
**CAPITAL MARKET GROWTH TRAJECTORY, FINANCIAL DEVELOPMENT
AND ECONOMIC GROWTH IN NIGERIA. ANALYSIS OF PUBLIC AND
PRIVATE DEBT SECURITIES**

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ABSTRACT

This study examines stock market development and economic growth in Nigeria. The time series data spanning the periods, 1981 to 2023 obtained from the Central Bank of Nigeria statistical bulletin was utilized in exploring the impacts of the stock market expansion on the Nigerian economic growth proxied by the gross domestic product while ratios of stock market capitalization, total securities traded, private and public securities traded relative to the GDP were used in measuring stock market development. The correlational research design within the regression framework useful for the study was employed. The findings of this study revealed that there exist a short-run, very strong positive and significant linear link between stock market capitalization, value of total securities traded and the Nigerian GDP, while private and public debt securities show a weak and insignificant relationships, consistent with the finance-led growth hypothesis, result of the short-run analysis confirmed the critical role of the stock market growth in economic prosperity. Though the correlation estimations at the long-run showed a weak and insignificant correlation between parameters of the stock market development indicators and economic growth in Nigeria suggesting that the expansion in stock market is yet to really impact economic growth in practical terms in Nigeria, hence, the study suggests that, a simplify listing procedures to promote broader participation. The need for the regulatory authorities to strengthen institutional framework should focuss on improving transparency, investor, protection, adherence to corporate governance principles capable of improving market confidence and encourage broader/deeper financial intermediation amongst other things.

KEYWORDS: - Stock market development, debt, capitalization, securities traded.

1.0 INTRODUCTION

The capital market facilitates access to credit and instruments and thus mobilizes savings (idle funds) into productive capital formation. According to the World Bank perspective; financial system development can be looked at from two distinct facets; Institutions and the Markets. The financial system particularly the growth of the capital market is strongly linked to economic

growth (Eshun, 2024). Efficient capital allocating, risk management, and technological advancement of the stock market can lead to higher productive growth as investors especially the private sector engage actively in economic activities.

However, scholars had opined that both financial system development and economic development are phenomenon that occurs side-by-side. Eshun and George (2024) holds that stock market development and economic growth in the West African-Sub-region is relevant in the developmental agenda of the region. **Apparently**, stock market development would only remain relevant to economic progress of economies only when the stock market growth stimulates economic growth. No doubt, improved financial system is of essence to guarantee sustainability of the economic leading to economic and development growth.

Researcher like Eshun and George (2024) in their study confirmed that a robust and sound stock market within a solid and healthy institutional framework have a positive and is supportive to economic growth in ECOWAS region. The extent to which financial market can be supportive to its country's growth path is a matter of how solid, liquid and sophisticated the financial market is. Eshun and George (2024) in their research found that the stock market had positive impact on economic growth of ECOWAS countries. The same position was held by Inchiwou (2010) in a similar study of ECOWAS Monetary Union.

Imarticus (2024) had maintained that economy and financial market are interrelated entities shaping the global landscape. In the World Bank Perspective (2025), financial market development is crucial for assessing the development of the financial system and in understanding the impact of the financial system development on economic growth. The development of the financial system unlocks growth potentials in any monetary system. The Wikipedia holds that financial sector development and the emerging markets is part of the private sector development strategy to stimulate economic growth and poverty reduction.

Nigeria is one of the emerging market economies that is considered developed, giving its market capitalization projected to reach US dollar54. 46bn in 2025 anticipated to exhibit an annual growth rate (CAGR,2026) of 5.72% resulting to a projection of 54.40bn US Dollar in 2026 (the statista). According to the Nigerian Exchange Group (NGX) report, market activities evidenced by improved market indicators such as all share index (ASI), market capitalization (MCAP), number of trading equities amongst other indicators. Only the All Share Index which tracks the general market movement shows 114, 017.48 points. In technological advancement, the Nigerian Stock Market has experienced significant technological development in recent years with advancements in trading platforms, market surveillance, and regulatory practices, and many other development perspectives that necessitate this investigation.

Statement of The Problem

The Nigerian Capital Market has continually shown on a general note an upward growth trajectory marked by significant increases in market capitalization and positive returns driven by new listings, corporate acquisitions and a growing investors interest in equities; efforts at strengthening regulation, promotion of corporate governance and fostering of innovation through technology.

According to Oriental news, August 16, 2024, the Nigerian Capital Market's growth trajectory boosted by ₦1.228 trillion approved new issuances which according to source are an indication of increased public confidence in the market. The New Asset Value (NAV) of registered mutual funds grew by 111.08 percent to ₦3.335 trillion, indicating a strong and sustainable growth among many other growth indices.

The Nigerian economy is one among the emerging economies in the Sub-Saharan-African countries struggling to develop. Although record had shown that the Nigerian Stock Market has made significant strides, yet there are still growth opportunities and innovation in spite of its being reported as one of the Big four economies leading the way in the technology industry (Punch.com, 2025). In the global innovation index 2022 (World Intellectual Property Organization (WIDO) ranked Nigeria 107th for innovation **net worth** outputs. Capital formation refers to the process of accumulating physical assets and infrastructure that are essential for production and economic development is important for the Nigerian economic growth path. By improving the stock of capital asset and capital formation it enables higher output, supports industrialization and improves overall living standard. In Nigeria, capital formation is critical to transferring the economy from reliance on **oil** to a diversified industrial base, creating jobs and attracting investment (Apex tech summit, 2025).

The Nigerian Stock Market is fast developing in depth and operations. The market is implementing strict disclosure requirements and real time reporting to ensure market participants, have access to accurate and timely information, enhanced liquidity through diversified financial instruments and encouraging market makers to facilitate smooth trading activities, building trust and strong regulatory frameworks, protection of investor rights and transparent governance to attract local and foreign investments, adopting advanced trading platforms and block chain technology to increase efficiency, reduce fraud, and improve transaction speed and developmental strides of the Nigerian Stock Market. It is against this backdrop that this piece seeks to analyze the influence of financial market development on the Nigerian Economic Growth.

Evidence of the Nigerian Stock Market development is depicted in its contribution to the GDP, Financial institutions and including the Capital Market contribution to the GDP which had consistently showed a downward trend for the past forty years (1985-2025). As at 1985 it stood as low as 3.0% and a high point only in 2007 representing 29.7% and thereafter snow-dived. In 2023 it was 17.8% but only showed upward trend in 2024 to 23.3% of its market capitalization representing percentage of the market to the GDP (CBN report,2025).

No doubt, at the heart of Africa's economic transformation, digital innovation is reshaping financial services and opening doors for millions of Nigerians, NGX group is **poiseto** champion this digital transformation (NGX, 2025), hence, in order to justify the above assertion, it is therefore imperative to carry on this study to ascertain the commitment of the NGX in utilizing Capital Market instruments to foster economic growth and development. According to NGX group.com (2025), the Nigerian Exchange Group (NGX) is heading for another All-Time High amid positive momentum, policy meeting outcomes. As at April 2025, the legend internet listing boosted NGX market capitalization by ₦11.26bn. As at July 2025, the ASI that tracks the general market movement regardless of capitalization stood at 134452.93 points representing 0.94% in increase. This implies that NGX-ASI crosses 133,000 points with banking, insurance; oil and gas stocks rally tremendously (NGXngxgroup.com). The market is up to 35% over the last one year.

The Nigerian Exchange Group (NGX) has shown strong performance in recent years, with significant growth in market capitalization, trading volume and key indices. Accordingly, the group reported profit before tax of ₦13.6 billion in 2024, driven by robust revenue growth and strategic cost optimization. The ASI closed in 2024 with a 37% return, depicting the market resilience and growth trajectory. The PBT value of ₦13.6 billion in 2024 is a reflection of 157.3% year-on-year increase (NGX, ngxgroup.com, 2025). In revenue, the group reported that gross earnings surged by 103.2% to ₦24.0 billion in 2024 with significant technology-related income of 105%. The market capitalization has also seen substantial growth with the NGX trading activities showing a 2.26% in total value of securities traded with Transcorp power plc listing, market capitalization rose by ₦1.8 billion (Nairametrics, 2025). ASI demonstrated resilience with a year-to-date return of 33-81%. Today the market that was **founded** in 1961 as the Lagos Stock Exchange with 19 equities has grown in depth and operations with 328 listings and Market Capitalization of ₦66.15 trillion as at April 2025 (en.m.wikipedia.org) and over ₦85 trillion as at 25th July 2025 (African Markets). This study therefore seeks to;

Justification

Admist the fact that several works on capital market and economic growth showed mix revelations, using different market indicators on either real GDP or nominal GDP ranging from

Market capitalization, New Issues, Total value of listed securities, Value of stock issued, All Share Index (ASI), Stock Market Turnover Ratios (SMTR) Gross Fixed Capital Formation (GFCF) among others. This study is unique as it incorporates value of public and private debt securities traded in relation to GDP which indicates the level of public and private debt in an economy relative to its total economic output. These are key indicators of financial stability and financial health of the stock market. To this extent, this study is a blend of both the capital market indicators and financial development indicators and the Nigerian economic growth.

2.0 LITERATURE REVIEW

Theoretical review in this study looks at theories of capital formation, financial development and economic growth nexus.

The capital theory: Capital provides the real foundation of the theory of money loans or financial markets. Its basic features derive in a simple manner from the theory of general equilibrium leading to the theory of optimal allocation of resources over time.

The capital and the theory of interest rates are closely connected. Explaining the role of interest of capital (Richer, 1989) the theory explores the role of capital in production and resources allocation over time. It analyses how capital assets like machinery and infrastructure are accumulated, maintained, and used to enhance productivity and drive economic growth. It also delves into the relationship between capital accumulation, technological progress and development. Through capital market platforms, capital assets and infrastructure are necessary for production and economic development are mobilized, hence its relevant to this study.

Financial Market Theory of development is an economic theory posits that a well-developed and efficient financial market is crucial for mobilizing domestic savings by channeling same into the most productive long-term investments to foster economic growth. Also, that the use of private flows of capital in new stock markets is important to encourage domestic economic development in developing countries through well-regulated stock and bond markets without reliance on government structure or loans and or aid (world bank, 2025). The theory was put forward by the World Banks' World Development Report for 2002. The theory holds that foreign investors should have access to "well-regulated" financial markets which would provide the 'surest path' to economic development. Adding that businesses in low-income countries would gain direct access to the private capital from industrialized countries. Those companies in the developing economies could not have to rely heavily on loans or aid negotiated via political means **rather** will receive capital directly from private investors instead of relying on domestic capital accumulation. Maintaining that businesses can seek equity to be borrowed from foreign investors and spur economic development faster.

Despite the criticism of the theory on the ground that Stock market development is not an essential progression for the development of a country's financial sector development, the theory is relevant to this study. Its emphasized that the capital market provides the basis for capital accumulation necessary for production that guarantee economic development (en.m.wikipedia.org).

Capital Accumulation Savings-centered theory suggests that a nation's ability to save and channel those savings into productive investments is a key determinant of its long-term economic growth and development. The theory suggests that increased capital stock lead to higher output and income, a process that involves saving portion of current income, which is then invested to expand **future** productive capacity and income generation.

The Capital Accumulation savings-centered theory of economic and development is not associated with a single specific individual or theory. It is a core concept in various economic models and theories, particularly those related to classical and neoclassical growth. Adam Smith in his 'Wealth of Nations', emphasizes the role of capital accumulation through savings and investment as a driver of economic progress. Capital accumulation as a key ingredient for economy, Adam Smith argued that savings a portion of production for investment in new capital goods (like machinery) leads to increased productivity and efficiency that promotes economic progress.

The process of savings for investment is only possible through the Capital Market mechanism hence; this theory is relevant to this work.

The Supply-leading hypothesis: The theory suggests that advancement in the financial sector drive economic growth. It posits that a well-developed financial sector, with its ability to allocate resources efficiently is a pre-requisite for a thriving economy. This is however, contrary to the demand following hypothesis, which argues that economic growth precedes and stimulates financial sector development. The hypothesis (supply-led theory) proposes that financial sector development is not just a consequence of economic growth, but rather a catalyst that enables and accelerates development. Adding that a robust financial system or sector facilitates efficient allocation of savings, channeling same toward productive investments thereby fueling economic expansion.

The Supply-leading theory was first developed by Schumpeter Joseph in 1911 and later expanded by Patrick an economist. The pioneered developed idea of Schumpeter is that a well-developed financial system is crucial for economic growth, particularly by facilitating technological innovation as the redistribution of resources. The theory holds that financial

deepening is a determining cause to economic growth, arguing that causality flows from finance to economic growth with no feedback response from economic growth (Adeyemi et al 2015). The supply-leading hypothesis presumes that the economic respond to growth in the real sector facilitated by financial development.

A contrary view of the supply-led hypothesis was pioneered by Robinson in 1952 who posited that financial deepening is dependent on growth rather that occurs in the economy embedded in the demand-growth hypothesis which suggests that growth or casualty is from economic growth to financial development. The theorist argued that increasing demand for financial services deepens the financial sector as the economy progresses (Galdemo and Liu, 2002 in Adeyemi, 2015).

Because a well-developed financial sector of the Capital Market is a constituent and makes possible the allocation of financial assets or resources efficiently. The theory has bearing with this work.

The Demand-led growth theory; the demand-following concept was proposed by Robin (1962). The hypothesis is. The direct opposite of Patrick (1966) after Schumpeter, while the supply-leading theory argues that development of the financial sector leads to development in the economy. The demand-leading present a contrary view arguing that when the economy is developed, demand for financial services will increase causing development in the financial sector and not the other way. The demand following theory proposes that economic growth create need for financial services, businesses expansion, individuals accumulate of wealth, and the entire economy becomes more complex, the need for financial institutions and markets to handle surplus savings, investments, loans and other financial transactions or services. This means that when the economy expands, and matures, demands for financial services increases leading to development and growth of the financial institutions and markets to meet demand following or arising from economic expansion and development, hence the theory hold that economic development precedes and stimulates financial sector development contrary to the stance of the supply-leading hypothesis. Irrespective of any perspective, it is and it remains a fact that development in either the economic or financial section causes development in each other (Magaji, 2022).

Empirical Review

Olusegun and Ajao (2024) examined Capital Market development and economic growth in Nigeria. Using data spanning the periods 2003 to 2022. The study proxied capital market development with Market Capitalization (MCAP), Interest Rate (NRI), and Real GDP (RGDP) as parameters of independent and dependent variables respectively. Utilizing a multiple

regression model, found that Capital Market developments have a negligible impact on economic growth, that there exists a positive correlation among them. Eniekezimane and Opuofoni (2024) conducted an investigation of capital market and economic growth in Nigeria. The study utilized data covering the periods 1981 to 2022 using the Vector Auto-Regression (VAR) to estimate data obtained on MCAP, Total Value of Securities Traded(TVST), Gross Fixed Capital Formation (GFCF) and the Real GDP (RGDP) as proxies for the independent and dependent variable respectively.

The study concluded that Capital Market development have a directional influence on economic growth between MCAP, TUST, GFCF used and significant effects on economic growth in Nigeria. Adamu and Mustapha (2023) examined Capital Market development and economic growth relationship using data set spanning from 1985 to 2021. The study employed the Johansen Cointegration and Vector Error Correction Model to analyze the relationship. The study proxied capital market indicators with ASI, Total Value of Transaction (TVT) and number of deals as parameters. The study findings revealed a positive and significant effect of Capital Market on economic growth. The study postulated that capital market benefit more in terms of participation of the real sector only when production expands, there is increase public awareness, lowering of barriers and listing requirements for sound and robust participation. Eshun and Tweneboah (2024) studied to find out whether the relationship between Stock Market Development and economic growth in ECOWAS is conditioned by institutional quality. The study adopted the Hasen Threshold regression model to substantiate institutional quality variables in stock market development and economic growth relationship in estimating the mediating role, of disaggregated institutional quality. Findings revealed that good institutional structures help the stock market development to have greater positive influence on economic growth in the ECOWAS region. Again, the study posits that when government effectiveness is the threshold variable, stock market development has positive and significant relationship with economic growth. Whereas, a higher regulatory control by the government precipitates a negative and negligible effect on stock market growth impact or influence on economic growth.

Anyanwu and Kalu (2020) examined Capital Market and Economic Growth in Nigeria. The study focused on capital market development in relation to economic growth between 2002 and 2018. Applying the multiple regression technique, the study revealed that MCAP, New issues, Total Value of Transactions (TVT), and total listing proxied as independent variables and the real GDP as proxy for dependent variable. They concluded that development in the capital market, based on the parameters used played significant role in the influence of capital market growth and development on economic growth in Nigeria.

Adams et al (2020) examined capital market and economic development: A comparative study of three (3) Sub-Saharan African emerging economies. The study selected Nigeria, South Africa, and Kenya using Human Development Index (HDI) as the dependent variable. The study used Stock Market Capitalization (SMC), value of Stock traded (VST), and Stock Market Turnover (SMT) as proxies for the explanatory variables within the period 1990 to 2018 proved that Capital Market development has significant relationship with economic development in Nigeria and South Africa except in Kenya. Idenyi et al (2020) studied the impact of capital market indicators on economic growth in Nigeria from 1986–2016. The study adopted the ARDL bound test and VAR Granger causality model. The results revealed a stable long-run relationship between capital market indicators and the Nigerian economic growth, proving that capital market relates positively, and significantly influence economic growth only the Value of Traded Stocks (VTS) showed a negative and insignificant relationship. The study revealed that capital market indicators have a mix influence on economic growth.

Jung-Suk et al (2023) examined financial development, stock market development, and economic growth in Nigeria. The aim was to find new evidence on the role of financial and stock market development in accounting for economic growth across geographical regions and income groups. The study used an unbalanced panel regression with period fixed effects, alongside variance decompositions of annual GDP growth rates, to examine what proxy measure most and its important in economic growth over time and how much they contribute to economic growth. Findings of the study revealed a distinct direction, timing, and strength of the causality links between financial development, stock market development, and economic growth.

3.0 DATA AND METHODOLOGY

This study employed the ex-post facto research design and data were obtained from Central Bank of Nigeria (CBN) websites and statistical bulletins. The study covers the period of 42 years from 1981 to 2023. The study used the multiple regression analysis technique, from unit root to cointegration and error correction models. This approach is considered useful as it will reveal the attributes of the time series economic data. The unit root enables our understanding of the series characteristics of the data set as to its stationarity wise. Establishing stationarity of economic variables characterized with stochastic items will be a pre-condition for other tests in exploring the impact and relationship between the studied variables.

Model Specification

The study expressed models in:

The construct of a multivariate regression model within the context of econometric derivation, the model expressed below describes the connectivity between the variables in the study.

Functionally, we have:

$$\text{GDP} = f(\text{SMCAP}, \text{STMCA PGDP}, \text{TST}, \text{TSTGDP})$$

Mathematically, we define the econometric form of the functional model thus:

$$\text{GDP} = \beta_0 + \beta_1 \text{STMCA P}_t, \beta_2 \text{STMCA PGDP}_{it}, \text{TST}_{it}, \text{TSTGDP}_{it} + \mu - - - - 2$$

Where:

GDP = Gross Domestic Product as rate of economic growth.

STMCA P = Stock Market Capitalization.

STMCA PGDP = Stock Market Capitalization relative to GDP.

TST = Total Stock Traded.

TSTGDP = Total Stock Traded relative to GDP.

Measurement of Variables

GDP: Measures the economic health and performance. It is used in the model to capture the economic health and progress of the Nigerian economy as it is influenced by the stock market stock trajectory.

Stock Market Capitalization (STMCA P): is used in the model to capture the market size, with a large market cap, a higher market cap indicates progress or increases in the volume of activities.

Stock Market Capitalization to GDP: Measures and compares the value of all stocks at an aggregate level to the value of the country's total output. The stock market and the GDP mean relates positively or negatively, a positive correlation indicates that the market is effective and efficient in wealth creation and confidence leading to more spending and higher GDP.

Total stock traded (TST): this measures the liquidity and activity of the market, with heavy volume suggests strong conviction in price movements and high volumes indicating uncertainty. It is the total shares that have exchanged hands during a specific time period. It helps investors distinguish between real price trends and temporary fluctuations as high volume often validates price move. By providing market activity and incorporating past stock price movements, investor can predict and make informed decisions.

Total stock of securities traded to GDP: measures the ratio of percentage of liquidity of the stock market depth and its contribution to the economy. A high percentage suggests more frequent activity and liquidity are present in the stock market, do a portion of the economy's output (i.e market size to the national economy).

4.0 RESULTS AND DISCUSSION

Table 4.1 Descriptive Statistics

	LNGDP	PDSGDP	PUDGDP	STMCAP	TSTGDP
Mean	8.958716	0.280889	3.526244	95.09984	12.07037
Median	9.350228	0.126737	1.863381	87.59069	8.045425
Maximum	12.36489	2.105197	14.10535	304.8546	38.01393
Minimum	4.936705	0.000000	0.029733	0.000000	3.085372
Std. Dev.	2.491139	0.479019	3.772862	64.75289	9.096102
Skewness	-0.308388	2.923819	1.030230	0.959591	0.846757
Kurtosis	1.668949	10.57835	3.077269	4.468266	2.948706
Jarque-Bera	3.855866	164.1637	7.617209	10.46166	5.143199
Probability	0.145449	0.000000	0.022179	0.005349	0.076413
Sum	385.2248	12.07824	151.6285	4089.293	519.0261
Sum Sq. Dev.	260.6425	9.637270	597.8484	176103.3	3475.041

Researcher's Computation: Extract from Eviews 12

Table 4.2: Correlation Matrix

	LNGDP	PDSGDP	PUDGDP	STMCAP	TSTGDP
LNGDP	1.000000				
PDSGDP	0.297473	1.000000			
	0.0527	-----			
PUDGDP	0.710000	0.279522	1.000000		
	0.0000	0.0695	-----		
STMCAP	0.791420	0.211042	0.632486	1.000000	
	0.0000	0.1743	0.0000	-----	
TSTGDP	0.842511	0.311672	0.871608	0.878929	1.000000
	0.0000	0.0419	0.0000	0.0000	-----

Researcher's Computation: Extract from Eviews 12

Table 4.3: Unit Root Test using Augmented Dickey-Fuller:

Variables	Level	1 st Difference	Critical value at 5%	Conclusion
LNGDP	1.498001	3.543503***	2.933158	I(1)
PDSGDP	3.149252**		2.933158	I(0)
PUDGDP	0.758208	5.720705***	2.933158	I(1)
STMCAP	2.000581	6.925587**	2.933158	I(1)

TSTGDP	-1.098659	7.100037***	2.933158	I(0)
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Note that ***, **, * indicates significance at 1%, 5% and 10% respectively

Author's Computation: Extract from Eviews

Table 4.4 Bounds Cointegration Test Results

F-Bounds Test		Null Hypothesis: No levels relationship		
Test Statistic	Value	Signif.	I(0)	I(1)
F-statistic	2.206628	10%	2.2	3.09
K	4	5%	2.56	3.49
		2.5%	2.88	3.87
		1%	3.29	4.37

Author's Computation: Extract from Eviews 12

Table 4.5 Parsimonious Error Correction Model (ECM)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
LNGDP(-1)	1.446630	0.373430	3.873901	0.0007
LNGDP(-2)	-0.443166	0.383169	-1.156581	0.2588
PDSGDP	-0.044068	0.049053	-0.898383	0.3779
PDSGDP(-1)	0.047277	0.057561	0.821342	0.4195
PDSGDP(-2)	-0.012977	0.048902	-0.265375	0.7930
PUDGDP	-0.019933	0.033865	-0.588602	0.5616
PUDGDP(-1)	0.005844	0.037981	0.153871	0.8790
PUDGDP(-2)	0.038643	0.033382	1.157596	0.2584
STMCAP	-0.000659	0.002076	-0.317253	0.7538
STMCAP(-1)	0.002096	0.002132	0.982748	0.3355
STMCAP(-2)	0.001011	0.000790	1.280502	0.2126
TSTGDP	0.008286	0.016220	0.510824	0.6141
TSTGDP(-1)	-0.006356	0.019147	-0.331965	0.7428
TSTGDP(-2)	-0.030299	0.020197	-1.500144	0.1466
C	0.092050	0.129186	0.712536	0.4830
ECM(-1)	-0.211530	0.427192	-0.495163	0.6250
R-squared	0.998785	Mean dependent var		9.255412
Adjusted R-squared	0.998026	S.D. dependent var		2.321386
S.E. of regression	0.103138	Akaike info criterion		-1.416320
Sum squared resid	0.255300	Schwarz criterion		-0.740769
Log likelihood	44.32641	Hannan-Quinn criter.		-1.172062
F-statistic	1315.532	Durbin-Watson stat		2.015735

Prob(F-statistic) 0.000000

Author's Computation: Extract from Eviews 12

Table 4.6: Post-estimation test results

Test Type	Test Stat.	Prob
Normality Test	Jarque-Bera Stat.(5.905353)	0.052200
Breusch-Godfrey Serial Correlation LM Test:	Prob. Chi-Square Stat (0.7260)	0.8373
Ramsey RESET Test	F-Stat (0.327045)	0.5730
Heteroskedasticity Test: Breusch-Pagan-Godfrey	F-Stat (0.664294)	0.7925
Heteroskedasticity Test: ARCH	F-Stat (0.103044)	0.7500

Author's Computation: Extract from Eviews 12

Table 4.7 Summary of Findings

Hypothesis	Decision Rule	Findings
There is no relationship between ratio of stock market capitalization to GDP and GDP	Reject H_0 if P-value<0.05	Not Significant
There is no relationship between ratio of private debt securities to GDP and the GDP value in Nigeria.	Reject H_0 if P-value<0.05	Not Significant
There is no relationship between ratio of public debt securities to GDP and the GDP value in Nigeria.	Reject H_0 if P-value<0.05	Not Significant
There is no relationship between the ratio of total security traded GDP and the GDP value in Nigeria.	Reject H_0 if P-value<0.05	Not Significant

Author's Computation: Extract from Eviews 12

5.0 RESULTS, DISCUSSION AND IMPLICATIONS

From the results of the descriptive statistics, it is observed that the variability and asymmetry justifies the inclusion of a robust diagnostic tests and potential data transformations in the subsequent regression analysis. The results of the correlation matrix revealed several important relationships among the variables studied. The linear relationship between GDP and measures of stock market development to ratio of stock market capitalization, public debt securities, private debt securities and total stock traded to GDP showed strong and statistically significant positive correlations. Findings suggests that increases in public debt issuance, stock market capitalization and securities trading activities are associated with higher levels of economic output in Nigeria, consistent with the finance-led growth hypothesis. The theory which holds that financial market

development play critical role in facilitating economic growth by improving capital allocation, enhancing market liquidity.

The correlation between GDP and private debt securities indicated a weak and significant link at 5% level. This indicates a relatively low linear association and output growth which reflects underdevelopment of the private debt market in Nigeria. Traded securities relative to GDP and stock market capitalization showed a strong positive significant correlation. The result also presents a very strong correlation between public debt securities to GDP, suggesting that public debt market activities are closely linked with securities, trading dynamics. The overall, correlation results confirmed that the financial market development indicators particularly stock market performance and public issuance are positively associated with economic output in Nigeria. The relative weak correlations observed between private debt securities and GDP highlights a possible area for intervention, as private bond market remain underutilized. The unit root analysis presents mix results, while some were stationed at level, others were stationary at first difference as depicted in the unit root table above.

The results of the bounds cointegration test suggests that within the study period and based on the data set utilized, the explanatory variables relative to the Nigeria GDP do not exhibit significant long-run equilibrium relationship. The outcomes of parsimonious error correction model (ECM) collectively points to a critical insight; thus, while the stock market development indicators appear theoretically relevant, their short run influence on economic growth in Nigeria is weak or non-existent in practical terms. This suggests existence of structural bottlenecks or transmission lags in stock market dynamics influence on the real sector, which remains a prime driver of economic performance or growth. These revelations again raise doubt or questions about the depth, liquidity and institutional efficiency of the Nigerian stock markets as well the absorptive capacity of the domestic economy for translating financial development into real economic gains.

Findings of this study aligned with other research in this subject area, while some contrast, failure of the bounds cointegration test to establish a long run relationship, suggests that stock market development does not significantly influence Nigeria's economic growth, this stands in aberrance with several studies that found positive link between stock market development and economic growth in Nigeria like the work of Onyeoma et al (2024), Balago (2014) and Kabir (2018). On the other hand, this research confirmed with Adekunle et al (2013), Nzoh and Okereke (2009), Eshun and Tewneboah, (2024) who reported an insignificant impact of financial development on the economic growth in Nigeria.

The lack of significance of the ratio of private and public debt securities to GDP in this study suggests that the bond market in Nigeria is still underdeveloped in line with Sajo and Bin (2017). Still on the contrary view finding in this work is in contention with the positive growth implications found in regional studies like Mlambo (2024) for low-income SADC countries and Putatinoeand Piabo (2017) for Cameroon, where financial reforms and capital market development were associated with increased growth. This discrepancy can be attributed to so many factor specifics like market conditions, regulatory environments, financial literacy, institutional capacity, or macro- economic stability, all of which may moderate the finance-growth relationship.

6.0 CONCLUSION

The divergence between the theoretical expectations of the finance-led growth hypothesis and empirical evidences from Nigeria underscores the complexity of financial sector-real sector linkages in the developing economies. While the theoretical models and some empirical studies affirm the catalytic role of the financial markets in promoting growth, this study suggests that the stock market development in Nigeria is yet to achieve the maturity and integration require generating measurable impacts on output.

7.0 RECOMMENDATIONS

1. The government and the regulatory authorities should strengthen institutional and regulatory frameworks focusing on improving transparency, investor protection and corporate governance capable of enhancing market confidence and encourage deeper financial intermediation.
2. The need for the supervisory authorities to promote financial inclusion and market participation, expanding access to the stock market, especially for retail and small investors in order to improve market liquidity and breadth, as simplify listing procedures may promote broader participation.
3. Efforts to be intensify to develop a more active and diversified bond market, including municipal and corporate bonds (private debt securities) to support long-term capital formation.
4. The need for regulators to link financial sector development with the real sector needs, via targeted policies which should encourage financial products and services that alignwith investment particularly through innovative financial instruments.
5. There is need for the monetary authorities to strengthen macroeconomic stability and policy coherence, as financial market thrives in a stable macroeconomic environment. Sound fiscal and monetary policies will ensure low inflation, and reduce exchange rate volatility to foster investor confidence.

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