Impact Of Capital Market On Nigeria's Economic Growth

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Abstract—**This research is on the impact of the Nigerian capital market on the Nigerian economy. The study seeks to determine the trend of capital market over the years, examine the relationship between capital market and economic growth, and to proffer recommendations based on the research findings. Therefore, the thesis critically reviewed capital market, performance of the Nigerian Capital Market and Nigeria economic growth. Nigeria stock exchange was incorporated in 1960 and it became operational in 1961 as the Lagos Stock Exchange. It was created as a non-profit organization and stocks/share and bonds are bought and sold at the Lagos Stock Exchange. The stock exchange is a market through which stocks/share and bonds are bought/sold. A company must be listed in the stock exchange before it will be allowed to trade in the market and certain listening requirements are to be met. One of many reasons for poor performance of the markets is because many companies are not quoted on the stock exchange market. For more than 40 years of operation the market have make some successful achievement but also have some shortcomings due to reasons such as ignorance on the part of the market, inadequate facilities; low level of technology etc. However, some findings and recommendations are given in the study that will help the authority and government to improve the operation of the Nigerian Stock Exchange so that it meets international standard by overcoming the current impediment faced by the Stock Exchange Market.**

Keywords— Bonds, Capital Market, Company, Economic Growth, Economic development, Foreign savings, Listing, Security, Primary market, Secondary market, Stock Exchange

I. Introduction

Securities were first floated in Nigeria early as 1946, although there was no systematic and organized capital market with all the attendant institution until the establishment of the Central Bank of Nigeria (CBN) in 1959 and the launching of the Lagos stock exchange in 1961. Before this event, it was difficult for the government to raise fund locally for the sale of stocks. It was difficult to mobilize adequate local savings even though the volume of such savings was increasing. It was still more difficult to provide facilities for the government to sell part of the increasing volume of industrial shares that it was holding through its participation in joint ventures. Because of the establishment of the Central Bank of Nigeria, there came into existence a wide variety of domestic securities such as Bonds, Shares, Development stocks and premium Bonds. These were issues and offered for sale to the public. The central Bank played a vital role in the management and marketing of government securities, sometimes indeed the central bank act as the main holder of such securities when the market become saturated until such securities were sold to the public mostly to those who saves the institution like the personal fund and insurance company.

The capital market contributes to economic growth through the specific services it performs either directly or indirectly. Notable among the functions of the capital market are mobilization of savings, creation of liquidity, risk diversification, improved dissemination and acquisition of information, and enhanced incentive for corporate control. Improving the efficiency and effectiveness of these functions, through prompt delivery of their services can augment the rate of economic growth (Okereke-Onyiuke, 2000; Levine and Zervos, 1996; Obadan, McKinnon, 1973).

The capital market is a subset of the financial system that is involved in the provision of long-term funds for productive use. The capital market drives any economy's economic growth and development because it is necessary for long term growth capital formation (Osaze, 2000) but evidences from past studies have revealed a growing concern and controversies on the role of the capital markets on economic growth and development. While some supported a positive link, some others do not find any empirical evidence to support such conclusion. Nyong (1997) found a negative link but Sudharshan and Rakesh (2011) saw, instead, economic growth playing a role in stock market development.

It will be good to note the for every advantage there most exist a disadvantage so overall even though there exist some lagging in the performance of the markets it will be good to note that the market have made some achievements and success. Thus, results show that a long run relationship exists between capital market (measured by market capitalization, total new issues, value of transactions, and total listed equities and government stocks) and economic growth (proxy by GDP) in Nigeria. The evidences from these studies reveal that the activities of the capital market tend to impact positively on the Nigerian.

A. *Selecting a Template*

The capital market serves as veritable channels to mobilize both domestic and foreign savings for growth and development of the economy of nations all over the world. In 2008 capital market meltdown characterized by the crash of the market capitalization from a high record of N13.5 trillion to less than N4.5 trillion in the corresponding period of 2009 necessitated an investigation by the Nigeria House of Representatives through its committee on Nigerian capital market, of the and this investigation is as the capital market probes. Despite the achievements recorded by the Nigeria capital market in the area of capital formation over the years few or some individuals, corporate bodies and the government are yet to take full advantage of opportunities in the markets because they experience lack of recovery fund. The growth of the capital market in Nigeria is still very small in relation to the size of the economy. CBN (2007) has it that a comparative analysis of equity market capitalization of the Nigerian capital market with some countries in North and South America, Asia, Europe and some African countries shows that the Nigerian market is relatively very small.

B. *Objective of the study*

The objective of this research work is to it examines the impact of capital market on the Nigerian, economy and examine how the stock exchange market has contributed to economic growth. It also aims at studying the objectives of second tier security market (SSM) with a view of assessing their performance.

II. Literature Review

In Nigeria, experience has shown that the revenue generated from taxation and statutory allocation is not enough to finance recurrent and capital expenditure of most state governments of the federation. Therefore, it is necessary for the government to look for other sources of avenue to source funds such as capital market for capital inflow to bridge their growth gaps. For economic growth and development of any economy, the existence of a good financial system is needed or necessary

The capital market has a long time history in contributing to growth and development of countries all over the world irrespective of their economic or political policies. International difference in perception and attitude towards risk and uncertainty are different from one country to another in economic management and control. The key motive of every country is achieving sustainable growth and development. All this among others led to the establishment of capital market, Securities and Exchange Commission, finance houses etc. According to Oyindo (1994), financial market is a complex of institutional arrangements that facilitates the intermediation of funds in an economy. Onyike (1984) define financial markets as the market consisting of the money and capital market with the money market catering for short term and medium term funds needed, while the capital market cater for long term funds needs but with its activities revolver round stock exchange.

Spreacher (1987) asserted that the financial market consist of both the money and capital market and refer to the financial market as the securities market. Unlike the earlier Keynesian liquidity preference theory, this work recognizes the part of intermediation of credit creation both borrowed over investors in their reconsidered theory of banking, they elaborated upon the roles of financial intermediate in saving and investor process for development. They argued that the growth of financial asset institutions and market correspond with that of economy growth. In this regard, Shaw and Mick in (1973) introduced the concept of 'financial Deepening' i.e increase in financial asses shock in relation to GNP and develop a model to explain the complementary of financial deepening with accumulation of physical capital through their empirical evidence from difference countries study on their economy growth.

Capital market is the part of a financial system concerned with raising capital by dealing in shares, bonds, and other long-term investments. Capital market is a market where buyers and sellers engage in trade of financial securities like bonds, stocks, etc. Utunwan (1980) gave a board intermediate and narrow definition of capital market in the broadest connotation. Capital marketing according to him is referred to as the entire organized financial system including commercial banks and all other financial intermediaries and to short-term as well as long-term primary and indirect monetary financial claims. He sees the narrowest form of capital market as the locus of the organized market as where stocks (common, preferred claims and equity ownership) and bonds are bought and sold by using the services of brokers, dealers and underwriters.

A. *Classification of capital market*

Capital market consists of primary markets and secondary markets. Primary markets deal with trade of new issues of stocks and other securities, whereas secondary market deals with the exchange of existing or previously issued securities. Another important division in the capital market is made on the basis of the nature of security traded, i.e. stock market and bond market.

Capital market can be classified into primary and secondary markets.

- The primary market is a market for new shares. Primary market is a market where new issue of separation such as stock and shares are sold for cash.
- The secondary market is where the existing securities are traded. Secondary market is a market where the existing issued separation are bought and sold.

Capital market institutions provide loans, foreign exchange loans, consultancy services and underwriting. Capital market is very important because it plays a significant role in the national economy. A developed, dynamic and vibrant capital market can immensely contribute for speedy economic growth and development.

Participants such as individuals and institutions undertake the buying/selling. Capital markets help channelize surplus funds from savers to institutions which then invest them into productive use. Generally, this market trades mostly in long-term securities. The capital market is a market for financial assets, which have a long or indefinite maturity. Unlike money market instruments, the capital market instruments become mature for the period above one year. It is an institutional arrangement to borrow and lend money for a longer period.

B. *Brief history of nigerian capital market*

Securities were first floated in Nigeria early as 1946, although there was no systematic and organized capital market with all the attendant institution until the establishment of the Central Bank of Nigeria (CBN) in 1959 and the launching of the Lagos stock exchange in 1961. Before this event, it was difficult for the government to raise fund locally for the sale of stocks. It was difficult to mobilize adequate local savings even though the volume of such savings was increasing. It was still more difficult to provide facilities for the government to sell part of the increasing volume of industrial shares that it was holding through its participation in joint ventures.

The period 1892 - 1952, there was an enquiry by the then colonial administration to investigate banking practice in Nigeria. The G. D. Paton Report, which emanated from the enquiry, was the basis for the first Banking Ordinance of 1952. The ordinance was designed to ensure orderly commercial banking and to prevent the establishment of unviable banks. Draft legislation for the establishment of Central Bank of Nigeria was presented to the House of Representatives in March 1958. The Act was fully implemented on 1 July 1959 when the Central Bank of Nigeria came into full operations. The Central Bank Act, 1958 (as amended) and the Banking Decree 1969 (as amended) constituted the legal framework within which the CBN operates and regulates banks.

Because of the establishment of the Central Bank of Nigeria, there came into existence a wide variety of domestic securities such as Bonds, Shares, Development stocks and premium Bonds. These stocks were issued and offered for sale to the public. The central Bank played a vital role in the management and marketing of government securities, sometimes indeed the central bank act as the main holder of such securities when the market become saturated until such securities were sold to the public mostly to those who saves the institution like the personal fund and insurance company. In floating the first federation of Nigeria development stock in 1959, The Central Bank attempted to introduce arrangement for the growth of market in securities. Commercials Banks were requested to accept potential buyers and sellers whose names were then transferred to the central Bank where central register was maintained. The commercial Banks thus serve as a link between potential buyers and sellers. The central played the roles of establishing price for stock sold in the market.

The stock market is viewed as a complex institution imbued with inherent mechanism through which long-term funds of the major sectors of the economy comprising households, firms, and government are mobilized, harnessed and made available to various sectors of the economy (Nyong, 1997). The development of the capital market, and apparently the stock market, provides opportunities for greater funds mobilization, improved efficiency in resource allocation and provision of relevant information for appraisal (Inanga and Emenuga, 1997).

The Lagos stock exchange market (L SM E) was established in 1961 and since that time government stocks started being traded on the capital market even though the central Bank started to manage the issue of government securities. There were only nine issues of development stock between the year of 1962 and 1972 in an attempt to increase the volume of funds available to governments in particular, the insurance, (miscellaneous provision) act was passed in 1964. The act-required insurance coy to invest locally at least two-fifth (2/5) of the premium receives on locally insured risk. The act stipulated as from 1st April 1966 the investment of the insurance coy in Nigeria must be less than the value of fund covering all endowments assurance policies dating back to 31st March, 1992. It stipulated again that a least one quarter of their local investment must be in government securities.

Another step at increasing the volume was taken in 1961 then the income act was passed under this acts, the existing pension and provident funds were required to invest at least a (1/3) of their funds in Nigeria government stock in order to continue to qualify for tax exemption. Another important step at developing and expanding the Nigerian capital market was the indigenization decree of 1972, which required that 40% of the capital of some of the foreign owned companies must be made available to Nigerians. By this single step, many countries offered their shares to the public especially to those that have not been listed on the Lagos stock exchange market before this decree became quoted/coated. This increase size and volume of activities at the Lagos stock exchange both in participation and in exchange of operation.

To further increase in the number of securities quoted on the Lagos stock exchange, the federal government in its 1977/1978 budget indicated that the state government would be allowed to have their own bond. Similarly, in order to provide funds more abundantly to certain sectors some banks were established these were:

- The Nigeria industrial development bank (NIDB)
- The Nigeria bank for commerce and Industrial (NBCI)
- The federal mortgage bank formerly the Nigeria building society.

These banks are to provide long and medium term loan for investments in manufacturing agricultural, commerce, pharmaceutical, petrochemical and real estate respectively. All these steps were taken in order to improve and expand the scope and extent of operation of capital market in Nigeria. The CBN has also taken responsibility for nurturing the money and capital markets. In furtherance of this, the CBN introduced treasury bills in 1960, treasury certificate in 1968, and facilitated the establishment of Lagos Stock Exchange in 1961 and the capital issue committee now known as the Securities & Exchange Committee in the early 1970s.

C. Functions of capital markets

Let us get acquainted with the important functions and role of the capital market. Some functions of capital market are:

1) Mobilization of Savings: Capital market is an important source for mobilizing idle savings from the economy. It mobilizes funds from people for further investments in the productive channels of an economy. In that sense, it activates the ideal monetary resources and puts them in proper investments.

2) Capital Formation: Capital market helps in capital formation. Capital formation is net addition to the existing stock of capital in the economy. Through mobilization of ideal resources, it generates savings; the mobilized savings are made available to various segments such as agriculture, industry, etc. This helps in increasing capital formation.

3) Provision of Investment Avenue: Capital market raises resources for longer periods. Thus, it provides an investment avenue for people who wish to invest resources for a long period. It provides suitable interest rate returns also to investors. Instruments such as bonds, equities, units of mutual funds, insurance policies, etc. definitely provides diverse investment avenue for the public.

4) Speed up Economic Growth and Development: Capital market enhances production and productivity in the national economy. As it makes funds available for long period, the financial requirements of business houses are met by the capital market. It helps in research and development. This helps in, increasing production and productivity in economy by generation of employment and development of infrastructure.

5) Proper Regulation of Funds: Capital markets not only helps in fund mobilization, but it also helps in proper allocation of these resources. It can have regulation over the resources so that it can direct funds in a qualitative manner.

6) Service Provision: As an important financial set up, capital market provides various types of services. It includes long term and medium term loans to industry, underwriting services, consultancy services, export finance, etc. These services help the manufacturing sector in a large spectrum.

7) Continuous Availability of Funds: Capital market is place where the investment avenue is continuously available for long-term investment. This is a liquid market as it makes fund available on continues basis. Both buyers and seller can easily buy and sell securities, as they are continuously available. Capital market transactions are related to the stock exchanges. Thus, marketability in the capital market becomes easy.

D. Nigerian capital markets and economic growth

Capital market enhances efficient financial intermediation. It increases mobilization of savings and therefore improves efficiency and volume of investments, economic growth and development. Capital market is defined as the market where medium and long terms finance can be raised (Akingbohungbe, 1996). Established in 1961 by the LSE Act, the LSE was reconstituted into the NSE in 1977 and today have seven trading floor in Lagos, Kaduna, Port-Harcourt Kano, Onitsha, Ibadan and Abuja. The council to deal in go et al and Industrial securities quoted on the exchange licenses stockbrokers and their conducts are guided by the exchange's rules and regulations.

The NSE was established to perform the following:

- To provide the machinery for mobilizing private and public savings and making them valuable for productive investment through stock and shares
- To provide meeting place for dealing member to buy and sell exactly stock and shares as were as provided opportunities for raising new capital.
- To facilitate the purchase and sales of security due to facilitate dealing in government securities and provide goods with funds of development purposes.
- To protect the public from shady deals and practice in quest securities through its rules regulation and operating codes with the objectives of ensuring fair dealings.

Ewan et al. (2009) appraise the impact of the capital market efficiency on the economic growth of Nigeria using time series data from 1961 to 2004. They found that the capital market in Nigeria has the potential of growth 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.

Akinbohungbe (1996) and Adebiyi (2005) have argued separately that the capital market is very vital to the growth, development and strength of any country because it supports government and corporate initiatives, finances the exploitation of new ideas and facilitates the management of financial risk. The rate of economic growth has been linked to the sophistication of the financial market and capital market efficiency. Both markets facilitate the mobilization and channeling of funds into productive constituents and ensuring that the funds are used for the pursuit of socioeconomic growth and development without being idle.

According to Sule and Momoh (2009) from 1961, the Nigerian capital market has growth tremendously, particularly during the periods of the indigenization decrees of 1972 and 1977. The securities increased from 8 in 1961 to about 301 in 2008. Over the years, the Nigerian capital market has witnessed relatively stability and recorded impressive growth. This has positioned it to have a positive impact on the economy. There is clear evidence that the capital market remained an important source of capital for the nation's economic development in financing infrastructural projects, the privatization program of the government and banking sector recapitalization in Nigeria.

According to Anyanwu et al. (1997), the Nigerian Capital Market played a paramount role in the privatization of the State Owned Enterprises (SOEs) by giving creditability and transparency to the exercise.

According to Soludo (2006) the bank recapitalization to N25 billion in which 25 banks emerged from the previous 89 banks clearly revealed the importance of the capital market, In fact, most of the banks in Nigeria were able to raise the required capital after going to the capital market through initial public offerings.

E. Challenges of the nigerian capital market

The Nigerian capital market has faced with many challenges and problems both endogenous and exogenous. Some of these problems are listed below:

- Small Size of the Market
- Problem of Illiquidity of the Market
- Slow growth of Securities Market
- Delay in Delivery of Share Certificates
- Problem of Manual Call-over
- Double Taxation
- Lack of Effective Underwriting
- Problem of Macro Economic Instability

III. METHODOLOGY

Several methods are available for use in collecting data in a research work. Some of these methods are so linked that a full study or research cannot be carried out using only one method. There must then be a blending of or with available facts.

This research work is specifically designed to study the impact of capital market on Nigeria's economic growth. The research design is meant to guide the researcher in the use of the best method of collecting data in the course of the study. The research design used in this study is the simple method and approach. The researcher is only interested in knowing the impact of capital market on Nigeria's economic growth.

A. Method of data collection

The need to source reliable data on conducting a research work is vital and important. This has prompted the researcher to adopt the best and most appropriate techniques and method of data collection needed. The researcher employed both primary and secondary sources of data collection. In the primary sources, the researcher used the questionnaire as an instrument for collecting data and in the secondary sources of data collection, the researcher obtained data from textbooks and previous write-ups on the study, as well as journals and on the internet.

IV. Data Analysis

Over the years, the Nigerian Capital Market has undergone series of structural and institution changes. The system has moved from undeveloped to a more diversified system with many government financial institutions. Established in 1961 by the LSE Act, the LSE was reconstituted into the NSE in 1977 and today have seven trading floor in Lagos, Kaduna, Port-Harcourt Kano, Onitsha, Ibadan and Abuja.

A. NSE reviews 2017 market performance outlook for 2018

The Nigerian Stock Exchange ("NSE" or "The Exchange") held its 2017 Market Recap & Outlook for 2018 on Tuesday, January 16, 2018, at the Stock Exchange House, Lagos. This annual event is a forum for the Chief Executive Officer of NSE, Mr. Oscar N. Onyema, OON, to brief the stockbroking community, analysts, media and other stakeholders, on the performance of the market in the preceding year and give prognosis for the market for the new year, 2018. In his presentation, Mr. Onyema noted that NSE recovered from the macroeconomic overhang of the commodity downcycle to become the third best performing market in 2017 globally, with a 42 percent return in the NSE ASI index. He attributed this performance, in part, to Central Bank's monetary policies that resulted in increased liquidity in the foreign exchange market.

According to Onyema, the equity market activity skyrocketed from 2016 levels, as market turnover increased by 121% to N1.27 trillion from N0.58 trillion. He stated that "IPO activity in the year remained mute, however, there were several other positive indicators including the revival of supplementary listings and the return of new issuances. The value of supplementary listings increased by 27%, bringing the total value of equity issues in 2017 to N408 billion". On bonds, Onyema remarked that the NSE fixed income market recorded mixed performance. "New bond issuances increased over the previous year, while bond yields gradually moderated from 2016 levels amidst easing inflation and greater FX stability. Yields across various tenors declined between 0.4% and 1.5%, and market turnover declined by 24% in 2017, as investors sought higher returns in alternative product classes. However, supplementary issuances by the Federal Government saw bond market capitalization increase by 34% year-on-year".

"The NSE's ETF market witnessed increased activity across key metrics in 2017, recording a 272% year-on-year growth in trade volumes, 33% growth in turnover and a 40% year-on-year increase in market capitalization to close the year at N6.69 billion" he added. Onyema also noted that NSE made steady progress on its strategic focus areas set out at the beginning of 2017. "Demutualization remained a key strategic focus in the year under review. Through targeted engagement efforts with our members, Securities and Exchange Commission (SEC), the National Assembly (NASS), NSE members including Association of Stockbroking Houses of Nigeria (ASHON), Corporate Affairs Commission (CAC) and other key stakeholders, we achieved the broad-based support required to secure approval for demutualization from the Exchange. Members successfully progressed the Demutualization Bill through the first and second reading and public hearing stages of the law making process".

"In 2017, we amplified our efforts to establish West Africa's first derivatives market and achieved a number of key milestones during the year. These include the: (i) completion of draft rules; (ii) development of product specifications; and (iii) market-wide trainings on derivatives and Clearing Counterparty (CCP) transactions. We also worked to create and enhance legal and regulatory frameworks which support derivative instruments, and have made significant progress towards securing approvals to operationalize these frameworks", he said.

In keeping with its objective of taking a vigorous and adaptive approach to strategy execution, Onyema stated that NSE re-assessed its strategic agenda in light of changing dynamics in both the operating environment and the global exchange landscape against the backdrop of the fourth industrial revolution. This culminated in a new corporate strategy for the 2018 – 2021 period. "Our efforts will be geared at satisfying our customers, boosting our domestic retail segment, and enhancing our organization for a demutualized structure". Speaking on the prognosis for 2018, Onyema noted that the outlook for the Nigerian capital market is encouraging. "Indeed, to some extent, political activities and currency movements will have some effect on the market, but we expect that such impacts will be short lived and the performance of the underlying business activities will ultimately determine market performance". On its part, the NSE is on track to become a more agile and flexible demutualized securities exchange. "We are hopeful that the Demutualization Bill will be signed into law in 2018, and are working assiduously with our Advisers to fine-tune outstanding aspects of the demutualization project as well as providing clarity and transparency on the process via regular engagement with all our valued stakeholders".

"In 2018, NSE will launch Exchange Traded Derivative instruments and continue to engage with the government on privatization and listing of state owned enterprises in collaboration with the private sector. We also plan to maintain our role as an advocate for the adoption and implementation of market friendly policies"- "2017 Market Recap and 2018 Outlook Presentation by Oscar N. Onyema, OON".

B. Nigeria stock market performance

The year 2017 was a very good year for the Nigerian stock market as it recorded a lot of successes and growth. The Nigerian Stock Exchange (NSE or the Exchange), was ranked the highest stock exchange website in Africa by Alexa rankings.

S&P Dow Jones Indices ranked the Nigerian Stock Exchange (NSE) as one of the 5 best capital markets in the world for 2107. According to the rating body, NSE grew by 42 percent in 2017. This made NSE the third-best performing capital market after Argentina, Turkey, Hong Kong and the United States.

For the first time in three years, the NSE closed the year on the positive note, as the NSE All-Share Index returned 42.30 percent year-on-year. Market capitalization grew positively to close at N13.61tn as opposed to N9.25tn recorded at the end of 2016. The volume of transactions appreciated by 6.94% while the market value also appreciated by 108.50%.

According to Nigerian News website, Punch, sector performance as measured by the NSE sector indices showed that all sectors closed the year in the positive territory. The banking sector was the top-performing sector, with a return of 73.32 percent while the oil/gas sector was the top laggard, with a return of 5.76 per cent. NSE food/beverage, NSE industrial goods and NSE insurance indices recorded advancements of 36.97 per cent, 23.84 per cent and 10.36 per cent respectively.

V. Summary

The lack of an advanced and vibrant capital market can lead to underutilization of financial resources. The developed capital market also provides access to the foreign capital for domestic industry. Thus, capital market definitely plays a constructive role in the overall development of an economy.

Capital market offers a variety of financial instruments that enable economic agents to pool, price and exchange risk. Through assets with attractive yields, liquidity and risk characteristics, it encourages saving in financial form. This is very essential for government and other institutions in need of long-term funds (Nwankwo, 1999). According to Al-Faki (2006), the capital market is a network of specialized financial institutions, series of mechanism, processes and infrastructure that, in various ways facilitate the bringing together of suppliers and users of medium to long term capital for investment economic developmental project".

Again the capital market was instrumental to the initial twenty five Banks that were able to meet the minimum capital requirement of N25 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).

The basic motive for promoting security market worldwide can be summarized as follows:

- To provide secondary market for trading securities by improving efficiency of capacity allocation through price mechanism
- To foster the mobilization of saving for buying security issued by growth or economic growth.
- To provide an alternate source of review other than exact for government.
- To facilitate the form for all individual to invest their saving in a wide range of risk reward opportunities and financing to promote rapid capital formation.

In addition to pursuing the above motives for internal growth, government has also the standard responsibility and ensures that there is an adequate levy of protection for whoever decides to invest in the economy. To this end, government will ensure efficient in the market, generates a high level of confidence in it assures standard and stability in the motive mentioned earlier invest the advanced.

The fundamental channels through which capital market is connected to the economy, economic growth and development can be outlined as follows:

Capital market increases the proportion of long-term savings (pensions, funeral covers, etc.) that is channeled to long-term investment. Capital market enables contractual savings industry (pension and provident funds, insurance companies, medical aid schemes, collective investment schemes, etc.) to mobilize long-term savings from small individual household and channel them into long-term investments. It fulfills the transfer function of current purchasing power, in monetary form, from surplus sectors to deficit sectors, in exchange for reimbursing a greater purchasing power in future. In this way, capital market enables corporations to raise capital/funds to finance their investment in real assets.

The implication will be an increase in productivity within the economy leading to more employment, increase in aggregate consumption and hence growth and development. It also helps in diffusing stresses on the banking system by matching long-term investments with long-term capital. It encourages broader ownership of productive assets by small savers. It enables them to benefit from economic growth and wealth distribution, and provides avenues for investment opportunities that encourage a thrift culture critical in increasing domestic savings and investment ratios that are essential for rapid industrialization.

In addition, the capital market mechanism allows not only an efficient allocation of the financial resources available at a certain moment in an economy but also permits to allot funds according the return and the risk offering a large variety of financial instruments with different profitableness-risk characteristics, suitable for saving or risk covering. Nowadays, the protection against financial risks becomes a necessity, imposed by the transformations in the global economy, by the accented instability and the financial crisis that affects without discrimination both developed and emerging stock markets. The capital market allows risk dispersion between investors (of the diversifiable risk), exactly in the same measure in which each of them is willing to assume it, too.

From the issuers' point of view, the money, which is necessary for the development or the unfolding of their activity, can be mobilized by the help of the capital market at accessible costs, theoretically speaking smaller than those possibly obtained by the help of the banks or by other financial intermediaries.

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. Infrastructure development is a necessary condition for long-term sustainable growth and development. In addition, capital market increases the efficiency of capital allocation by ensuring that only projects, which are deemed profitable and hence successful, attract funds. This will, in turn, improve competitiveness of domestic industries and enhance ability of domestic industries to compete globally, given the current momentum towards global integration. The result will be an increase in domestic productivity which may spill over into an increase in exports and, therefore, economic growth and development.

Moreover, capital market promotes public-private sector partnerships to encourage participation of private sector in productive investments. The need to shift economic development from public to private sector to enhance economic productivity has become inevitable as resources continue to diminish. It assists the public sector to close resource gap, and complement its effort in financing essential socio-economic development, through raising long-term project based capital. It also attracts foreign portfolio investors who are critical in supplementing the domestic savings levels. It facilitates inflows of foreign financial resources into the domestic economy.

Moreover, automated securities market provides sample opportunity implementing policies that would enhance adequate protection of investors against price regulation and negative effect of inside training. This is automated and integrated system; market progress and training process able monitored and any unusual investment in price of volume integrated.

They enable source of funds and growth because they have the ability to raise funds easily thereby provides opportunities for greater funds mobilization, improved efficiency in resource allocation and provision of relevant information for appraisal (Inanga and Emenuga, 1997).

Recent empirical research linking capital market development and economic growth suggests that capital market enhances economic growth and development. Countries with well-developed capital markets experience higher economic growth than countries without. Evidence indicates that, while most capital markets in African countries are relatively underdeveloped, those countries, which introduced reforms that are geared towards development of capital markets, have been able to grow at relatively higher and sustainable rates. A study in 2011 showed that South Africa, the country whose capital market is the largest and most developed in Africa, in terms of market capitalization and trading volume, has been growing significantly since 2000.

Its average per capita real GDP over the last 8 years has been at 3.2 %. Countries like Egypt, Ghana, Tanzania, Botswana and Mauritius, whose capital markets have been developing recently, were able to realize average per capita growth rates of more than 2.8% for the past 8 years. However, some economies, which did not have formal, or effective capital market like Lesotho, Seychelles and Ethiopia could not manage to realize average per capita growth rates above 2.7 % over the past 8 years. Even those countries with small and less developed capital market like Swaziland and Uganda did not manage to realize average per capita growth rates above 2.7 % during the past 8 years (CBL Economic Review, August 2009, No. 109).

The role of capital markets is vital for inclusive growth in terms of wealth distribution and making capital safer for investors. Capital markets can create greater financial inclusion by introducing new products and services tailored to suit investors' preference for risk and return as well as borrowers' project needs and risk appetite. Innovation, credit counseling, financial education and proper segment identification constitute the possible strategies to achieve this.

A well-developed capital market creates a sustainable low-cost distribution mechanism for multiple financial products and services across the country. This writing has sought to demonstrate an important role played by capital market in economic growth and development. Capital market enhances efficient financial intermediation. It increases mobilization of savings and therefore improves efficiency and volume of investments, economic growth and development.

VI. Conclusion and Recommendation

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 of the vital roles played. These roles include channeling resources, promoting reforms to modernize the financial sectors, financial intermediation capacity to link deficit to the surplus sector of the economy, and a veritable tool in the mobilization and allocation of savings 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 enhancing economic expansion and growth (Alile 1997). Ekundayo (2002) argues that a nation requires many local and foreign investments to attain sustainable economic growth and development. The capital market provides a means through which this is made possible.

In order for the Nigerian capital market to be a pivotal force in Nigeria socio-economic growth and development, the following suggestions are put forward:

- Given that the stock market operate in a macroeconomic environment, it is therefore necessary that the environment must be an enabling one in order to realize its full potentials.
- Improvement in the declining 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.
- The demand for the services of the stock market is a derived demand. With the existence of a positive relationship between stock market development and economic growth, it is pertinent to recommend that there should be sustained effort to stimulate productivity in both the public and private sectors.
- 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.
- The determination of stock prices should be deregulated. Market forces should be allowed to operate

without any hindrance that to mean demand and supply should be allowed to determine the market forces. Interference in security pricing is inimical to the growth of the market.

- It must also address the reported cases of abuses and sharp practices by some companies in the market.
- Moreover, the total listing in the NSE is still a far cry compare to other stock exchanges like South Africa and Egypt. Therefore, to increase the number of listed companies there is need to ensure stable macroeconomic environment, encourage foreign multinational companies (MNCs) or their subsidiaries to be listed on the Nigerian Stock Exchange, relax the listing requirements to the first tier market and ensure tax rationalization in the capital market to encourage quotation and public interest in shareholdings.
- For new issues, increase the minimum equity capital requirements for companies other than banks, insurance companies and other financial institutions, encourage merger and consolidation, discriminatory income tax in favor of public quoted companies and aggressive enlightenment program to increase awareness of the benefits of investing in the stock market and seeking quotation at the stock exchange.
- The stock market is a relatively cheap source of funds when compared to the money market and other sources. The cost of raising funds in the Nigerian market is however, regarded to be very high. There should be a review downward, of the cost, to enhance its competitiveness and improve the attractiveness as a major source of raising funds.
- To boost the value of transactions in the Nigerian capital market, there is need for availability of more investment instruments such as derivatives, convertibles, futures, swaps, options in the market.
- Lastly, considering the benefits enjoyed by the stock market through the internationalization of its operations, there should be no policy turns around but a sincere pursuit of this policy.

The stock market promotes economic growth in Nigeria. It serves as an important mechanism for effective and efficient mobilization and allocation of savings, a crucial function, for an economy desirous of growth. The Nigerian stock market has a bright prospect given the recent policy direction especially the abrogation of all laws that hitherto hamper its effective and efficient functioning. Also, the internationalization, the improvement in the infrastructural facilities in the market in line with what obtains in the developed market and also the present democratic dispensation will all work individually and jointly to ginger the prospect of the stock market.

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