Relationship between Selected Stock Market Variables and Economic Growth in Nigeria

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Abstract
The paper evaluate the relationship between selected stock market variables and economic growth in Nigeria from 1986 – 2016. The study was anchored on the supply leading hypothesis. The study adopted ex-post facto research method while ordinary least square technique was used to process the data gathered using E-view 9.0 software. The finding of the study revealed that there is a negative and insignificant relationship between variable studied and economic growth while the concluded that the economy needs to be properly streamlined and strategically positioned via adoption of global best practice that will help the capital market drive the expected growth in the nation.

Keywords**:** *Economic Growth, Total Market New Issues and Market Turnover Ratio.*

INTRODUCTION

Economic growth in modern economy is based on an efficient and effective financial sector that pools domestic savings and mobilizes foreign capital for productive investments. Absence of efficient and effective stock market can result to a situation where productive projects which carry developmental agenda are unexploited (Okoro, 2012).

The stock market has been identified as an institution which encourages socio-economic growth and development of all economies in the world. The intermediary role in mobilizing funds from surplus units to deficits units have been well noted by researchers, academicians, and policy makers as a primary determinant of economic growth in both developed and developing countries (Akpokerere & Ekane, 2019; Akpokerere, 2018); Adenuga, 2010; Ihennihua & Onwuchekwa 2012; Oke & Adeusi, 2012; Okodua & Ewetan 2013.

The stock market have been recognized as a viable and effective tool for growth as many economies now appreciate the market as a major source for long-term finance, hence adopt policies that will

enhance the activities of the capital market to assist in the fruition of the laudable economic goals (Aye, 2013; Anyanwu, 1998; Briggs, 2015).

Stock market support Country growth through the activities it performed such as mobilization of savings, creation of liquidity, diversification of risk, dissemination and acquisition of relevant information and encourage incentive for corporate control. Improving the efficiency and effectiveness of these roles, through prompt delivery of their activities can support the rate of economic growth (Levine & Zervos, 1998).

To the best of the researcher's knowledge little or no literature exists in Nigeria that have empirically investigated whether or not Total Market New Issues and Market Turnover Ratio investment in Nigeria have affected economic growth. This is one area of gap the study intent covering to see whether total market new issues and market turnover ratio has significantly positively caused economic growth in the real sector of the Nigeria economy and vice – versa.
The basic objective of the study is to examine; the relationship between selected stock market variables and economic growth in Nigeria. Specifically, to study the relationship between stock market variables and economic growth is to assess the relationship between total market new issues and economic growth in Nigeria; to examine the relationship between market turnover ratio and economic growth in Nigeria.

In other to achieve the goals of this study, the researchers developed the following research questions: To what dimension does the total market new issues relate to economic growth in Nigeria? How does market turnover ratio relate to economic growth in Nigeria?
This study will be guided by the following hypothetical statements which are stated in the null form;
Ho_1: Total market new issues does not have significant relationship with economic growth in Nigeria.
Ho_2: Market turnover ratio does not significantly drive economic growth in Nigeria.

REVIEW OF RELATED LITERATURE

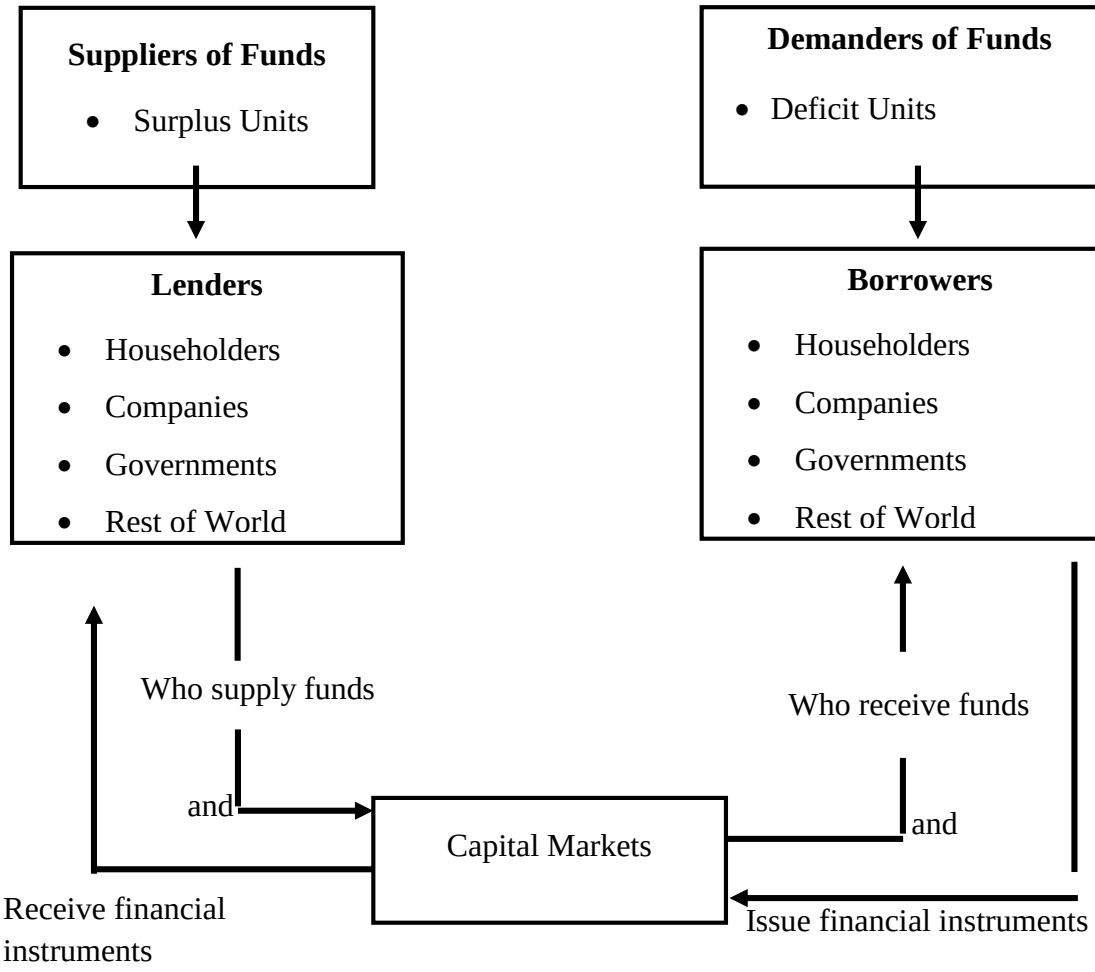
Stock Market and Economic Growth Channels

The stock market in principle is to promote economic growth by increasing domestic savings, the quantity and the quality of foreign investment. The stock market is expected to boost savings and foreign investment by providing individuals and corporate institutions with additional financial tool that can meet their risk preferences and liquidity desires. The stock market besides promote an avenue for developing companies to raise capital at lower cost.
The stock market hence is able to positively affect economic growth through promoting savings among entities and corporate institutions and providing opportunities for firm financing (Akpan, 2013). Economic growth is usually agreed to mean development in an economy, because it changes a country from a 5% saver to 15% saver.

Thus it is believed that for capital market to boost economic growth in Nigeria, it must operate effectively and efficiently as this will boost confidence in the minds of the public and investors will be willing to part with hard earned funds and invest them in securities with believe that in near future they will dividend on their investment (Ewah, Esang & Bassey, 2009).

The role of the stock market is to bring together savers who buy financial instruments and the users of funds who issue financial instruments. The flow of funds, the affiliation between savers and users of funds, and the place of the stock market in the flow, are illustrated by Viney (2003) in Figure 2.1.

Figure 2.1: Capital Market and Flow of Funds Relationship



Source: Viney (2003) as cited by Meshaal (2014).

Theoretical Framework

The study is anchored on the supply leading hypothesis based on the importance of finance in the context of a developing country like Nigeria.

The Supply Leading Hypothesis

According to Ohwofasa (2013), supply-leading hypothesis suggests that stock market spur growth. The creation and growth of the financial markets brings about a greater level of saving and investment. This theory believed that well-functioning financial markets can increase economic efficiency, create

and expand liquidity, increase savings, enhance capital creation, and transfer resources from traditional sectors to the more modem growth inducing sectors. The work of Dernirguc-Kunt & Levine (1998), discovered strong evidence that financial development is good for growth.
To them, it is important to encourage policymakers to prioritize financial sector regulations and give attention to policy determinants of financial development as a mean for promoting growth.
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Empirical Studies on Total Market New Issues and Economic Growth

Hammed, Shittu, Yusuf and Akanbi (2017) investigated the effect of economic growth and development in Nigeria through vector error correction model to examine the relationship between the capital market development and economic growth, the study adopt annual series from 1970 to 2013. Variables such as gross domestic product, total new issues and value of share traded and total listed equity are used for the study. The result shows that total new issues has no significant impact on economic growth in Nigeria.
Afolabi (2015) empirically evaluated the impact of the Nigerian Capital Market on the Nigerian economy looking at a 20 years period from 1992 to 2011. The Nigerian stock Market was proxy as market capitalization contrary to some variables of the economy such as Gross Domestic Product (GDP), Foreign Direct Investment, Inflation Rates, Total New Issues, Value of Transaction and Total Listing. Using the Multiple Regression analysis, the result shows that capital market has an insignificant impact on the economy within the period of study.
Udoka and Anyingang (2014) determine the extent to which the operations of the market have contributed to the growth of the Nigerian economy, they analysed and tested gathered on some capital market indicators from the stock exchange on market capitalization, all share index, volume of transaction, value of transaction and number of listed companies on the stock exchange using the ordinary least square statistical technique. The result unveiled that volume of transaction has positive and significant relationship economic growth.

Empirical Studies on Market Turnover Ratio and Economic Growth

Karimo and Ogbonna (2017) determined the degree of causality between financial deepening and economic growth in Nigeria from 1970-2013.
The study adopted the Toda-Yamamoto augmented Granger causality test and results showed that the growth of financial deepening nexus in Nigeria follows the supply-leading hypothesis. The analysis disclosed that stock market turnover ratio has significant effect on economic growth as causality flows from turnover ratio to economic growth. Awan and Iftekhar (2015) empirically attempted to establish the link between capital market development and economic growth in Pakistan.
The stock turnover ratio was used for stock market development, financial depth is used as the proxy of financial intermediary and the economic growth measured with gross domestic product growth from

1988-2012. The ordinary least square and granger causality test was used to determine the investigation. The result revealed that stock turnover ratio had significant relationship with economic growth.
Omoruyi and Ede (2014) investigated both the short-run and long-run relationships between financial system development and economic growth in Nigeria. Their study used a multivariate ordinary least square analysis for the estimation process, co-integration analysis for long-run equilibrium relationship and the associated error correction model to establish the short-run effect of the variables. The findings of the study show that financial development (measured by banking system and capital market turnover ratio) positively influenced economic growth in Nigeria.

METHODOLOGY

The authors applied the *ex-post facto* research design. The events being examined have already taken place providing already established secondary data for the study. The data were collected from sources that the researchers has no ethical and statutory powers to manipulate. Hence, used in their original state.

Description of Variables in the Models

Economic growth is the dependent variable and was proxied by Real Gross Domestic Product Growth Rate (RGDPGR) which measures the changes in real output. The explanatory variables which are the indices of capital market performance include Total Market New Issues (TMNI) and Turnover Ratio (TURNR). The RGDPGR as stated above is real gross domestic product growth rate. This is the change in real gross domestic product. This adjustment transforms the money-value measure, nominal Gross Domestic Product into an index for quantity of total output measured in millions of Naira. Echekoba and Ananwude (2016) while following Chizea (2012), stated that RGDPGR captures the actual change in GDP from the previous year to the current and, thus, if the economy has increase it is positive and, if it has not, then it will be negative. Echekoba, Ezu and Egbunike (2013) and Echekoba and Ananwude (2016) used this indicator in their study.

TMNI is total market new issues: These are securities that has been registered, issued and sold to the public for the first time. They most often called primary shares. Researchers such as Briggs (2015), Afolabi (2015), Yadirichukwu and Chigbu (2014), Pat and James (2010) and Osinubi and Amaghionyeodiwe (2003) applied this index in their work.

TURNR is turnover ratio: is a measure of stock market liquidity surrogated by ratio of value of stock traded to market capitalization. A higher turnover ratio reflects the ability of investors to easily divest their assets (Abbas, Pei & Rui,2016; and Alajekwu & Achugbu, 2012).

Model Specification

The model of analysis follows a linear combination of explanatory tune series variables. The paper adopted and modified the model of Edame and Okoro (2013) for a similar study in Nigeria. Edame and Okoro (2013) expressed economic growth as a function of capital market performance fundamentals visa viz: market capitalization, number of deals, value of transaction and interest rate. The original model is stated as:

$GDP_t = \beta_0 + \beta_1 MAKAP_t + \beta_2 NDEALS_t + VTRAN_t + \beta_4 INT_t + \varepsilon_t$ 1.1

To determine specifically capital market performance as a panacea for economic growth in Nigeria, the following model was develop.

RGDPGRt = β_0+ $\beta_1$logVSTTRAt + $\beta_2$logVOLSTRDt + ε_t …… 1.2

Where:

The variables are as explained under variables description above,

RGDPGRt = the gross domestic product real growth rate in year t

β_1 to β_2 are beta coefficients of the explanatory variables

β_0 = the constant/intercept of the model.

ε_t = error term

Methods of Data Analysis

In the course of carrying out the data analysis in this study the following procedures and methods are employed:- Unit Root Test - to ascertain stationarity of the data to avoid cases of spurious regression. This was done using the Augmented Dickey-Fuller and Phillips Perron approaches at level (trend and intercept) and first differencing (also trend and intercept) respectively. After confirming stationarity of all the data and the order integration, a co-integration test was carried out for evidence any long run relationship among the variables utilizing the Johansen approach. Decision to adopt vector error correction model or vector auto-regressive model is based on the results of the co-integration and unit root tests. The statistical package employed for the analysis is E-views 9.

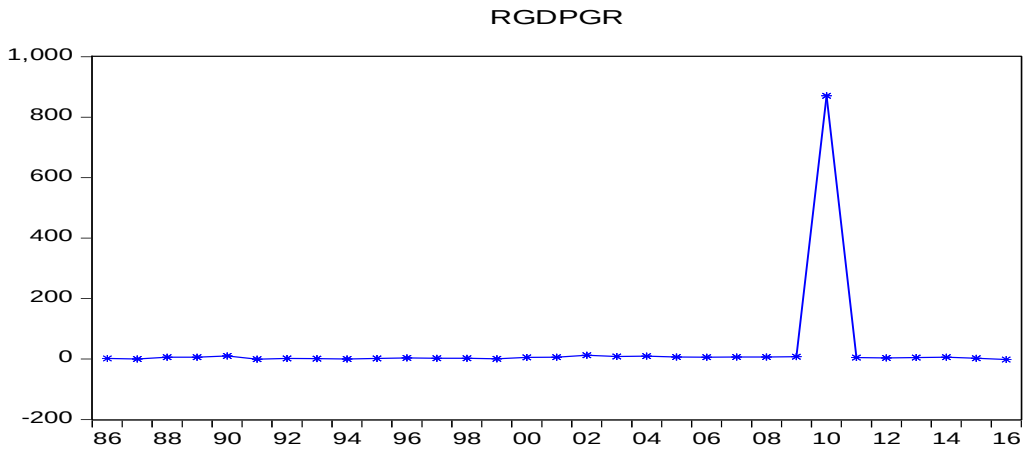
DATA PRESENTATION

The data were sourced from Central Bank of Nigeria statistical bulletins and Nigeria Stock Exchange factbook of various issues.

Real Gross Domestic Product Growth Rate

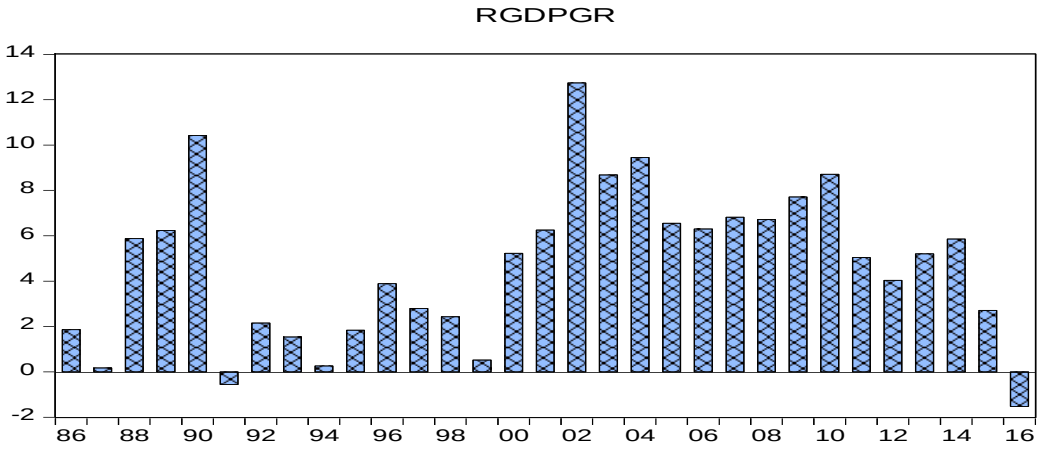
Real gross domestic product growth rate of Nigeria was 1.86 in 1986, but rose by 78.65% by the end of 2010 to settle at 8.71. From 2005 to 2008, there was a marginal rise in real gross domestic product growth rate from 6.55 in 2005 to 6.72 in 2008 before it declined to 5.04 in 2011. From 2012 to 2016, as shown in Fig. 1 and 2, real gross domestic product growth rate has been depreciating. In 2016, the economy witnessed a negative growth as the real gross domestic product growth rate was -1.52 due to recession that engulfed the economy at that period.

Fig. 1: Graphical Trend in Real Gross Domestic Product Growth Rate 1986 to 2016



Source: Central Bank of Nigeria Annual Report, 1986 – 2016; and output data from e-views 9.0 version.

Fig. 2: Bar Chart Trend in Real Gross Domestic Product Growth Rate 1986 to 2016



Source: Central Bank of Nigeria Annual Report, 1986 – 2016; and output data from e-views 9.0 version.

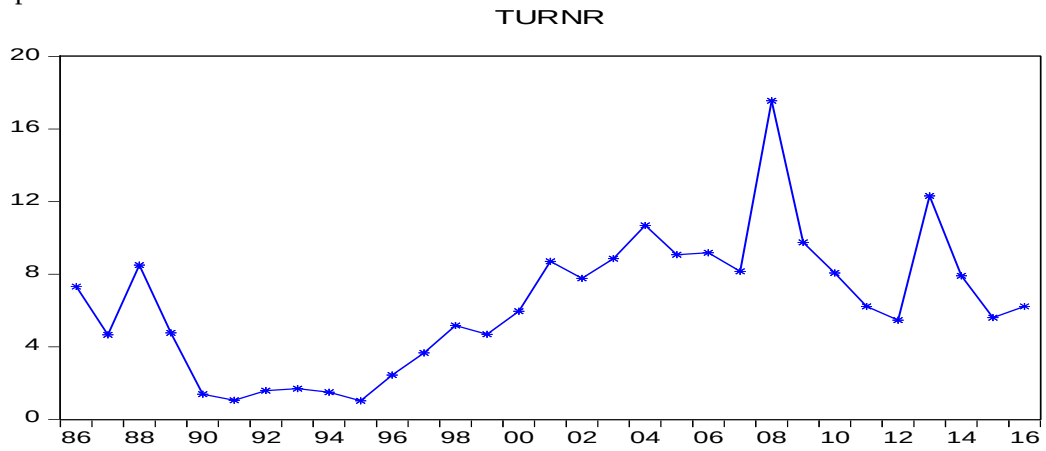
Turnover Ratio

As can be seen in Fig.3 and Fig. 4, from 1986 to 2016, there has been up and down in turnover ratio of the Nigeria Stock Exchange. The turnover ratio was 7.32% in 1986 but marginally depreciated to 6.22% in 2016. 1999 to 2004 reveals a steady upsurge in turnover ratio from 4.69% in 199 to 10.69% in 2004. The turnover was hit by the global financial crisis of 2007 to 2009 as it surged to 9.75% in 2009 as against 17.56% in 2008.

Total Market New Issues

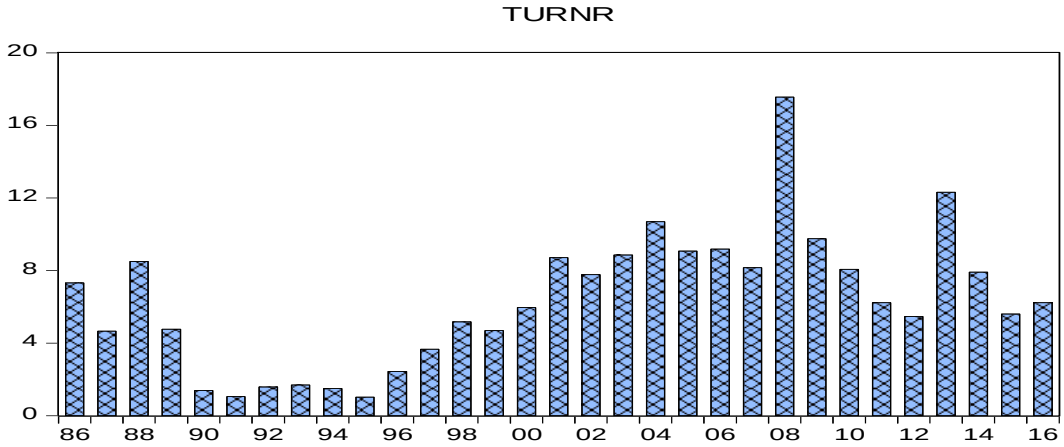
Fig. 5 and Fig. 6 show the trend in total market new issue during the period 1986 and 2016. Total market new issues grew from ₦833 million in 1986 to ₦14, 061.76 million in 2016 indicating an appreciation of over 94.07% within a period of thirty one years. From 2014 to 2016, the total market new issue declined considerably from ₦583, 980 billion in 2014 to ₦14, 061.76 billion in 2016.

Fig.3: Graphical Trend in Turnover Ratio 1986 to 2016



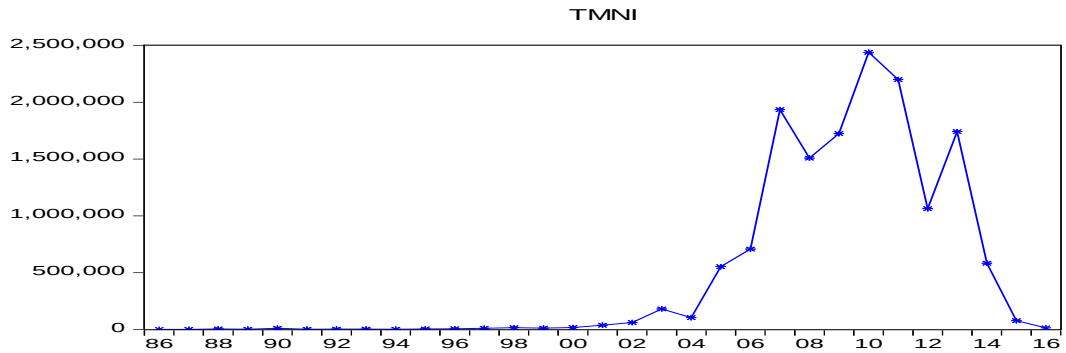
Source: Nigerian Stock Exchange factbook, 1986 – 2016; and output data from e-views 9.0 version.

Fig. 4: Bar Chart Trend in Turnover Ratio 1986 to 2016



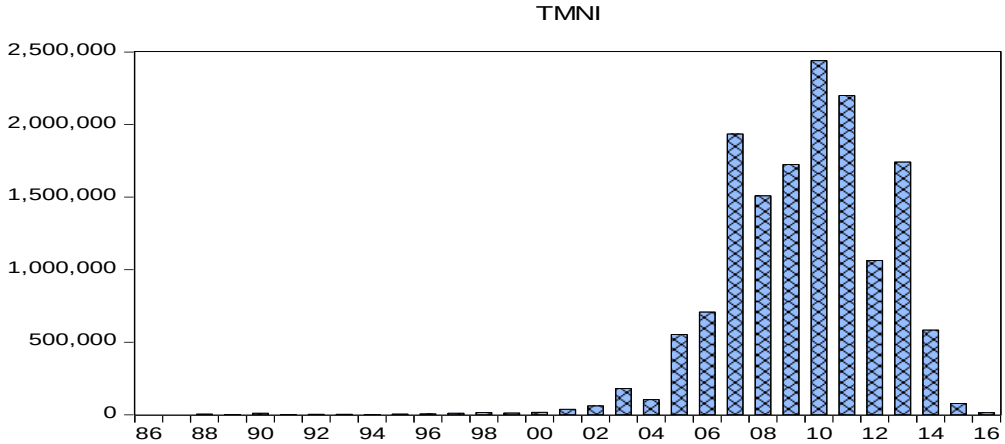
Source: Nigerian Stock Exchange factbook, 1986 – 2016; and output data from e-views 9.0 version.

Fig. 5: Graphical Trend in Total Market New Issues 1986 to 2016



Source: Nigerian Stock Exchange factbook, 1986 – 2016; and output data from e-views 9.0 version.

Fig. 6: Bar Chart Trend in Total Market New Issues 1986 to 2016



Source: Nigerian Stock Exchange factbook, 1986 – 2016; and output data from e-views 9.0 version.

Table 1.1: Descriptive Statistics of the Variables of the Study

Date: 10/18/19
Time: 20:43

	RGDPGR	TMNI	TURNR
Mean	4.802000	10.79790	6.320667
Median	5.215000	10.13857	6.090000
Maximum	12.74000	14.70751	17.56000
Minimum	-1.520000	6.110802	1.020000
Std. Dev.	3.453278	2.683421	3.792434
Skewness	0.139290	0.127577	0.665898
Kurtosis	2.501841	1.629864	3.789377
Jarque-Bera	0.407211	2.427972	2.995994
Probability	0.815784	0.297011	0.223578
Sum	144.0600	323.9369	189.6200
Sum Sq. Dev.	345.8287	208.8217	417.0942

Observations	30	30	30

Source E-views Output, 2019

Variables Descriptive Properties

Table 4.5 reveals the descriptive properties of the variables. The descriptive properties of the variables were highlighted based on the mean, median, maximum, minimum, standard deviation, skewness, kurtosis, Jarque-Bera, p-value and number of observation. From Table 1, the mean of variables are 4.802, 10.797 and 6.320 for RGDPGR, TMNI and TURNR while their respective median is observed to be 5.215, 10.138 and 6.090. The maximum and minimum values are 12.740 & -1.520, 14.707 & 6.110, 17.560 & 1.020, also for RGDPGR, TMNI and TURNR respectively**.** All the variables are positively skewed toward normality.

The kurtosis statistic suggests that all the variables are leptokurtic in nature except for RGDPGR and TMNI whose kurtosis values are less than the benchmark of 3.0.

Diagnostic Tests

Stationarity Test Result

The variables were subjected to stationarity test to ensure the data are not encumbered by the stationarity defect that affects most time series which lead to bias inferences of regression results. Unit root test was checked using Augmented Dickey-Fuller (ADF) and Phillips Perron (PP). The ADF and PP were tested in level and at first difference trend and intercept respectively. The tests show that all the variables are stationary at first differencing (trend and intercept) and are summarized in Tables.

Table 1.2: ADF Test Result at Level: Trend and Intercept

Variables	ADF Test Statistic	Test Critical Value at 1%	Test Critical Value at 5%	Remarks
RGDPGR	-2.552321 (0.30)	-4.296729	-3.568379	Not Stationary
TURNR	-3.179868 (0.10)	-4.296729	-3.568379	Not Stationary
TMNI	-4.419126 (0.00)*	-4.356068	-3.595026	Stationary

Source: Output Data via E-views 9.0

Note: The optimal lag for ADF test is selected based on the Akaike Info Criteria (AIC), p-values are in parentheses where (*) and (**) denotes significance at 1% and 5% respectively

Table 1.3: ADF Test Result at First Difference: Trend and Intercept

Variables	ADF Test Statistic	Test Critical	Test Critical	Remarks

		Value at 1%	Value at 5%	
RGDPGR	-4.029045 (0.01)*	-4.339330	-3.587527	Stationary
TURNR	-7.377191 (0.00)*	-4.309824	-3.574244	Stationary
TMNI	-3.329699 (0.05)**	-4.339330	-3.587527	Stationary

Source: Output Data via E-views 9.0
Note: The optimal lag for ADF test is selected based on the Akaike Info Criteria (AIC), p-values are in parentheses where (*) and (**) denotes significance at 1% and 5% respectively.

Table 1.4: Phillips-Perron Test Result at Level: Trend and Intercept

Variables	PPTest Statistic	Test Critical Value at 1%	Test Critical Value at 5%	Remarks
RGDPGR	-2.552321 (0.30)	-4.296729	-3.568379	Not Stationary
TURNR	-3.179868 (0.10)	-4.296729	-3.568379	Not Stationary
TMNI	-4.419126 (0.00)*	-4.356068	-3.595026	Stationary

Source: Output Data via E-views 9.0
Note: In determining the truncation lag for PP test, the spectral estimation method selected is Bartlett kernel and Newey-West method for Bandwidth, p-values are in parentheses where (*) and (**) denotes significance at 1% and 5% respectively.

Table 1.5: The Phillips-Perrons Test Result at First Difference: Trend and Intercept

Variables	PP Test Statistic	Test Critical Value at 1%	Test Critical Value at 5%	Remarks
RGDPGR	-4.029045 (0.01)*	-4.339330	-3.587527	Stationary
TURNR	-7.377191 (0.00)*	-4.309824	-3.574244	Stationary
TMNI	-4.329699 (0.05)**	-3.752946	-2.998064	Stationary

Source: Output Data via E-views 9.0
Note: In determining the truncation lag for PP test, the spectral estimation method selected is Bartlett kernel and Newey-West method for Bandwidth, p-values are in parentheses where (*) and (**) denotes significance at 1% and 5% respectively.

Multicollinearity Test

Correlation indicates the degree of association between variables. It assesses the extent and strength of the association between two variables. The result showed that most of the variables employed are highly correlated with each other. However, because the directions of the correlations are both negative and positive, the threat of influence of multicollinearity is not considered significant as the effects tend to cancel out.

Table 1.6: Multicollinearity Test

	RGDPGR	TMNI	TURNR
RGDPGR	1.000000	0.475340	0.095974
TMNI	0.475340	1.000000	0.518733
TURNR	0.095974	0.518733	1.000000

Source: E-views 9.0 Output, 2019

Co-integration Test

The co-integration test is used in the determination of the long-run relationship that exists between variables. It is in line with the proposition of the Johansen in 1991.

Decision rule: If the trace statistics (Likelihood ratio) is greater than the 5% critical value at none, we reject the Null hypothesis (H_0) which says that there is no long-run relationship and accept the Alternate hypothesis (H_1) which says that there is long-run relationship between the variables. The decision is usually confirmed by the Unrestricted Cointegration Rank Test (Maximum Eigenvalue).

Table 1.7: Cointeregration Test

Date: 10/18/19 Time: 20:59
Sample (adjusted): 1988 2016
Included observations: 29 after adjustments
Trend assumption: Linear deterministic trend
Series: RGDPGR TMNI TURNR
Lags interval (in first differences): 1 to 1

Unrestricted Cointegration Rank Test (Trace)

Hypothesized No. of CE(s)	Eigenvalue	Trace Statistic	0.05 Critical Value	Prob.**
None *	0.890505	193.3921	125.6154	0.0000
At most 1 *	0.545988	50.53241	47.85613	0.0274
At most 2	0.338967	12.24266	15.49471	0.1457

Trace test indicates 4 cointegrating eqn(s) at the 0.05 level
* denotes rejection of the hypothesis at the 0.05 level
**MacKinnon-Haug-Michelis (1999) p-values

Unrestricted Cointegration Rank Test (Maximum Eigenvalue)

Hypothesized No. of CE(s)	Eigenvalue	Max-Eigen Statistic	0.05 Critical Value	Prob.**
None *	0.890505	64.14441	46.23142	0.0003
At most 1	0.545988	22.89934	27.58434	0.1778
At most 2	0.338967	12.00459	14.26460	0.1105

Max-eigenvalue test indicates 3 cointegrating eqn(s) at the 0.05 level
* denotes rejection of the hypothesis at the 0.05 level
**MacKinnon-Haug-Michelis (1999) p-values

Source: E-views 9.0 output 2019

Table 1.7 shows that long-run relationship (co-integration) exists among the variables. This is based on the trace and maximum eigenvalues against the 5%critical value. Based on these values, it is confirmed that there are three (3) cointegrating equations in the model. In view of the presence of long-run relationship (co-integration) among the variables, it became necessary for Vector Error Correction Model to be adopted for the analysis of the data of the Study in order to capture the short run disequillibrum that might have occurred in estimating the long run cointegrating equations. The outcomes of the vector error correction analysis are displayed on Table 1.8 below.

Table 1.8: Vector Error Correction Model Results-Gauss-Newton / Marquardt steps

Dependent Variable: D(RGDPGR)
Method: Least Squares (Gauss-Newton / Marquardt steps)
Date: 10/18/19 Time:21 .20
Sample (adjusted): 1988 2015
Included observations: 28 after adjustments
D(RGDPGR) = C(1)*(RGDPGR(-1) - 0.114511803477*TMNI(-1)
- 1.27763804924*TURNR(-1) - 4.31696108252) + C(2)

*D(RGDPGR(-1)) + C(5)*D(TMNI(-1)) + C(7)*D(TURNR(-1)) + C(9)

	Coefficient	Std. Error	t-Statistic	Prob.
C(1)	-1.241767	0.175038	-7.094288	0.0000
C(2)	-0.073760	0.115162	-0.640492	0.5295
C(3)	-0.016800	0.413885	-0.040592	0.9680
C(4)	-0.823473	0.166552	-4.944234	0.0001
C(5)	-2.242726	0.461463	-4.860039	0.0001

R-squared	0.823093	Mean dependent var	-0.263929
Adjusted R-squared	0.748605	S.D. dependent var	3.302443
S.E. of regression	1.655820	Akaike info criterion	4.101562
Sum squared resid	52.09309	Schwarz criterion	4.529771
Log likelihood	-48.42187	Hannan-Quinn criter.	4.232470
F-statistic	11.05011	Durbin-Watson stat	2.034279
Prob(F-statistic)	0.000011		

Presentation and Analysis of Results

From Tables 1.8 above Total Market New Issues- TMNI, and stock market turnover ratio- TURNR indicate a negative and insignificant relationship. The F-statistic indicates that the model is well fit for the estimation because the associated p-value of 0.0000 at 5 percent significance level. The Durbin Watson Statistic value of 2.03 does not suggest presence of auto correlation. Therefore the model could be used for statistical inference like hypothesis testing.

Test of Hypothesis

Hypothesis One

Restatement of Research Hypothesis

H_0: Total Market New Issues does not have significant relationship with economic growth in Nigeria.

From the size of the values of the coefficient (-0.114512) and standard error of Total Market New Issues – TMNI on Table 4.16 below; TMNI has negative and insignificant relationship with economic growth in Nigeria. Thus the null hypothesis is accepted.

Table 1.9: Coefficient, Standard Error and t-values of Total Market New Issues

TMNI(-1)	-0.114512
	(0.39460)
	[-0.29020]

Hypothesis Six

Restatement of Research Hypothesis

H_0: Stock Market Turnover Ratio does not significantly drive economic growth in Nigeria.

From the size of the values of the coefficient (-1.277638) and Standard error of Stock Market Turnover Ratio –TURNR on Table 4.17 below; TURNR has negative and insignificant relationship with economic growth in Nigeria. Thus the null hypothesis is accepted.

Table 1.10: Coefficient, Standard Error and t-values of Stock Market Turnover Ratio

TURNR(-1)	-1.277638
	(0.09010)
	[-14.1808]

Discussion of Findings

Total market new issues having a negative and insignificant relationship with economic growth largely agrees with the claims of Obubu, Konwe, Nwabenu, Omokri and Chijioke (2016) and Afloabi (2015) but disagrees with Hammed, Shittu, Yusuf and Akanbi (2016), Muritala and Ogunyi (2016), Dabo (2015) and Odetayo and Sajuyigbe (2012) that total market new issues positively and insignificantly relate with economic growth in Nigeria.

Turnover ratio has negative and insignificant relationship with economic growth which agrees with the previous studies of Abdul-Khaliq (2013), Jamil and Shazia (2013), Osho (2014), Awan and Iftekhar (2015), Karimo and Ogbonna (2017) and Chizea (2012) while the studies of Omoruyi and Ede (2014), Alajekwu and Ezeabasili (2012) refute this finding.

The result from the regression confirmed that there is insignificant relationship between capital market and economic growth in Nigeria which is an indication of the underdeveloped nature of the capital market and its little role in contributing to economic growth in Nigeria. This is attributed to small size of the market, illiquidity in the market, slow growth of securities market, delay in delivery of share certificates, problem of manual call-over, double taxation, lack of effective underwriting and problem of macroeconomic instability.

The results invariably show that some serious policy issues have to be put in place to promote economic growth. For example there is need for large corporation shares to be quoted in the Nigerian Stock Market as this will increase the volume of transaction in the market furthermore; it important to establish fund managers and scheme which will help for frequent transaction in the market.

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

Summary of Findings

This research specifically ascertained the relationship of total market new issues and turnover ratio on economic growth from 1986 to 2016. The study showed the following:

1. Total market new issues have negative and insignificant relationship on Nigeria economic growth during the period studied.

2. Turnover ratio has a negative and insignificant relationship with economic growth for the period study. market

Conclusion

The paper conclude that the Nigeria economy needs to be properly streamlined and strategically positioned via adoption of global best practices that will enable the stock market drive the expected growth in the economy. Since stock variables studied have negative and insignificant relationship with economic growth in Nigeria from 1986 – 2016.

Recommendations of the study

Based on the findings, this study recommends that;

It is recommended that awareness crusades and sensitization programmes should be monthly or quarterly organized by capital market regulatory authorities and market operators to enlighten and educate potential investors on the need to invest in the capital market as the number of individual investors engaged in the capital market are relatively small compare to the size of the economy, as this will increase total market new issues which will translate to economic growth.

And Government should encourage sound economic rules and relatively stable political environment that will be conducive for long term investments in the economy. They should implement growth economic strategies devoid of selfish interest. Maintaining relative political stability in the country will encourage more local investors and attract more capital inflow that will result in sustainable economic growth.

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