most developing countries. Equity prices would tend to exhibit long memory or long-range dependence, because of the narrowness of their market arising from the immature regulatory and institutional arrangement. They noted that, where the market is highly and unreasonably speculative, investors will have discouraged from parting with their funds for fear of incurring financial losses. In a situation like the one mentioned above, has a determent effect on the economic growth of any country, meaning investors will refuse to invest in financial assets. The implication is that companies cannot raise additional capital for expansion. Thus, it sufficient to say that the efficiency of the capital market is a necessary condition for growth in Nigeria. (Nyong, 2003; Kustina et al., 2019; Widana et al., 2020; Okafor et al., 2018).

Capital Market

Thingan (2004) posited that the capital market is a market which deals in long term loans. It supplies industries with fixed and working capital and finances medium-term and long term borrowings of the central, states and local governments. Thus the capital market comprises the complex of institutions and mechanisms through which medium-term funds and long term funds are pooled and made available to individual business and governments.

The capital market has been identified as an institution that contributes to the socio-economic growth and development of emerging and developed economies. This is made possible through some vital roles played, such as channelling resources, promoting reforms to modernize the financial sectors, financial intermediation capacity to link deficit to surplus sectors of the economy, and a veritable tool in the mobilization and allocation of savings among competing uses which are critical to the growth and efficiency of the economy (Part & James 2010).

Several attempts have been made by previous writers to link the growth of the capital market with the economy. Levine (1991) argued that a developed stock market reduces both liquidity stock and productivity shock of businessmen to investment funds as well as enhancing the productive capacity of the economy, thereby leading to higher economic growth. This view was supported by King and Levine (1993) that financial development fosters economic growth. Levine and Zeros (1996) examines whether there is a strong empirical association between stock market development and long-run economic growth, the study used pooled across-country time-series regression of forty-one countries from 1976 to 1993 and to evaluate this association, the study toed the line of Demirgue and Levine (1996) by conglomerating measures such as stock market size liquidity, and integration of the world market into an index of per capital was regressed on a variety of variables designed to control for initial conditions, and then include the conglomerated index of stock market development. The finding was a strong correlation between overall stock market development and economic growth.

Pedro and Erwan (2004) asserted that financial market development raises output by increasing the capital used in production and by ensuring that capital is put into best uses. Ogwumike and Omole (1996), Ojo 1998), Abdullahi (2005), Adam and Sani (2005) also stressed the importance of the capital market in economic development in Nigeria. Agarwal (2001) argued that financial sectors development facilities capital market development and in turn raises real growth of the economy. Thornton (1995), Roussean and Sylla (2001), Clderon and Lin (2002) supported that financial system development promotes economic growth. In the same vein, Beckaert et al (2005), demonstrated that capital market development increases economic growth, similarly Bolbo et al (2005) indicated that capital market development has contributed to the economic growth of Egypt.

Tharawanji (2007) observed that countries with deeper capital market face less severe business cycle output contraction and lower chances of an economic downturn compared to those with the less developed capital market. On their part, Ben and Ghazonani (2007) Reported that financial system development could hurt economic growth in a sample of 11 countries they studied, and therefore advocated for a vibrant financial sector. In Belgium, Ureuwer et al (2005) investigated the long term relationship between economic growth and financial market development. The authors used a new set of stock market development indicators to argue that financial market development substantially affects economic growth found strong evidence that stock market development leads to economic growth in Belgium, especially in the period between (1973) and (1993) Ihee et al (2003) indicated stock market development has a significant positive impact on economic growth in Malaysia. The authors also reported that stock market development Granger – causes economic growth. The study by Muhammed et al (2008) suggested that there is a long-run relationship between stock market development and economic growth. Liu and Hsu (2006) reported a positive impact on the economic growth of stock market development in Taiwan, Korea and Japan. The work of Francia et 'al (2007) showed that shareholder protection causes stock market development and eventually economic growth in Nigeria. Some authors have also attempted to examine the relationship between stock market development and economic growth. For instance, Adam and Sani (2005) examined the roles of the stock market on Nigeria's economic growth using granger – causality test and regression analysis the authors discovered a one-way causality between GDP growth and market capitalization and a two-way causality between GDP growth and market turnover. They also observed a positive effect on economic growth.

Abu (2009) examined whether stock market development raises economic growth in Nigeria, by employing the error correction approach, the econometric results indicate that stock market development (market Capitalization GDP ratio) increases economic growth. He, however, recommended the removal of an impediment to stock market development which includes tax legal and regulatory barriers development of the nation's infrastructure to create enabling environment where business can strive, employment policies that will increase the productivity and efficiency of firms as well as encouraging of the Nigeria securities and exchange commission to facilitate the growth of the market, restore the confidence of stock market participants and safeguard the interest of shareholders to checking sharp practices of market operators.

Capital Market and Economic ***Development***

Economic development is regarded as the major goal of national policy in any economic, while capital accumulation or formation is also seen as a potent factor in the process of economic development. It is regarded as the core process by which all other aspects of growth is made possible and feasible. However, the rate of economic development is always limited by a shortage of productive factors and if any scarce factor associated with development should be signed out, it will be financed (capital).

A major engine of economic growth and development of a nation is its capital. It 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 the 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. In Nigeria, the capital market has over the years been performing its traditional role. However, the efficiency and effectiveness in this regard have greatly been limited by various factors notable among which is the structure of the economy; which is dominated by oil production. Yet the oil production companies are not fully listed on the stock exchange. Also, the capital market has been identified as an institution that contributes to the socio-economic growth and development of emerging and economies. This is made possible through some of the vital roles played such as channelling resources, promoting reforms to modernize the financial intermediation capacity to link deficit to the surplus sector of the economy and a veritable tool in the mobilization and allocation of saving among competitive uses which are critical to the growth and efficiency of the economy (Alile, 1984). It helps to channel capital or long-term resources to firms with relatively high and increasing productivity thus embracing economic expansion and growth Alile, (1997).

Ekundayo (2002) argues that a native requires a lot of local and foreign investment to attain sustainable economic growth and development. The capital market provides a means through which this is made possible. However, the paucity of long-term capital as posed the greatest predicament to economic development in most African countries including Nigeria. Capital provides the impetus for the effective and efficient combination of factors of production to ensure sustainable growth and development. Moreover, it is the effective utilization of productive resources accumulated over time that will determine the pace of growth of an economy. Growth in productive activities and its distribution determines the social well-being of the population. The capital formation can only be achieved through conscious effort and savings mobilization and accumulation of resources by both public and private sales.

The Nigeria capital market which is supposed to be a culture for sourcing long-term funds to finance long-term projects is not as developed as her foreign counterpart. It has therefore not been able to judiciously perform its primary obligation of meeting long-term capital needs of the deficit sectors, through the efficient accumulation of capital or mobilization of funds from the surplus unit of the economy, and effectively channel mobilized funds for more economic use. A critical study of both the real and services sector will elucidate this fact.

Institutional frameworks of the capital market to effectively carry out the core purpose of its establishment have to be put in place to ensure that the expectations of both the leaders and users of funds are adequately met to induce savings and optimal investment necessary to economic growth and development. Emenuya (1998) for instance believed that the stock market is illiquid and blamed the ownership structure in the Nigeria stock market. He concluded that the stock market is small and has few listed companies, low capitalization and low volume of transactions. Arigo and Adelegan (2005) counted that the liberalization of the capital market has contributed to the growth of the market, but that its impacts have not been felt at the macroeconomic level of the nation.

Every nation views economic growth and development to be the focus of their government as no nation wants to be behind in terms of development pace. This is why all policies including fiscal and monetary centres on resource allocation distribution aiming at improving the channelling process of gearing savings into investment, since the capital market is the medium for long-term fund acquisition, therefore its activities and performance requires stringent study to enhance improvement and encourage or foster economic growth and development

Overview of the Nigerian Capital Market

The capital market is essentially a market for long-term securities that is stock, debenture and bonds lasting for usually longer than three years. The proper functioning of the capital market was not set up until the establishment of the Central Bank in 1959 and launching of the Lagos Stock Exchange in 1961 even though securities were floated as far back as 1946. The needs to have an organized stock exchange came up and a committee was set up by the government under the chairmanship of Prof. R.W. Darbock to consider the feasibility of having an indigenous forum for the purchase and sales of shares and stocks.

The Nigerian Security ***and Exchange Commission***

The Nigerian Security and Exchange Commission (NSEC) is the apex institution for the regulation and monitoring of the Nigeria capital market, the commission was established under the security and exchange commission decree 1978. Before the SEC, two bodies had in succession been responsible for the monitoring of capital market activities in Nigeria. The first was the capital issues committee, which operated between 1962 and 1972. It could not be seen as the superintendent of the capital market because its functions were more or less advisory without the force of instruction even though its functions included the coordination of capital market activities the next body was the Capital Market Issues Commission (C.I.C) which came into being in March 1973. The C.I.C, unlike its predecessor, has full power to determine the price, timing and volume of security to be issued. Despite this wider power, the CIC could not be seen as the apex of the capital market because it concerned itself with public companies alone and its activities did not cover the stock exchange and government securities. The enabling act of the Securities and Exchange Commission specifies its overriding objectives as investor's protection and development while its functions were divided into two regulatory and development. The functions of the commission are extensively spelt out in Nigeria Securities and Exchange Commission Decree (Decree No 29) of 1983 and the Nigerian enterprise's promotion decree 1990.

The Nigerian Stock ***Exchange***

As one of the constituencies of the capital market, the exchange is a private, nonprofit making organization, limited by guarantee. It was incorporated via the inspiration and support of businessmen and the federal government. But

owned by about 300 members. The membership includes a financial institution, stockbrokers and individual Nigerians of high integrity, who have contributed to the development of the stock market and Nigerian economy.
The Nigerian stock exchange started with the incorporation of the then Lagos stock exchange in 1960. Trading commenced on the exchange in 1961 after the enactment of the Lagos Stock Exchange Act of 1961. The self-regulatory organization was subsequently reorganized and renamed the Nigerian stock exchange 1997, based on the report and recommendation of Pius Okigbo financial system review commission. The stock exchange is thus an institution of the capital market, which provides trading floors where all dealing members operate on every business day, the exchange now has nine (9) branches and all its branches function principally as a trading floor.

Economic growth

Economic growth means an increase in the capacity of an economy to produce goods and services, compared from one period of time to another. Economic growth is a process by which a nation wealth increases over time. The most widely used measures of economic growth is the rate of growth in a country's total output of goods and services ganged by the gross domestic product (GDP). Economic growth can also be referred to as the increase of per capita gross domestic product (GDP) or other measures of aggregate income, typically reported as the annual rate of change in the real GDP.
Economic growth is primarily driven by improvement in productivity, which involves producing more goods and services with the same inputs of labour, capital, energy and material (Wikipedia).

Impact of Capital ***Market on the economic growth of Nigeria***

The Nigerian capital market provides the necessary lubricant that keeps turning the wheel of the economy. It does not only provide the funds required for investment but also efficiently allocates these funds to projects of best returns of funds owners. The market is very vital to the growth and development of any country because it supports the government and corporate initiative, finance the exploitation of new ideas and facilitates the management of financial risk.

Empirical Reviews

Ewah et al; (2009) appraise the impact of capital efficiency on the economic growth of Nigeria using time series data from 1963 to 20004. They found that the capital market in Nigeria has the potential of growth including but it has not contributed meaningfully to the economic growth of Nigeria because of low market capitalization, low absorptive capitalization, illiquidity, misappropriation of funds among others.
Ewah, et al (2009) appraised the impact of the Nigeria capital market efficiency on the economic growth of the nation using time series data from 1961 to 2004. They found that the capital market in Nigeria has the potential of growth-inducing but it has not contributed meaningfully to the economic growth of Nigeria because of low market capitalization, illiquidity, misappropriation of funds among others.

Ezeoha, et al (2009) investigated the nature of the relationship that exists between stock market development and the level of investment flows in

Nigeria. The study discovered that stock market development promotes modestly private investment flows in Nigeria. The study discovered that stock market development promotes domestic private investment flows, thus suggesting the enhancement of the economy's production capacity as well as the promotion of the growth of natural output. However, the results show the stock development has not been able to encourage the flow of foreign private investment in Nigeria.

Afees and Kazeem (2010) critically and empirically examined the causal linkage between the stock market and economic growth in Nigeria between 1970 and 2004. The indicator of the stock market development used are market capitalization ratio, total value treaded ration and turnover ratio while the growth rate of gross domestic product is used as a proxy for economic growth, using the Granger causality (GC) test, the empirical evidence obtained from the estimation process suggests a bidirectional causality between turnover ratio and economic growth uni-directional relationship from market capitalization to economic growth and no causal linkage between total value traded. The result of the causality test is sensitive to the choice of the variable used as a proxy for the stock (capital) market. Overall, the result of the G.C. test suggested that the capital market drive economic growth.

METHODOLOGY

This study is a survey. The objective of the survey is to obtain essential information and insight into the association, correlation and relationship's that exist between variables. The population of 129 for this study comprises ofthe operators of the Nigeria stock exchange, Onitsha, Anambra State Nigeria, the supervisory and regulatory authorities (CBN and NDIC) that issues monetary policies for the industry and regulate the operations of the industry. A sample size of 96 was determined using Taro Yamani’s sample size determination formula and aStratified sampling technique was adopted respondents were selected randomly for the study.The data collected were analyzed using descriptive statistics at the appropriate level of confidence (0.05). A Likert scales technique was used in analyzing the data.

Data Analysis ***derived from respondents***

Table 1: Market capitalization, government development stock and interest rate are important capital market variable that is capable of influencing economic growth in Nigeria.

Response	**No. of respondents**	**%**
Strongly agreed	18	20.8
Agree	29	51.0
Indifferent	2	2.1
Disagree	26	14.6
Strongly disagree	21	11.5
Total	96	100

Source: fieldwork Analysis

18 respondents are of opinion that market capitalization, government development stock and interest rate are important capital market variables that are capable of influencing economic growth in Nigeria,29 respondents

strongly agree,29 agree 2 respondents were indifferent,26 respondents disagree were 21 respondents strongly disagree.

Table 2: Interest rate act as a function of what happened in the capital market.

Response	No. of respondents	%
Strongly agree	30	31.3
Agree	46	47.9
Indifferent	5	5.2
Disagree	8	8.3
Strongly disagree	7	7.3
Total	96	100

Source:fieldwork**, Analysis**

Majority of the respondents think that interest rate acts are a function of what happened in the capital market.30 respondents strongly agree,46 agreed,5 respondents were indifferent,8 respondents disagree while 7 respondents strongly disagree

Table 3: The capital market has contributed effectively and efficiently to economic growth in Nigeria

Response	No. of respondents	%
Strongly agree	20	20.8
Agree	49	51.0
Indifferent	2	2.1
Disagree	14	14.6
Strongly disagree	11	11.5
Total	96	100

Source: fieldwork**, Analysis**

Majority of the respondents think that the capital market has continued effectively and efficiently to economic growth in Nigeria.20 respondents strongly agree,49 agree,2 respondents were indifferent,14 respondent disagree while 11 respondents strongly disagree.

Table 4: Nigeria economy has a low absorptive capacity that stimulates economic growth and development.

Response	No. of respondents	%
Strongly agree	27	28.1
Agree	35	36.5
Indifferent	8	8.3
Disagree	19	19.8
Strongly disagree	7	7.3
Total	96	100

Source: Field **survey Analysis**

From the above table 4, 27 respondents strongly believe that Nigeria economic has a low absorptive capacity that stimulates economic growth and development,35 agree,8 respondents were indifferent,19 respondent disagree while 7 respondents strongly disagree.

Table 5: The Nigeria capital market is adequate.

Response	**No. of respondents**	**%**
Strongly agree	17	17.7
Agree	22	22.9
Indifferent	18	18.8
Disagree	29	30.2
Strongly disagree	10	10.4
Total	96	100

Source: Field **Survey, Analysis**

17 respondents strongly agree to the statement that the deficit unit in the economy has been able to raise fund through the capital market,22 agree,18 respondents were indifferent;29 respondents disagree while 10 respondent strongly disagree

Table 6: Money supply and total transaction in stock are potential growth indifferent macro-economic variables that are capable of enhancing economic growth in Nigeria.

Response	**No. of respondents**	**%**
Strongly agree	20	20.8
Agree	49	51.0
Indifferent	2	2.1
Disagree	14	14.6
Strongly disagree	11	11.5
total	96	100

Source: Field **survey Analysis**

20 respondents strongly agree that money supply and total transaction in stock are potential growth-inducing macro-economic variables that are capable of enhancing economic growth in Nigeria while 49 respondents agree;2 respondents were indifferent,14 disagree while 11 respondents strongly disagree, that employee creativity and performance is dependent on comfort level.

Table 7: The inherent risks and default rate of borrowers in repayment affect the critical markets, credit borrowers.

Response	**No. of respondents**	**%**
Strongly agree	36	37.5
Agree	24	25.0
Indifferent	14	14.6
Disagree	12	12.5
Strongly disagree	10	10.4
total	96	100

Source: Fieldwork **Analysis**

17 respondents strongly agree to the statement that the deficit unit in the economy has been able to raise fund through the capital market,22 agree,18 respondents were indifferent,29 respondents disagree while 10 respondents strongly disagree.

Table 8: Money supply and total transaction in stock are potential growth indifferent macro-economic variable that is capable of enhancing economic growth in Nigeria.

Response	**No. of respondents**	**%**
Strongly agree	20	20.8
Agree	49	51.0
Indifferent	2	2.1
Disagree	14	14.6
Strongly disagree	11	11.5
total	96	100

Source: Field **survey Analysis**

20 respondents strongly agree that money supply and total transaction in stock are potential growth-inducing macro-economic variables that are capable of enhancing economic growth in Nigeria while 49 respondents agree,2 respondents were indifferent,14 respondents disagree while 11 respondents strongly disagree, that employee creativity and performance is dependent on comfort level.

Table.9: The inherent risk and default rate of borrowers in replacement affect the capital markets credit to borrowers.

Response	**No.of respondents**	**%**
Strongly agree	36	37.5
Agree	24	25.0
Indifferent	14	14.6
Disagree	12	12.5
Strongly disagree	10	10.4
total	96	100

Source: Fieldwork Analysis

36 respondents responding 37.5% of the entire respondents strongly agree that the inherent risks and default rate of borrowers in repayment affect the capital market credit to borrowers whiles 24 respondents (25.0%) agree,14 respondents were indifferent, 12 respondents agree while 10 respondents representing 10.4% of the entire respondents strongly disagree that the inherent risks and default rate of borrowers in repayment affect the capital market. Based on the above, table 9 above, it is generally believed by 76% of the respondents that the inherent risks and default rate of borrowers in repayment affect the capital markets credit to borrowers compared with their counterparts with 24% who are of a different opinion.

Test of ***hypotheses***

Below are the tables of hypotheses 1 and 2 and the analysis after the decision rule.

Decision ***rule***

Rule1: The null hypothesis (H_0) is accepted if the calculated valve (CV) is not equal or less than the critical/tabulated valve (CV) otherwise the alternative hypothesis is (H_1) is accepted.

Rule 11: The null hypothesis is rejected if the calculated valve (CV) is equal or exceeds the critical/tabulated value (TV) otherwise the alternative hypotheses (H_1) is rejected.

Decision
From the above, the calculated chi-square value is 66.60 which is greater than critical blue of chi-square(X2) in the table (9.49) at 0.05% level of significance and 4 degrees of freedom. Followingthis, we reject the null hypothesis ($H_0$1) and accept the alternative hypothesis that the capital market has contributed effectively and efficiently to economic growth in Nigeria.

Tables 2B

Response	**f0**	**fe**	**(fo-fe)**	**(fo-fe)2**	**(fo-fe)2/fe**
SA	17	19.2	-2.2	4.84	0.2
A	22	19.2	2.8	7.84	0.41
Indifferent	18	19.2	-1.2	1.44	0.08
B	29	19.2	9.8	98.04	5.00
SD	10	19.2	-9.2	84.64	4.41
	96				10.15

Source: Field survey **Analysis**
Calculated X2 =10.15, Table X2 =9.49, and Degree of freedom=(5-1)=4
Level of significance =0.05

Decision
Size the calculated chi-square (X2) valve of 10.15 is greater than the table chi-square valves of 9.46 at an alpha level of 0.05 and degree of freedom 4-we, therefore, reject the null hypothesis (Ho2) and accept the alternate hypothesis which states that the unit in the economy has been able to raise fund through the capital market.

DISCUSSIONS

The findings revealed that the capital market has contributed efficiently and effectively to the economic growth in Nigeria. The deficit unit in the economy has been able to raise fund through the capital market. The research study shows that the Nigerian capital market and economic growth are co-related. This implies that a long-run relationship exists between capital market and economic growth in Nigeria. This is a clear indication of the relative positive impact the capital market play on the economic growth of the country. Also, the activities in the capital market tend to impact positively on the economy. The capital market in Nigeria has the potentials of growth-inducing, but it has not contributed meaningfully to the economic growth of Nigeria. This is as a result of low market capitalization, low absorptive capitalization, illiquidity, misappropriation of funds among others and is in line with Obamiro (2005) who investigated the role of the Nigeria stock market in the light of economic growth and Afees and Kazeem (2010) critically and empirically examined the causal linkage between the stock market and economic growth in Nigeria between 1970 and 2004.

CONCLUSION

This study reveals that there is a linkage between capital market efficiency and economic growth and development, vis-à-vis market capitalization, money supply, total transactions in stock, government development, stock and interest rate. As it can be observed market capitalization, government development stock and interstate are important capital market variables of influencing economic growth in Nigeria. This is because a large capital market widens the prospect for growth and also government development stock if well invested and not misappropriated to less attractive sectors that do not have the potentials of growth inducement. Furthermore, interest rate acts as a function of what happens in the capital market. Likewise, money supply and total transactions in stock are potential growth-inducing macro-economic variables that are capable of enhancing economic growth in Nigeria. But the study clearly shows that Nigeriaeconomy has the low absorptive capacity, that is financial capital cannot be absorbed productively to stimulate economic growth and development, moreover, the market is characterized by illiquidity and excessive government regulations.

RECOMMENDATIONS

1. The regulatory authority should initiate policies that would encourage more companies to access the market and also be more proactive in their surveillance role to check sharp practices which undermine market integrity and erode investors' confidence.
2. The private sectors should be encouraged to invest in the capital market. This can be done through educating and enlightening the public, using knowledge people and expert or professionals that are competent in stock market dealing.
3. The illiquidity status of the capital market should be improved to make it more viable for investors to invest and such overtures can contribute to economic growth. This can be achieved through a complete reversal of the ownership structure.

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