THE IMPACT OF THE STOCK MARKET ON ECONOMIC GROWTH IN NIGERIA

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Abstract

This study examined the impact of the Stock Market on Economic Growth in Nigeria, with a particular focus on major economic parameters and indices as measurement of growth. The study highlighted the impact of domestic participation in facilitating economic growth and development through the provision of capital for listed companies for business purposes. Objectives of the study and its significance have been highlighted, and the testable hypotheses were all focused on the relationship between the Nigerian Stock market and the Nigerian economy. The study used ordinary least squares (OLS) to examine the impact of the stock market on economic growth in Nigeria. The findings showed that domestic participation in the Nigerian stock exchange operations has a significant impact on economic growth in Nigeria (P= 0.000 <0.05 In addition, there existed a long-run relationship between NSE operations and economic growth of Nigeria (F-stat, 8.135034 greater than the critical value of the upper bound at all the levels of significance). The study concluded that the Stock market is a barometer for measuring the Nigeria economic growth. The study recommended also that the government must steadfastly tackle inhibiting factors such as infrastructural inadequacy and weak institutional and regulatory framework encumbering the stock market from realizing its objective of capital mobilization for economic growth.

Keywords: ARDL Bound Test**,** Domestic participation, Economic Growth, Ordinary Least Square (OLS) stock exchange, Stock Market.

1.1 Introduction

Investments in specific markets play a significant role in determining economic growth and development. Therefore, the government and relevant economic authorities must establish the necessary frameworks for financial investment for an economy to generate and sustain a significant increase in its Gross Domestic Product (GDP), which will in turn foster economic development (Osakwe & Ananwude, 2017). The creation of the money and capital markets was required to increase the degree of financial investment in the Nigerian economy.

While money markets are an unorganized portion of the financial markets, which comprise banks and

financial institutions, capital markets are a subset of financial markets that permit long-term trading of debt- and equity-backed securities. Compared to money markets, capital markets provide riskier investments (Popoola *et al.,* 2017). Because of the contrast between both marketplaces, economic agents can now raise money in the short- and long terms, respectively.

Additionally, the capital market is a location where equity capital and long-term development capital for infrastructure projects are provided for economic benefits; these projects are funded through bonds and asset-backed securities for long-term sustainable investment growth and development (Onuoha *et al.,* 2021). The growth of the capital market continues to be a goal for a country's economy and financial system since it has a favorable impact on these systems' development and offers numerous benefits (Spri & Wilson, 2007; Imade, 2021).

Many investors believe that the Central Bank of Nigeria's successful recapitalisation of Nigerian banks in 2005 improved the performance of the Nigerian Stock Exchange due to the high number of listings, transactions, and foreign investment inflow that resulted in higher economic growth (Onuoha *et al*., 2021). The United States was the source of the 2008 global financial crisis, which affected many different capital markets throughout the world. The performance of the Nigerian capital market was impacted by the collapse, which resulted in the loss of capital assets and investments owing to the worldwide meltdown (Njiforti, 2015).

Arumona *et al*. (2020) argue that the recent financial crisis influenced the financial system and necessitated further research into the pattern. Due to unresolved problems in this field of study, several studies on finance and growth carried out in developing nations showed discrepant findings (Abubakar & Kassim, 2021). A stock market gives domestic and international investors a means of profitably and efficiently transferring ownership of long-term securities to those who want it (Nwaolisa & Chijindu, 2016).

According to Ezeoha, *et al* (2020), the Nigerian stock exchange began as the Lagos Stock Exchange with just 19 instruments, including 3 stocks, 6 federal government bonds, and 10 industrial loans. According to the review report for 2017, the market capitalisation of fixed income rose by 11.75% to N10.17 trillion from N9.10 trillion in 2017. Nigeria Stock Exchange, 2018, which reviewed the market's performance in the second quarter of 2018, noted that "the NSE equity market started the year on a high, with the All-Share Index (ASI) hitting 45,092.83 in January. This was prompted by ASI's strong performance in 2017, but before the second quarter ended, the ASI and equity market capitalisation declined by 17.81% and 13.87%, respectively, to conclude at N31,430.50 and N11.73 trillion. According to the most recent monthly data, equity capitalisation increased from N27.210 trillion to N27.479 trillion between May 2020 and June 2020 (CEIC, 2020). Therefore, the study analyse the impact of domestic participation in the Nigerian stock exchange operations on economic growth in Nigeria spanning from 1992-2021.

1.2 Research Hypotheses

The following are the hypotheses formulated by the researcher for this study

H_{01}: Domestic participation in the Nigerian stock exchange operations has no significant impact on economic growth in Nigeria.

H_{02}: A long-run relationship does not exist between NSE operations economic growth of Nigeria.

2. Review of Related Literature

2.1 Development of the Nigerian Stock Market

Owusu (2016) provides a comprehensive history of the growth of the Nigerian stock market. Originally founded in 1960 as the Lagos Stock Exchange, Nigeria's financial marketplace underwent a name change to the Nigerian Stock Exchange in 1977. While the headquarters are still located in Lagos, each of the four branches in Kano and Kaduna; in Lagos and Ibadan; and Port Harcourt and Onitsha have its trading floor. The Nigeria capital market has grown to be capable of providing facilities with both to the private and public sectors to raise long-term capital used in executing development programmes as well as finance the expansion and modernization of projects (Taiwo *et.al* 2016). Nigeria's market capitalization accounted for 35.534 USD bn in Nov 2024, compared with a percentage of 35.433 USD bn in the previous month, The data reached an all-time high of 107.527 USD bn in Feb 2008 and a record low of 1.432 USD bn in Feb 1989, however, market capitalization has grown substantially.

According to Owusu (2016), this was made possible by the early indigenization of the Exchange's credit base, which resulted in massive investments in the loan stock offerings of 1961 and 1962. The Tax Management Act of 1961 should also be credited with helping to increase market capitalization. The law required that at least 35% of the assets of all pension and provident funds in Nigeria be invested in government stock. This act as repealed in 2003 emphasises that no insurer shall, in respect of its general insurance business, invest more than 25 per cent of its assets as defined in subsection (1) of this section in real property; or in the contract of its life insurance business, invest more than 35 per cent of its assets as defined in subsection (1) of this section in real property. Any contravention attracts a fine of ₦50,000 (Insurance Act, 2003).

2.2 The Stock Market's Importance to Nigeria's Economy

The Nigerian Exchange group, as claimed by Timothy's (2015)'s research, serves the following functions for the Nigerian economy. Firstly, it serves as a venue for attracting long-term financing to finance the development and modernization of businesses and public sector investment projects. Secondly, it also fosters and finances small and medium-sized businesses through its secondary securities market and it is also a mechanism for dividing up the country's tangible and monetary assets across various sectors and businesses.

Furthermore, Timothy (2015) emphasizes that the Stock Exchange allows for the quick and easy exchange of investments for cash. It also explains further that it is a useful early indicator of economic growth and a gauge of consumer sentiment. In addition, the Stock Exchange helps industrial managers estimate the cost of capital, which is useful information for deciding how much and how quickly to spend on new projects. It also facilitates the privatization of national wealth and thus the distribution of ownership across the country and it often guarantees the company's continued operation following the death of its founders.

2.3 Roles Played by the Stock Exchange

According to Reyazuddin (2020), the Stock Exchange has a responsibility to promote fair and transparent pricing of securities by ensuring that all interested market players have immediate access to

data for all buy and sell orders, based on the standard rules of demand and supply. In addition, it needs to efficiently pair together orders to buy and sell. If there are three buyers with orders to purchase Microsoft shares at $100, $105, and $110, and four sellers with offers to sell at $110, $112, $115, and $120, then the price at which the shares can be exchanged will be $110. The exchange is responsible for ensuring that the best buy and best sale prices, in this case, $110 for the quantity traded, are matched through their computer-operated automated trading systems.

Furthermore, stock markets require an effective system for price discovery, which is the process of determining the correct price of a share. This is often done by analyzing supply and demand in the market and other aspects related to the transactions taking place. Let's pretend the market value of a U.S. software firm is $5 billion, and that its share price is $100. A report states that the corporation has been fined $2 billion by the EU regulator, which may wipe off as much as 40 per cent of the company's value. The stock market may have set a trading price range of $90 to $110 for the company's shares, but it should adjust this range quickly if the share price fluctuates, or else investors may have trouble making a profit.

2.4 Economic Growth

Economic growth is the expansion of the economy within an economic cycle. The growth of the economy is usually measured by GDP. It is an increase in the production of economic goods and services, compared from one period to another. The Gross Domestic Product measures the monetary value of final goods and services that are bought by the final user produced in a country in a given period (say a quarter or a year). It counts all the output generated within the borders of a country.

GDP is composed of goods and services produced for sale in the market and includes some nonmarket production, such as defence or education services provided by the government. Gross domestic product (GDP) is the standard unadjusted or current prices of GDP while real GDP has been adjusted for inflation (CBN, 2016; Bello *et al*., 2019). Nominal GDP is the normal unadjusted or current prices GDP. Real GDP is the GDP adjusted for inflation.

Investment ratio, human capital, research and development, and many other factors can affect economic growth, which is measured by an increase in real GDP (Reza *et al.,* 2018). Gross domestic product (GDP) is a measure of an economy's size that is calculated by adding up the prices of all final goods and services produced over a given period (CBN, 2016; Grib, 2020). Recent globalization tendencies have shifted the focus away from production and income distribution and toward questions of economic sustainability (Van-Niekerk, 2020).

2.5 Theoretical Framework

Theory of the Efficient Market

All areas of the financial sector revolve around the theoretical framework of efficiency. Any of the three categories is included in this definition. Effectiveness in operations, resource use, and cost pricing. However, the Efficient Market Hypothesis (EMH) provides a compelling theoretical explanation of the connection between the capital market and economic growth. According to Fama (1965), as referenced

by Osakwe et al. (2020), the Efficient Market Hypothesis is an academic concept that offers a framework for investigating the efficacy of the capital market. All relevant information is immediately and fully reflected in a security's market price, according to the EMH, which states that financial markets are efficient (Olawoye, 2011). This means that the prices at which assets are traded are objective since they reflect the aggregate beliefs of all investors regarding prospects. Long-term reliance on equity returns has been used in previous tests of the EMH. This demonstrates that using historical data has been shown to enhance prediction quality. Long-term reliance on equity returns has been used in previous tests of the EMH. This demonstrates that using historical data has been shown to enhance prediction quality. In most poor countries, this claim disproves the EMH. Mecagni and Sourial (1999) used Egyptian data and the GARCH estimation approach to debunking the efficient market hypothesis for four widely followed stock market indices. Using data from Ghana, Osei (2002) investigated the dynamics of asset pricing and the market's reaction to earnings announcements. Regarding annual profits, he discovered that abnormal and cumulative returns of chosen stocks were inefficient. Using data from 1981–1992, Olowe (1999) used correlation analysis to demonstrate the inefficiency of the Nigerian stock market. Based on the findings of this study, we may conclude that stock market efficiency exists and that stock market movements strongly reflect economic growth in any country with a reasonably managed national stock market, such as Nigeria.

2.6 Empirical Review

Using data from 2000-2018, Osakwe, *et al* (2020) compared the impact of stock market capitalization on economic growth in Nigeria and South Africa. Time series OLS regression was used to examine the data in this study. The research showed that a high ratio of market capitalization to GDP was positively correlated with economic growth in South Africa but had no discernible effect in Nigeria. Capasso (2014) analyzes a sample of 24 OECD and emerging economies to examine the connection between stock market growth and GDP expansion from 1988 to 2012. The Kingdom of Morocco. Conclusions drawn from the data demonstrate that the emergence and development of stock markets are typically tied to economies reaching a decent size and a high degree of capital *accumulation*.

The impact of Nigeria's capital market on GDP expansion was studied by Iyke-Ofoedu *et al.* (2022). They used a quasi-experimental research methodology that looked at the relationship between independent and dependent variables after the event. We used linear regression analysis and the ARDL model estimation approach. Market capitalization, the All-Share Index, and the Volume of Stock Traded were found to be significant independent variables in explaining and predicting economic growth in Nigeria. Based on the data, it was determined that all three factors significantly affected the impact of Nigeria's capital market performance on GDP growth.

Interest rate and market capitalisation are two variables that Elumilade and Asaolue (2016) analyzed. Regression analysis was applied to time series data from the Nigerian Central Bank and the Nigerian Stock Exchange spanning the years 1981 to 2010. Ordinary least squares (OLS) regression was used to fit the data to the equation. According to the data, the stock market capitalization rate is positively affected by the current interest rate. The stock market capitalization rate is negatively affected by the government development stock rate, and the government development stock rate is negatively affected by the current interest rate. The research also highlighted the significance of data to the growth of the

capital market. To keep investors informed of the latest developments in the Nigerian capital market, it was suggested that the market's operators increase the degree of awareness.

Akinmade, *et al* (2020) conduct an empirical investigation of the effects of stock market manipulation on the Nigerian Stock Exchange. Market microstructure analysis, the event study method, and the Error Correction Model are used to comprehend the effects of different manipulation strategies on market metrics. Genuine traders are driven out of the market because of the discovery of market manipulation, which distorts efficiency measurements such as market capitalization, value traded ratio, and the All-Share Index. Negative effects surface in the post-manipulation era because of the massive selling off of stocks and the accompanying increase in financial risk. In a nutshell, manipulative trading has a detrimental impact on economic indicators like GDP.

The impact of the Nigerian Stock Exchange on Economic Growth in Nigeria: Perspectives, 1990–2015 was studied by Eze *et. al.* (2020). The Autoregressive Distributed Lag Model (ARDL) and ARDL bounds test) ADF unit root test was used to test the stationarity of time series variables, and the data included annual measurements of real GDP (RGDP), domestic participation (DOP), listed domestic companies (LDC), stock market turnover ratio (TOR), and the value of shares traded to GDP ratio (VST). All variables were integrated starting with the first difference and the level. Short-run dynamics between variables were estimated using the ARDL approach, and the ARDL limits test for cointegration was implemented. The findings demonstrated the existence of a long-term connection between the factors. The lnRGDP was significantly and negatively impacted by LDC. The significance level was 0.0459 in the second lag. The positive coefficient displayed by VST as a function of lnRGDP represents that the active participation of Nigerian investors in the Nigerian stock exchange can have a positive effect on the economic growth and development of the country, with a p-value of 0.0334. In contrast, TOR had a Negative and significant effect on lnRGDP, with a p-value of 0.0296.

Using the cointegration econometric method and the error correction model for data analysis, Imade (2021) looked at the relationship between capital market performance and economic growth in Nigeria and the United States of America from 1990 to 2017. According to the findings, only gross fixed capital formation significantly affected Nigeria's economic growth over both the short and long term. It was suggested that the government should intervene to control the capital market and its participants. Time series data gathered annually for quantitative analysis were employed in this investigation, even though fewer than 30 observations were available.

In another study, Tan and Shafi (2021) analyzed quarterly data on economic growth in Malaysia from the first quarter of 1998 to the fourth quarter of 2018. Per capita, real GDP was used to gauge economic expansion, whereas conventional Sukuk bonds, stock market capitalisation, total stock market turnover, real savings, and employment growth served as surrogates for the independent variable. Using the Autoregressive distributed lag cointegration bounds test, we find that most capital market variables are in long-run equilibrium with GDP growth. The research was quantitative and based on quarterly time series data.

Using data from 1980 to 2012, Nyasha and Odhiambo (2015) analyze the correlation between the growth of South Africa's economy, stock market, and banking sector. To create a multivariate Granger

causality model, the research incorporates savings and investment as random variables. There is a clear short- and long-run unidirectional causal flow from stock market development to economic growth in South Africa, as shown by the empirical results of their analysis using the newly established autoregressive distributed lag (ARDL)-bounds testing approach. The findings also show that in the short run, progress in the stock market is causally linked to progress in the banking sector. However, the study does not uncover a link between banking sector financial development and economic expansion. Therefore, the research finds that the growth of the stock market in South Africa has had a significant impact on the growth of the real sector there.

3. Material and Methods

To achieve the aim of the study, both quantitative and *ex-post facto* research design were adopted. Also, *ex-post facto* research design was employed because the researcher has no intention of manipulating the data already gathered from the original source.

3.1 Sources of Data Collection

The data used in this study is secondary time series data on gross domestic product, volume of deals, market capitalisation, and value of deals will be obtained from the Nigerian Stock Exchange 2022. The data are a time series in nature. A time series analysis will be used to determine how assets, security, or economic variables change over time (Hayes, 2021). The study employs a quantitative research method as secondary data from Nigeria obtained from the Nigerian Stock Exchange.

3.2 Model Specification

This study focuses on the stock market in the Nigerian economy from 1992 to 2021. It is necessary to express the relationship between variables in mathematical form to specify the model with which the economic phenomenon was empirically investigated. Thus, economic growth trend model can be specified in a functional form as:

GDP = f (NDL, VDL, MAC)

In econometric terms, the model is:

$GDP = \beta_0 + \beta_1 NDL_1 + \beta_2 VDL_2 + \beta_3 MAC_3 + e$

Where: GDP = Gross Domestic Product, β_0 = Constant term, NDL = Number of Deals, VDL = Value of Deals, VOS = Value of Shares, MAC = Market Capitalization, $\beta_1 - \beta_3$ = coefficient of independent variables e = error term

3.3 Method of Data Analysis

For this study, the Ordinary Least Square (OLS) method of analysis was used to examine the relationship between economic growth and the stock market in Nigeria. The statistical tool used for this study is E-view10. The technique of estimation includes trend analysis, regression analysis, descriptive statistics, correlation, unit root and co-integration tests. Descriptive statistics were used in describing the nature of the data, while correlation analysis was conducted to ascertain the level and magnitude of relationships amongst the variables.

4. Results and Discussion

The study analyses the data collected, interprets the results of the analysis and discusses the findings. The study adopted the ordinary least square method for estimating the data since the nature of the data is a time series, which is equally good for forecasting and knowing the effect of each of the parameters in the linear regression model.

4.1 Descriptive Statistics

The study used descriptive statistics as mean, median, minimum, maximum, standard deviation, skewness, kurtosis and Jarque-Bera probability.

Table 4.1: Descriptive Statistics

Statistic	GDP	NDL	MAC	VDL
Mean	50486.19	21516.41	9944.234	582.0390
Median	30828.93	23413.14	6075.870	524.0350
Maximum	173527.7	50424.70	42054.50	2350.880
Minimum	909.8000	931.0200	31.20000	0.490000
Std. Dev.	52263.31	14450.29	11548.47	602.5367
Skewness	0.875962	0.188405	1.233017	0.948427
Kurtosis	2.548861	2.046152	3.928152	3.561665
Jarque-Bera	4.090958	1.314765	8.678493	4.891906
Probability	0.129318	0.518206	0.013046	0.086644
Sum	1514586.0	645492.4	298327.0	17461.17
Sum Sq. Dev.	7.92E+10	6.06E+09	3.87E+09	10528462
Observations	30	30	30	30

Source: Author's Computation (2023)

Table 4.1 presents the descriptive statistic extract from the analysis carried out by the researcher with the following interpretation: **Mean:** This measures the average value of the series. The average value of GDP is 50486.19 billion while number of deals and value of deals showed 21516.41 billion and 582.0390 billion respectively. Market capitalization had an average value of 9944.234 billion for the periods between 1992 and 2021. **Maximum and Minimum:** The highest value of GDP for the period between 1992 and 2021 was 173527.7 billion and has lowest value of 909.8000 billion number of deals and value of deal were 2522.470 billion and 39.76000billion, and 9145.160billion and 53.03000 billion respectively.

Skewness: It measures the asymmetry of the distribution of the series around its mean. Positive skewness means that the distribution has a long right tail, and negative skewness implies that the distribution has a long-left tail. The skewness of a normal distribution is zero. It could be deduced from the above descriptive statistics that all the series are positively skewed. It can therefore be concluded that the distribution has a long-right tale.

Kurtosis: It measures the peakedness or flatness of the distribution of the series. For kurtosis, the normal distribution is 3, but if it exceeds this value, the distribution is assumed to be peaked (leptokurtic) relative to the normal, but if it is less than 3, the distribution is flat (platykurtic) relative to the normal. The result of the descriptive state shows that market capitalization and value of deals series are peaked relative to the normal except for GDP and the number of deals whose value is below 3 i.e., flat relative to the normal.

Jarque-Bera: This is a test statistic for normal distribution. The null hypothesis for the test is that the series is normally distributed. Note that there are three conventional levels of statistical significance in econometrics namely (0.01), (0.05) and (0.10). Therefore, if the computed probability value for the test is greater than 0.05, do not reject the null hypothesis. If otherwise, we reject it. From the descriptive statistics table, GDP and several deals are normally distributed. Because the results of their p-values of the series are greater than the level of significance, 0.05. However, the series of market capitalisation and value of deals are not normally distributed. Because their p-values are less than the level of significance, 0.05 and 0.10. **Observations:** The total observations of each variable under review were 30 years. Alternatively, the periods of study were between 1992 and 2021 (30 years).

Graphical Analyses

Figure 4.1: Trend Analysis of Number of Deals

Source: CBN Statistical Bulletin

Figure 4.1 shows the number of deals that occurred between 1992 and 2021. The graph revealed that the

stock exchange received a higher number of deals from 1992 to 2008. However, there was a drastic reduction in the number of deals happened in 2009. Furthermore, a rise in trading at the stock exchange has not been stable between 2010 and 2021.

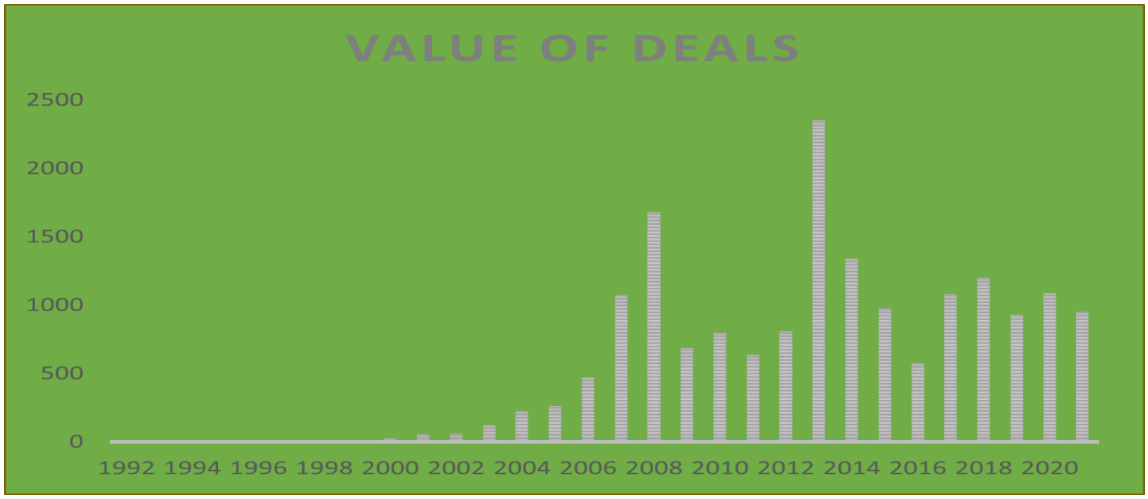

Figure 4.2: Trend Analysis of Value of Deals

Source: CBN Statistical Bulletin

Figure 4.2 reveals the value of deals which were traded during the periods between 1992 and 2021. The value of deals showed a steady increase from 2000 till 2009 when a sharp decrease occurred from 2009 to 2012. The increase in the number of deals during the mentioned periods could be attached to the stabilized economy due to better exchange rates, low inflation, and low interest, which encourage purchasing power and an increase in investment. However, a sudden rise in the value of deals happened in 2013 before it started fluctuating till 2021. This could be attributed to different happenings in Nigeria, ranging from kidnapping to national protests and other historical events.

4.2 Unit Root

The Unit root test is conducted to determine the order of integration of the variables used in the study through the application of the Augmented Dickey-Fuller (ADF) unit root test. The results of the ADF test are shown in Table 4.2 below.

Table 4.2: Unit Root Test

Variables	T-Statistic	Critical Value1%	Critical Value5%	Critical Value10%	Prob.	Order of Integration
LGDP	-7.156093	-4.339330	-3.587527	-3.587527	0.0000	I (2)
LNDL	-3.001152	-3.679322	-2.967767	-2.622989	0.0466	I (0)

LMAC	-4.486708	-4.323979	-3.580623	-3.225334	0.0069	I (1)
LVAD	-5.505102	-4.323979	-3.580623	-3.225334	0.0006	I (0)

Source: Author's Computation (2023)

The output of the unit root test showed that gross domestic product was significant at all levels of significance and achieved stationery at second differencing. Thus, the variable was integrated of order two (i.e., I (2) variable). In contrast, all share index and market capital were significant at 5% and 1% respectively but were found stationary at level. Thus, the variable was integrated of order zero (i.e., I (0) variables). GDP was found significant at 1% and achieved stationarity at the second difference. Having all the variables stationery at different levels, it is therefore important to conduct the co-integration test to determine if there will be a long run or short run among the variables.

Table 4.3: ARDL Bound Test

F-Bounds Test		Null Hypothesis: No levels of relationship		
Test Statistic	Value	Signif.	I(0)	I(1)
			Asymptotic: n=1000	
F-statistic	8.135034	10%	2.37	3.2
K	3	5%	2.79	3.67
		2.5%	3.15	4.08
		1%	3.65	4.66

Source: Author's Computation (2023)

The decision rule is to reject the null hypothesis if the F-stat is greater than the critical value of the upper bound. If F-stat is however lesser than the critical value of the lower bound, the null hypothesis will not be rejected. If the calculated F-stat falls between the lower and the upper bound, the test will be considered inconclusive. From the test of the ARDL bound in Table 5, the calculated F-stat, 8.135034, is greater than the critical value of the upper bound at all levels of significance. Hence, the series are co-integrated (i.e., have a long-term relationship). To this end, both long run and short run are valid for further analysis.

Table 4.4: OLS Regression

Variable	**Coefficient**	**Std. Error**	**t-Statistic**	**Prob.**
C	6.371855	1.188740	5.360174	0.0000
LNDL	-0.310965	0.149688	-2.077422	0.0478
LVDL	0.044125	0.086816	0.508257	0.6156
LMAC	0.810976	0.066307	12.23064	0.0000
R-squared	0.987850	Mean dependent var		9.981101
Adjusted R-squared	0.986448	S.D. dependent var		1.576605
S.E. of regression	0.183538	Akaike info criterion		-0.429226
Sum squared resid	0.875840	Schwarz criterion		-0.242400

Log likelihood	10.43839	Hannan-Quinn criter.	-0.369459
F-statistic	704.6316	Durbin-Watson stat	1.100203
Prob(F-statistic)	0.000000		

Source: Author's Computation (2023)

LGDP = 6.371855 - 0.310965NDL + 0.044125VDL + 0.810976LMAC

The coefficient of the capital number of deals, value of deals and market capitalisation is - 0.310965, 0.044125, and 0.810976 respectively. The result indicates that every 1 unit increase in the number of deals will lead to a 0.31-unit reduction in GDP. In addition, every 1 unit increase in the value of deals and market capitalization will lead to 0.04 units and 0.81 units increase in GDP. R-squared statistics show that explanatory variables in the model (NDL, VDL & MAC) account for about 98.8 per cent of the variation in the dependent variable (GDP). Thus, the explanatory power of the model is high and appears to suggest that the included variables are good predictors of GDP. The high percentage of R-squared can be further explained through adjusted R^2. The adjusted R^2, 98.6 per cent being very close to R-squared, implies that there are fewer penalties for the variables that were not included in the model.

Further, F-statistics show the overall goodness of fit of the model and the joint significance of independent variables on dependent variables. This can be checked by using F-test. If the p-value of F-statistics is less than 0.05, we reject the null hypothesis denoted by H_0 and accept the alternative hypothesis denoted by H_1. If the p-value is greater than 0.05, we accept the null hypothesis and reject the alternative hypothesis. From the above results, F-statistics are 0.000000 which is less than a 0.05, level of significance. Thereby, the null hypothesis (H_0) will be rejected, and we accept the alternative hypothesis (H_1). F-statistics being significant implies that the overall goodness of fit of the model is satisfactory. In addition, the p-value of market capitalization is 0.0000 and the level of significance is 0.05. Based on this result (0.0000<0.05), as per the decision rule, the null hypothesis will be rejected. It is therefore concluded that domestic participation has a significant impact on the economic growth of Nigeria.

4.3 Discussion of Findings

This study examined the impact of the stock market on the growth of the Nigerian economy. Ceteris paribus, findings have suggested that Nigerian stock exchange operations significantly impact Nigeria's economic growth. The positive impact was shown through the value of deals and the number of deals made by domestic firms. Although, the value of deals was statistically insignificant but contributed positively to the gross domestic product which proxies economic growth. The findings related to the results obtained by Algaeed (2021).

On the other hand, the number of deals was significant but found to have a negative relationship with economic growth. The findings revalidate the assumption of endogenous theory which demonstrated that stock markets contribute to economic growth by allowing agents to diversify their portfolio risk and facilitating smooth ownership transitions for enterprises. The result followed the findings of Eze (2019) and Febriandika, (2024). Furthermore, market capitalization which proxied domestic participation was found significant and contributed positively to the growth of the Nigerian economy. The results of the

regression analysis confirmed the significant and positive relationship. The finding regarding market capitalisation is like that of Iyke-Ofoedu *et al.* (2022) who suggested that market capitalization is a significant variable in explaining and predicting economic growth in Nigeria. The finding was inconsistent with the result from Odo et al. (2017).

5.1 Conclusion

This paper examined the impact of the stock market on economic growth using time series data from 2000 to 2019. The Ordinary Least Square technique was used to assess the stock market's impact on Nigeria's economic growth. The relationship between the stock market and economic growth was found to be positive through the relevant variables used to proxy the stock market. That the stock market promotes economic growth is not in doubt. Specifically, the results showed that the stock market significantly impacts economic growth. In contrast, the stock market (a proxy number of deals) gives a weak negative relationship which is statistically significant. However, the value of deals as one of the independent variables significantly improved economic growth. Although it was not significant, the value of deals has a potential impact on the growth of the Nigerian economy.

5.2 Recommendations

i. The government must steadfastly tackle inhibiting factors such as infrastructural inadequacy and weak institutional and regulatory framework encumbering the stock market from realizing its objective of capital mobilization for economic growth, promoting greater regulation, supervision, and security of the stock market since this is a significant hindrance to investment activity in Nigeria, where there is low investor confidence in the stock market and its ability to safeguard investments. Thus, improving security and regulation procedures will likely stimulate information disclosure and reduce misrepresentation and other financial crimes, leading to improved investor confidence. This will enhance market participation, increase investment and stimulate growth.

ii. Trading systems of the stock market should be improved to enhance stock market operations, allowing stocks to trade more frequently and speeding up the purchase and sale process of stocks, in this way enhancing stock market liquidity and efficiency.

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An Appraisal of Cashless Policy in Nigeria

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Abstract

This study evaluates the cashless policy in Nigeria, focusing on two key objectives: assessing the extent of electronic card transaction usage and determining the impact of the policy on cash transactions. The population studied includes all electronic and cash transactions from 2005 to 2014. Using a deliberate non-random sampling method, the research relies on secondary data sourced from the 2014 Central Bank of Nigeria (CBN) Statistical Bulletin. Time series data on electronic transactions were analysed using Excel tables and charts. The findings reveal a moderate positive correlation between ATM usage and currency outside banks, indicating increased electronic card transaction usage since the policy's implementation. However, contrary to expectations, cash transactions have also risen. The study concludes that while the cashless policy has boosted electronic transactions, its effect on reducing cash transactions remains limited. It is recommended that the government and CBN intensify awareness campaigns on the benefits of a cashless economy and provide the necessary infrastructure to enhance its adoption for economic growth and business development.

Keywords: Cashless, Electronic Banking, Automated Teller Machine, ATM Ratio, Payment Channels

Introduction

Innovation has evolved today's financial system which has developed over several centuries. It started with the barter system and has transitioned through various stages due to limitations associated with the evolving systems (Ajayi & Ojo. 2006). Changes will continue to occur in response to social and technological advancements. Over the course of history, different forms of payment systems have been in existence. At the onset, trade by barter was common, however, the challenges associated with the barter system such as the double coincidence of wants required the introduction of other forms of money. Nevertheless, experts have long predicted the emergence of a possibly superior substitute for cash exchanges, which would invariably foster a cashless society.

Before the introduction of the electronic payment system into the Nigerian banking sector, the armchair era was in existence whereby customers walked into the banking hall to carry out various kinds of transactions. This facilitated long queues and a lot of time-consuming processes. The inconveniences that arise on account of these long queues discourage most customers from carrying out transactions necessitating the need for stakeholders in the financial sector such as Information technology (ICT) experts, entrepreneurs and others to push for the replacement of the conventional physical cash with the

introduction of an efficient and more flexible retail payment solution (Baddeley. 2004).

This led to massive investments in technology to upgrade banking infrastructures to deliver new electronic information-based banking facilities. Services such as online retail banking are making it possible for individuals and corporate bodies to take advantage of new technologies at reasonable costs. The task of migrating to a cashless economy has been on the front line of the nation's economic agenda. Analysts have speculated that to meet the target of being among the leading world economies, the electronic payment system in its entirety must be fully embraced. The Central Bank of Nigeria (CBN) being the top regulatory body of banking activities introduced a reform policy to check or control the increasing domination of cash in the banking sector to enhance the electronic payment system in the economy (Ajayi, 2014)

The 21st Century is a time when people prefer holding money in liquid form than in cash form. But the type of money you handle is becoming a matter of concern as the world economy is gradually and steadily becoming cashless, and the money-spinning us around is increasingly digital and plastic rather than paper and coin. Every week seems to bring new developments from different corners of the globe that indicate the world heading to closer and closer to being *cashless* – a world where all transactions will be conducted without cash.

Recently, the UK government announced that cashless payments have surpassed the use of physical cash for the first time in history. This came after an announcement from the Danish government that business enterprises such as restaurants, retailers and petrol stations will soon stop accepting cash payments. In Sweden, every transaction that takes place across the country is carried out electronically. A Cashless economy is a utopian concept. No true cashless economy exists in the world today. In most Scandinavian cities, public buses no longer accept cash payments, tickets are now prepaid or purchased with a cell phone via SMS. An increasing number of businesses only accept cards, and most bank offices have stopped transacting with cash altogether. In Sweden there are towns and organizations that only accept electronic payments. UK, USA, France, Switzerland, Philippines and Italy; Notes and coins account for less than 1/6 of total money in circulation in Uganda, Zambia and Kenya.

Nigeria has been lagging in the adoption of e-payments and this is a major disadvantage in many respects (Banking and Payments System Department CBN, 2015). Valentine (2012) describes a cashless society as one in which physical cash is not in use, rather all purchases are carried out with credit cards, cheques or direct transfers from one account to the other. In other words, it refers to the extensive application of ICT in the financial sector. 97% of transactions are globally implemented without the exchange of raw cash and this has greatly decreased cost, corruption and money laundering (Valentine, 2012). By concept, the amount of money held or transacted in cash is irrelevant in a cashless economy. All transactions can be executed using USSD banking, E-cheques, Mobile and Internet banking and Bank transfers. A cashless economy comprises of electronic financial systems like E-money, E-finance, E-brokering and E-exchange which all explain how transactions are affected in a cashless economy (Ashike, 2011).

The reverse seems to be the case in Nigeria where most financial transactions are with raw cash. The Central Bank of Nigeria has introduced various monetary policies aimed at strengthening the financial system and cashless policy which guarantees an efficient payment system geared towards achieving the goal of being among the top world economies. The Cashless Policy in Nigeria is designed to enhance