Financial Market Instruments and Economic Development in Nigeria (1988- 2020)

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Abstract

Financial market provide institutional and instrumental framework that facilitates the mobilization of short to long term funds from the surplus units (savers and lenders) and allocating such mobilized funds to the deficit and real sector of the economy for productive purposes. The main objective of this study is to examine the effect of financial market instruments on the economic development in Nigeria. The specific objectives are to determine, examine, ascertain and assess the effects of stock market instruments, debt instruments, commercial instruments and treasury instruments respectively on Economic Development in Nigeria which is proxied by Per Capita Income. Econometric techniques including Augmented Dickey Fuller (ADF) and the Philip Perron Tests for Unit Roots and Ordinary Least Square (OLS) were applied on data sourced from the Stock Exchange Daily Official Listing (SEDOL) and fact book. The result of the study show that stock market instruments, debt instruments, commercial instruments and treasury instruments have positive and significant effect on Per Capita Income. The study therefore concludes that financial market instruments have positive and significant effect on per capita income and standard of living of average Nigerian. This researcher recommends that the relevant regulatory agencies for the capital market should focus on enhancing the efficiency and transparency of the market in order to boost and strengthen investors' confidence which had regrettably posed a major setback to the Nigerian business environment. Capital market growth inducement channels should be introduced to support the much needed robust and responsive financial system to achieve the desired effect on economic development. Regulators of the market and financial institutions should be actively involved in making systemic checks and appropriate policy innovations to ensure a capital market led economic development. Finally, government should give adequate publicity to the activities of the market, emphasizing it as a source of cheap long-term funds that would trigger industrial growth and economic development in Nigeria

Key Words: *financial market, capital market, money market, treasury, economic development, per capita income*

Introduction

A major engine for economic growth and development of a nation is capital market which is subset of the financial market. The capital market impacts positively on the economy by providing financial resources for funding long term projects through the financial intermediation process. Different economic projects promoted by government and the private sector institutions are usually in the areas of infrastructure, agriculture, solid minerals, manufacturing, banking and other financial services and other real sector areas which triggers economic development. Hence, without an efficient capital market, the economy may be starved of the required long-term fund for sustainable growth (Abushammala, Alabdullah, & Ahmed, Modebe, Taiwo, & Okorie, 2016).

The Nigerian financial system comprise of various institutions, markets, markets instruments and regulators/regulations that combine to guarantee financial services. Financial markets are institutions or arrangements which facilitate the exchange of financial assets such as deposits and loans, stock and government securities (Adigwe, Nwanna, & Amala, 2015). Financial markets are vital components of the financial systems of every nation and constitute primarily of money and capital markets. Capital market provides long-term funds with maturity period of over one year through bonds and equity, thus it serves as the mechanism by which the savings of surplus economic units may be used to finance medium and long-term investments (Odo, Anoke, Onyeisi, & Chukwu, 2017). Capital market is one of the relevant constituents of the financial system, which help firms or companies to raise capital by issuing their shares and also create an enabling environment which allows for trading of the shares (Okonkwo, Ananwude & Echekoba, 2015).

Economic development is regarded as the major goal of national policy in any economy, while capital accumulation or formation is 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 are made possible and feasible. However, the rate of economic development is always limited by shortage of productive factors and if any scarce factor associated with development should be singled out, it will be finance (Ndugbu, Duruechi & Josephine, 2016)

Statement of Problem

The quest to balance the financial disequilibrium especially in less developed economies remains the basis for the existence of financial markets. Financial markets are institutions or arrangements which facilitates the exchange of financial assets such as deposit and loans, stock and government securities (Martin, 2014). Less Developed Countries (LDCs) such as Nigeria, continue to have financial disequilibrium despite the activities of financial markets in these countries.

Various empirical reviews on the effect of financial market instruments on the performance of deposit money banks which are the catalyst for economic development in Nigeria have shown conflicting findings. A number of the findings posit significant influence from financial market instruments especially in moderating effect of market capitalization (Okpoto, 2015; Odo, Anoke, Onyeisi, & Chukwu, 2017; Ndugbu, Duruechi & Josephine, 2016). Despite agreeing that economic development responds to financial market instruments variables, it is of note that some

past studies have conflicting and varying effects. The conflicting findings suggest that financial market instruments may not have been effective for sound economic development management and decision. The study by Henry, (2019) and Taiwo, Muftau, Ahmed, and Mobolaji, (2017), averred that all the financial market instruments it employed had negative effect on economic development in both long and short run which implies that growing financial market instruments and credit extension will rather hamper economic development in Nigeria; in comparison with the findings from studies like (Mohammad, 2018; Nicodemus, Oluoch, & Paul, 2018) which found that financial market instruments enhances the performance of deposit money banks in Nigeria.

Even at this, a number of studies discovered that financial market instruments variables have no effect on economic development (Onyeisi, & Chukwu, 2017; Ibi, Joshua, Eja, & Olatunbosun, 2015); Isibor, Ikpefan, & Okafor, 2016; Okoye, Modebe, Taiwo, & Okorie, 2016). Furthermore, the following studies posit that financial market instruments have insignificant effect on economic development; Madito, & Khumalo, (2014) and Holden, & Sparman, (2013) which noted that market capitalization and All Share Index were not statistically significant tools for enhancing the economic development.

The above empirical reviews confirm strong disagreement on the effect of financial market instruments on economic development in Nigeria. Some of these studies were done in environments outside Nigeria while we have variable differences used in some. Furthermore, some of the studies did not use the standard econometric methodology which resulted to structural problems. There is time differential the studies in addition to some time frames being short and not expansive enough. Another gap in literature is the depth of financial market instruments employed in the studies. These shortcomings have contributed to knowledge gap in the literature, thus creating the need and eliciting interests for a more comprehensive study on the extant topic. The present study attempts to incorporate core variables of financial market instruments, appropriate analytical techniques and expanded scope to determine the actual effect of financial market instruments on economic development in Nigeria (1987-2019).

Objectives of the Study

The main objective of this study is to examine the effect of financial market instruments on economic development in Nigeria while the specific objectives are to:

1. Determine the effect of stock market instruments on standard of living in Nigeria.
2. Explore the effect of debt instruments on standard of living in Nigeria.
3. Ascertain the effect of commercial instruments on standard of living in Nigeria.
4. Assess the effect of treasury instruments on standard of living in Nigeria.

Hypotheses

The following null hypotheses are formulated to guide the study:

Ho_1. Stock market instruments have no significant effect on standard of living in Nigeria.
Ho_2. Debt instrument have no significant effect on standard of living in Nigeria.
Ho_3. Commercial instrument have no significant effect on standard of living in Nigeria.
Ho_4. Treasury instrument has no significant effect on standard of living in Nigeria.

REVIEW OF RELATED LITERATURE

Conceptual Review

Financial Markets

Financial markets are institutions or arrangements which facilitate the exchange of financial assets such as deposit and loans, stock and government securities (Martin, 2014). Financial markets are vital components of the financial system of every country. The financial market constitutes primarily of Money and Capital markets. Capital market provides long-term funds with maturity period of over one year in forms of bonds and equities, thus serving as the mechanism by which the savings from the surplus economic units may be used to finance medium and long-term investments of the deficit units. Onyido (1994) opined that the Money market primarily exist as a means of liquidity adjustment, in other words, it provides the mechanism for short-term funds of less than one year. The financial system is one of the most important creations of modern society. Its primary task is to move funds from surplus economic units to deficit economic unit spenders to produce goods and services and to make investment in new equipment and facilities so as to facilitate growth of the economy and improve the standard of living of its citizens (Dabwor, 2009). He further stated that the ability of both money and capital markets to play pivotal roles in economic growth across countries, depends on the quantity and quality of services provided by financial institutions.

Capital Market

Capital market is the market for long-term loans and investments. Capital markets are vital to the functioning of an economy because capital is a critical component for generating economic output. The market provides businesses, industries and the government with medium term, long term and permanent loans. The financial institutions serve as intermediaries between suppliers of long-term capital and the end users. Funds raised from the capital market facilitate the building of productive capital intensive projects. This opportunity that the capital market offers is a major factor facilitating capital mobilization and allocation of such capital fund among several competing activities (Okoye, Modebe, Taiwo & Okorie, 2016). The capital market drives economic growth and development because it is necessary for long term growth capital formation (Taiwo, Muftau, Ahmed & Mobolaji, 2017).

Money Market

Money market refers to the market for short term funds. Unlike the organized stock exchange market in the capital market, the money market has no specific location. Trade can be carried out online with the use of money market instruments. The major participants in the money market are deposit money banks, government, corporations, enterprises, money market mutual funds, CBN etc. (Ndugbu, Duruechi, & Josephine, 2016). Money market instruments are documents of short term maturities evidencing claims and obligations among economic units. They are used to mobilize funds from the surplus units of the economy to the deficit unit. They are used by intermediary agents especially banks to bridge financial gaps or disequilibrium in an economy. Essentially, they are short-term debt instruments with maturities of one year or less (Ezirim, 2005).

Economic Development refers to the process by which the economic well being and quality of life is improved. Economic development seeks to achieve long-term sustainable development in

a nation's standard of living, an increase in the per capita income of every citizen, adjusted for purchasing power parity (Porter, 1998).

Per Capita Income refers to an internationally accepted measurement of the average income earned by each person in a given area (usually a country) over specified period which is usually a year.

Theoretical Framework

This study is anchored on the financial intermediation theory of Schumpeter (1934) which viewed financial markets and the operating institutions therein as established formal institutions that function to facilitate efficient fund intermediation at optimal prices desired for rapid performance of deposit money banks and attendant financial development. The classical studies of Joseph Schumpeter (1934) analyzed the varying capacities of financial markets and inherent financial institutions to function in different perspectives.

Joseph Schumpeter was among the first to point out that banks facilitate technological innovation in their role of financial intermediaries. By assembling savings, evaluating investment projects, monitoring managers and facilitating transactions, banks are able to acquire detailed information about firms at a lower cost. Banks thus become the authorized agents of the society to allocate savings to entrepreneurs and to innovating and competitive firms. The Schumpeterian view is that the development of financial intermediaries has a direct impact on the pace of technical change and productivity growth.

Schumpeter made the first articulated statement about how financial transactions take central stage in economic growth. He did not use modern parlance of financial transactions but used the banker as an example. Instead of using the term economic growth, he used the term development. Thus he wrote "The banker stands between those who wish to form new combinations and the possessors of productive means". The banker is essentially a phenomenon of development, though only when no central authority directs the social process. The banker makes possible the carrying out of new combinations, authorizes people, in the name of the society as it were, to form them. The banker is the "ephor of exchange economy" her asserted.

Empirical Review

Egbuche and Nzotta, (2020) investigated the effect of stock market on manufacturing sector output in Nigeria between the period of 1981-2018 using used sourced from Central Bank of Nigeria (CBN) Statistical Bulletin 2018. The dependent variable are the performance of manufacturing sector output, while, Market capitalization, total new issues, volume of transaction and equity stock were used as the independent variables. The study employed unit root test, to determine the stationarity of the variables, co-integration approach to determine the long run equilibrium relationship of the variables and Error Correction Model (ECM) to determine the speed of adjustment. Ordinary Least Square (OLS) method of data analysis was adopted. From the model it was found and concluded that stock market has a positive significant effect on the performance of manufacturing sector out.

Hycenth, (2019) examined the impact of capital market indicators (industrial loan, equity, market capitalization) on industrial sector financing in Nigeria using data obtained mainly from Central

Bank statistical Bulletin and Nigerian stock Exchange fact book. The work adopted ordinary least square of multiple regression statistical technique. He found a significant impact between industrial loan and the growth of industrial sector financing in Nigeria, a significant impact between market capitalization and the growth of industrial sector financing in Nigeria and no significant impact between equity and the growth of industrial sector financing in Nigeria.

Olakanmi, (2019) examined the structural conduct of the Nigeria's capital market and the effect of its performance on manufacturing sector output in Nigeria. The study sought to identify how various factors like structural operations of the market and the environmental factors affect the performance of the market and its effect on the manufacturing sector output. The study adopted a time-series research design relying extensively on secondary data covering 1991 -2018. The study utilized the method of regression analysis, incorporating multivariate co-integration to examine the long run relationship between the dependent variable manufacturing sector output and the independent variables Market Capitalization (MC), Total New Issue (TNI), All Share Index (ASI) and Quoted Companies (QC). The result showed that three variables (MC, TNI, and QC) exhibited direct positive relationships, while ASI exhibited inverse and statistically insignificant relationship with manufacturing sector output

Ayodeji and Ajala (2019) investigated the effects of capital market performance on sectoral output in Nigeria within a temporal scope 1984-2018. The independent variables considered are all-share index (ASI), market capitalization (MCAP), number of listed equities (NLE), number of deals (NOD), stock market turnover (SMT), value of deals and value of transactions (VTRAN). The study found that, on the effects of capital market performance on agricultural sector output, ASI, MCAP, VTRAN and NLE exerted significantly positive long-run effects on agricultural sector output in Nigeria. As it relates to industrial sector output, MCAP and NOD exerted significantly positive long-run effects on industrial output in Nigeria while only MCAP exerted significantly positive long-run effects on construction sector output in Nigeria. MCAP exerted significantly positive long-run effects on trade sector output in Nigeria while ASI, VTRAN and NOD exerted insignificantly positive long-run effects on it. Lastly, none of the capital market performance indicators exerted significantly positive long-run effects on service sector output in Nigeria.

Kenn-Ndubuisi, and Henry (2015), examined the effects of recapitalization on commercial banks survivals in Nigerian: pre and post camel analysis. The study used ex-post-facto research design comprising of pooled data covering a thirteen years period pre and post recapitalization (2006-2012) of 10 out of the 25 banks that emerged after the transformation to test the effect of the reform. The result of the regression model of minimum capital base on capital adequacy, asset quality, management quality and earnings quality and liquidity indicated an increase after recapitalization and consolidation but only capital adequacy and management quality had a structurally difference with the increment.

Nicodemus, Oluoch and Paul (2018), evaluated the impact of branchless financial innovation on Market capitalization of listed Commercial Banks in Kenya. The data obtained was cleaned; coded and statistical outputs generated using SPSS version 24 statistical packages. Descriptive and inferential analysis was employed to analyze the data where Pearson's regression analysis was used. The findings revealed that branchless banking innovation had a statistically significant effect on the market capitalization of the listed commercial banks in Kenya.

Ndugbu, Duruechi, and Josephine, (2016) examined the relationship between money market instruments and bank performance in Nigeria using data sourced from the Central Bank of Nigeria (CBN) Statistical Bulletin and was analyzed with the e-view 7.1 statistical package in line with Ordinary Least Square (OLS) estimations. Results obtained showed that stationarity of the data were established with the Augmented Dickey Fuller (ADF) Unit Toot test, the Johansen Co-integration test indicated the existence of long-run relationship between the variables. Granger Causality as revealed by the Pairwise tests runs uni-directionally and bi-directionally from Performing Loans and Advances to Money Market Instruments. The Variance Inflation Factor test for multicollinearity shows that multi-collinearity is not severe and therefore can be tolerated. The ordinary least square model estimation revealed specifically that money market instruments of treasury bills, commercial papers and federal government bonds have positive relationships and significant effects on bank performance in Nigeria.

Odo, Anoke, Onyeisi, and Chukwu, (2017) examined the impact of capital market indicators on economic growth in Nigeria from 1986 – 2016. The study adopted Auto Regressive Distributed Lag bound testing and VAR Granger causality econometric tools of estimation to test the variables in the model. The results showed stable long run relationship between the dependent and independent variables as supported by the greater bound value of 10.58. The result of the ARDL revealed that market capitalization has positive significant relationship with economic growth while total stock traded value indicated a negative insignificant link with economic growth, all in the short run.

Summary of Empirical Literature

The empirical review of about 40 past studies of the effect of financial market instruments on standard of living in Nigeria showed conflicting and mixed findings but with stronger leaning towards positive relationship. These conflicts make it implausible to employ financial market instruments variables for sound development management and decision.Okpoto, 2015; Odo, Anoke, Onyeisi, & Chukwu, 2017; Ndugbu, Duruechi, & Josephine, 2016; Mohammad, 2018; Nicodemus, Oluoch, & Paul, 2018, all reported positive relationships.Henry, (2019) and Taiwo, Muftau, Ahmed, and Mobolaji, (2017) reported negative relationships. Onyeisi, & Chukwu, 2017; Ibi, Joshua, Eja, & Olatunbosun, 2015); Isibor, Ikpefan, & Okafor, 2016, posited no effect.

Gap in Literature

Some of these studies were done in environments outside that of Nigeria while some studies done in Nigeria did not include some key variables. Furthermore some of the studies did not use the standard econometric methodology which leads to structural problems; the time frames considered in some of the past studies were short and not expansive enough and gave conflicting findings. These shortcomings have contributed to the knowledge gap in the literature, thus warranting a more systematic and comprehensive study on the effect of financial market instruments on economic development in Nigeria. The present study incorporated the core financial market instruments such as stock market instruments, debt instruments, commercial instruments and treasury instruments to determine the actual effect of financial market instruments on the economic development in Nigeria (1988-2020).

METHODOLOGY

Research Design

The study adopts the ex-post facto research design using data obtained from the Nigeria Stock Exchange (NSE) Fact Book and Daily Official List**.** The model adopted will regress the independent variables (X): stock market instruments, debt instruments, commercial instruments and treasury instruments on economic development in Nigeria as proxied by standard of living in Nigeria (PCI) which is the dependent variable (Y).

Model Specification

The model used for the study is from the work of Abdulahi and Sani (2017) and they examined the effect of financial market on economic development in Nigeria.

PCI = f (SMI, DTI, CI)

Where:

PCI = Per Capita Income

SMI = Stock Market Instruments

DTI= Debt Instruments

CI= Commercial Instruments

Their Model is Adapted and Modified as PCI = f (SMI, DTI, CI, TI)

Econometrically,

$PCI = \beta_0 + \beta_1 SMI + \beta_2 DTI + \beta_3 CI + \beta_4 TI\ \mu$

Where:

PCI = Per Capita Income

SMI = Stock Market Instruments

DTI= Debt Instruments

CI= Commercial Instruments

TI= Treasury Instruments

β_0 and μ are the constant and error term respectively while β_1, β_2, β_3, and β_4 are the coefficient of financial market instruments on economic development in Nigeria

Method of Analyses

The data is analyzed using econometric techniques involving Augmented Dickey Fuller and Philip Perron tests for unit roots and the Ordinary Least Square (OLS).

DATA ANALYSIS RESULTS

Unit Root

Unit Roots Test Table Result

At Level					
Variables	**Augmented Dickey Fuller Test**		**Philip and Peron Test**		**Decision**
	t-Statistic	**Prob.**	**Adj. t-Stat**	**Prob.**	
PCI	-7.133424	0.2339	-1.996650	0.0028*	Stationary at level

SMI	-5.156835	0.6783	-1.023858	0.0037*	Stationary at level
DTI	-4.109778	0.0036*	-4.046948	0.0042*	Stationary at level
CI	-8.662571	0.0000*	-9.114547	0.0000*	Stationary at level
TI	-6.364762	0.1603	-2.364762	0.0001*	Stationary at level

The result of the unit root test indicates that per capita income, stock market instruments, debt instruments, commercial instruments and treasury instruments attained stationarity as probabilities of the test values are below 0.05 levels.

The Ordinary Least Square Regressions

Dependent Variable: PCI
Method: Least Squares
Date: 08/18/21 Time: 15:27
Included observations: 32

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	13.51210	4.535635	2.543973	0.0003
SMI	2.589512	0.991508	2.683245	0.0001
DTI	1.342710	0.099069	2.339468	0.0052
CI	4.152320	0.695746	2.208798	0.0023
TI	1.573117	0.785673	3.274907	0.0040

R-squared	0.705103	Mean dependent var	6.897917
Adjusted R-squared	0.695530	S.D. dependent var	1.094669
S.E. of regression	0.601022	Akaike info criterion	2.096940
Sum squared resid	4.334733	Schwarz criterion	2.444891
Log likelihood	-12.92093	F-statistic	7.951898
Durbin-Watson stat	2.168708	Prob(F-statistic)	0.001265

Source: E-View Software 9.0

The regression coefficients in the model above can be express as follows: PCI = 13.51210 = 2.589512 SMI + 1.342710 DTI + 4.152320 CI + 1.573117 TI + u.

From the results of the OLS, it was observed that per capita income (PCI) is positive at 13.51210. This means that if all the independent variables are held constant, PCI which is the dependent variable will grow by 13.51210 units.

Stock Market Instruments: The coefficient of stock market instruments (SMI) is positive at 2.589512 with probability value of 0.0001 which means that stock market instruments have positive and significant effect on per capita income (PCI). A unit increase in stock market instruments will result to an increase by 2.589512 units of per capita income (PCI).

Debt Instruments: The coefficient of debt instruments is positive at 1.342710 with probability value of 0.0052 indicating that debt instruments have positive and significant effect on per capita income (PCI). A unit increase in debt instruments will lead to an increase in per capita income (PCI) by 1.342710 units.

Commercial Instruments: The coefficient of commercial instruments is positive at 4.152320 probability values 0.0023 showing that commercial instruments have positive and significant effect on per capita income (PCI). A unit increase in total value of commercial instrument deals will cause per capita income (PCI) to increase by 4.152320units.

Treasury Instruments: The coefficient of treasury instruments is positive at 1.573117 with probability value of 0.0040 meaning that treasury instruments has positive and significant effect on per capita income (PCI). A unit increase in treasury instruments will lead to an increase in per capita income (PCI) by 1.573117 units.

The Adjusted R-squared is 0.695530 which signify that 70% of total variation in per capita income (PCI) can be explained by the explanatory variables of stock market instruments, debt instruments, commercial instruments and treasury instruments while the remaining 30% is due to other stochastic variables. The Durbin-Watson statistics at (2.168708) is within the critical threshold signifying that the model is free from autocorrelation.

Test of Hypotheses

The statistical significance of the individual parameters is used to test the hypotheses which were conducted at 5% level of significance.

Hypothesis One

Restatement of hypothesis in null and alternate form:

Ho_1: Stock market instruments do not have positive and significant effect on standard of living in Nigeria.

H_1: Stock market instruments have positive and significant effect on standard of living in Nigeria

Decision

Since the probability value is less than 5% (0.0001<0.05) with coefficient value of 2.589512, the study rejects the null hypothesis and accept the alternative hypothesis that stock market instrument have positive and significant effect on standard of living in Nigeria

Hypothesis Two

Restatement of Hypothesis in Null and Alternate Form:

Ho_2: Debt instrument does not have positive and significant effect on standard of living in Nigeria.

H_2: Debt instruments has positive and significant effect on standard of living in Nigeria

Decision

Since the probability value is less than the 5% critical value (0.0052<0.05) with the coefficient value of 1.342710, the study rejects the null hypothesis and accept the alternative hypothesis and concludes that debt instruments have positive and significant effect on standard of living in Nigeria.

Hypothesis Three

Restatement of Hypothesis in Null and Alternate Form

Ho_3. Commercial instruments do not have positive and significant effect on standard of living in Nigeria.

H_3. Commercial instruments have positive and significant effect on standard of living in Nigeria.

Decision

Since the probability value is less than the 5% critical value (0.0023<0.05) and coefficient of 4.152320, the study rejects the null hypothesis and accept the alternative hypothesis and concludes that commercial instruments have positive and significant effect on standard of living in Nigeria.

Hypothesis Four

Restatement of Hypothesis in Null and Alternate Forms:

Ho_4. Treasury instruments do not have positive and significant effect standard of living in Nigeria.

H_4. Treasury instruments have positive and significant effect standard of living in Nigeria.

Decision

Since the probability value is less than 5% (0.0040<0.05) with coefficient value of 1.573117, the study rejects the null hypothesis and accepts the alternative hypothesis that treasury instruments have positive and significant effect standard of living in Nigeria.

Discussion of Findings

The result of the ordinary least square (OLS) indicates that stock market instruments have positive and significant effect on per capita income. The results of our findings are consistent with the work of Baghebo and Apere (2014) in terms of stock market instruments which discovered that stock market instruments have positive effect on per capita income in Nigeria.

Debt Instruments: The result indicates that debt instruments have positive and significant effect on per capita income. The result of our findings is consistent with the work of Okafor, Chijindu and Eje (2015), which asserted that debt instruments have positive effect on standard of living in Nigeria.

Commercial Instruments: The result indicates that commercial instruments have positive and significant effect on per capita income. The result of our findings is consistent with the work c of Omowumi (2015) in terms of commercial instruments, it was discovered that per capita income has positive and significant relationship with economic development in Nigeria.

Treasury Instruments: The result indicates that, treasury instruments have positive and significant effect on per capita income. The results of our findings is in line with the work of Baghebo and Apere (2014) who discovered that treasury instruments have positive and significant effect on per capita income.

Conclusion

The result of the study has shown that stock market instruments, debt instruments, commercial instruments and treasury instruments have positive and significant effect on per capita income.

The study therefore concludes that financial market instruments have positive and significant effect on economic development in Nigeria.

Recommendations

Since Financial Market Instruments are potent in influencing economic development due to their significant and positive relationship;

- Government should create a conducive and secured business environment that will guarantee the operations of responsible and responsive financial institutions and markets which will end in boosting Investors confidence.
- Variants of Financial market instruments should be introduced to support and facilitate a robust, responsible and responsive financial market that will engender economic development.
- Government should Introduce systemic checks and appropriate policy regulations to ensure optimal performance of the financial market, financial institutions and the financial instruments.
- Government should activate adequate publicity on the market instruments to elicit more interests and trigger more financial market activities for increased economic development.

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