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8. ENTREPRENUERIAL MANAGERIAL COMPETENCE AND PERFORMANCE OF SMALL & MEDIUM SCALE ENTERPRISES IN OGUN STATE, NIGERIA. - Ogbebor, Peter I., Oguntodu, James and Olayinka, Ifayemi M
The study on financial market and economic growth in Nigeria is carried out to determine whether financial market influences economic growth positively. This is to investigate the effect of Total Stock Market Capitalization and Total Commercial Bank Credit on Real Gross Domestic Product. The study adopted non probabilistic sampling technique through the use of purposive method to select related data from 1999 to 2016. The findings reveal that Real Gross Domestic Product is positively related to Total Stock Market Capitalization and Total Commercial Bank Credit, also the result of the analysis shows that they are significant. In addition, the R-Squared of (0.7468) reveals that 74.68% of the Real Gross Domestic Product is explained by stock market capitalization and commercial bank credit. We hereby recommend that attention should be focused on the entire financial market in order to spur economic growth and development.

Keywords: Financial market, Economic growth, Stock market, Capitalization, Bank’s credit

1.0 INTRODUCTION

Several factors account for the differences in the level of development of countries. Some countries develop through advances in technology while others can do so through financial improvement in the intermediation processes or through a combination of these factors. Azmeh, Al Samman and Mouselli, S. (2017) argue that financial systems contribute to the process of economic development while Njogo and Ogunlowore, (2014) re-emphasize the fact the development of the capital market is one of the key factors necessary for economic growth of a nation especially for an emerging economy like Nigeria. Whether it is mouthed or not, the general welfare of the citizenry underlie efforts at developing an economy towards a more egalitarian society.

Recent studies which have contributed to the debate about the effects of financial development on economic growth include Pagano (1993), King and Levine (1993), Obstfeld

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Based on the foregoing, the new orthodoxy in research should endeavor to unravel how finance, indeed, account for growth especially in less developed countries following financial liberalization; the wave which swept across the frontiers of many emerging economies in their quest for development in the 1970s and 1980s. This, perhaps, follows the wind of change triggered by globalization and deregulation. The 1980s were a decade of increasing globalization and deregulation of financial markets (Bekaert, 1995). On their part, Odo, Anoke, Onyeisi and Chukwu (2017) point out that it has been a challenge discussing the channels through which stock markets stimulate economic growth. They pointed out that in traditional growth theory, the growth rate is a positive function of exogenous technical progress while emphasizing that advances in recent endogenous growth literature equally identifies financial markets as mechanisms through which growth can be enhanced. The level of development of developed economies cannot be less attractive to the emerging markets and the less developed countries which struggle for space in the international arena, albeit, struggle for survival despite many of them being blessed with abundant natural resources – a key source of national income and wealth. A key constraint that can easily be identified in the case of the developing countries is access to finance due to the slow development of their financial markets and low technological base.

The relationship between financial markets and economic growth has attracted a lot of research interest but through the sphere of cross-country growth regressions. For example, King and Levine (1993) studied 80 countries over the period: 1960 – 1989 and found that higher levels of financial development are positively associated with faster rates of economic growth, physical capital accumulation, and efficiency improvements both before and after controlling for numerous country and policy characteristics. Also, Bekaert (1995) studied the level of integration of nineteen emerging equity markets and postulates that the policy prescription is that an economy should try to eliminate or lessen the impact of those barriers that are most likely to effectively segment the local market from the global capital market. The cross-country growth regressions through which empirical investigations have been executed are yet to reduce the controversy; hence, further research efforts are essential. It should be noted that cross-country regression analyses are broad brush efforts, therefore, cannot capture individual country attributes, furthermore, when time-series analyses are best suited for causality patterns over-time for individual country analysis.

The crux of the argument of Azmeh et al., (2017) is that financial systems contribute
to the process of economic development. Yadirichukwu, and Chigbu (2014) also identified the manner through which the capital market contributes to economic development. To them, capital markets contribute to economic growth through the specific services it performs either directly or indirectly. Notable among the functions the capital market performs according to them include mobilization of savings, creation of liquidity, risk diversification, improved dissemination and acquisition of information and enhanced incentive for corporate control. According to Levine et al., (2000), theoretical models predict that better functioning financial intermediaries accelerate economic growth while Odo et al., (2017) posit that a higher rate of successful innovations results in a higher growth rate of productivity. In this study, we will examine how financial markets spur growth and economic development in Nigeria following financial markets liberalization over the period: 1999 – 2016. This scope is hinged on policy reform date. Nigeria’s official liberalization date is given as 1993 (Jefferis and Smith, 2005); 1995 (Bekaert, Harvey and Lundblad, 2003); 1998 (Miles, 2002). Besides, date of the introduction of American Depository Receipts (an indirect way of financial liberalization) essentially through banks by Nigerian financial institutions was given as 1998 (Bekaert et al., 2003). Therefore, the latter date of 1998 is recognized as the official financial liberalization date of Nigeria in this study. Second, the country was under the jackboot of military dictatorship until 1999 and before then, it was from one form of political crisis to the other including coups and counter coups. It should be noted that financial markets development following liberalization which spurs economic development and growth will not blossom under such prevailing circumstances of political instability. As a result of this and for purposes of synchronization, the scope of the study covers the period: 1999 – 2016.

Nigeria is Sub-Sahara Africa’s largest economy, Africa’s largest oil exporter with the continent’s largest population. These, among other peculiarities calls for a separate study and the variables incorporated in this study are: real per capita gross domestic product (the dependent variable), while the regressors include total stock market capitalization and total commercial bank credit to the private sector. Conclusion to be drawn from this study will among other things be beneficial to policy makers, multi-lateral financial agencies such as the International Monetary Fund and the World Bank as well as other emerging economies. In particular, the outcome of this study will lead to the understanding of how successful the reform program in Nigeria has been and help resolve the question of whether to reform more or reverse the process a little bit.

The rest of the paper is organized as follows: Section II reviews the relevant literature on finance-growth nexus, among others; Section III covers Methodology and Data; Section IV deals with Findings while Section V Contains Summary and Conclusion.
2.0 REVIEW OF RELEVANT LITERATURE

The intensity of financial intermediation channels has become the fulcrum of research into the finance-growth nexus in recent times. The import of the effects of finance through the financial intermediation channels – financial markets and institutions which are clearly defined by the structure of financial systems has become so significant not to be misplaced in discussions that mire arguments in the literature. Hondroyiannis et al., (2005) and Odo et al., (2017), argue that the theoretical issues are not yet settled. In particular, Odo et al., (2017) emphasize the relevance of recent arguments in the endogenous growth literature which strongly associate economic growth with improvements in financial markets. Moreover, the transmission mechanism through which channels of intermediation cause growth and development should be separately identified from the aggregate effects of finance on growth. Endogeneity has been seen as a factor in the different growth rates of countries. Yadirichukwu and Chigbu (2014), opine that evidence in extant literature throws up mixed results with regards to the effects of capital market on economic growth. On their part, Greenwood and Smith (1997) argue that financial markets play a central role in economic development and that economic development leads to the formation of new markets. One of the themes in their arguments is that market formation is an endogenous process and highlighted different roles played by participants in this process in the course of arranging and effecting trades. Following from this line of reasoning, Maduka and Onwuka (2013) elucidates that the relationship between economic growth and financial sector is dynamic such that each influences the other at different stages of economic development. On their part, Klenow and Rodriguez-Clare (1997) expost that differences in policies and institutions across countries lead to differences in rates of long-run economic growth. A case in point is Nigeria, like many developing countries where the non-availability of long-term funds for investment financing has been identified by Taiwo, Adedayo, Evawere (2016) to have constituted a barrier to their economic development. There is even evidence, argue Al-Zubi et al, (2006) that the level of financial development is a good predictor of future rates of economic growth, capital accumulation and technological change. Regarding the endogenous factors, Klenow and Rodriguez-Clare (1997) ask: What policy and technology shock processes are hitting each country (tax rates, wars)? Also, the structure of the financial system at each stage of growth should receive close attention in empirical investigations as both the developed and developing countries cannot be on the same pedestal at the same time irrespective of current financial structures, otherwise, such research findings may yield spurious results.

Comparisons of countries on the variation of growth following financial markets reforms should be made for the same level of development even though at different time horizons. For Example, Rioja and Valev (2004) in their studies of the effects of financial development on the sources of growth in different groups of countries find that the effects
of finance on economic growth may vary in different types of countries. Furthermore, they find that the overall effect of financial development on growth is positive whether the financial system is bank-based or market based, nevertheless, they continued, stock markets may be an important source of financing, especially in high income countries. This argument can be stretched further following the view of Arestis (2005) which is that the argument of which channel of intermediation is best suited for countries is unnecessary because it is financial services themselves that are by far more important, than the form of their delivery. Policy debates for over a century about whether bank-based or market based financial systems are better at promoting economic growth are unabating, majority of the researchers, argue, Hassan, Babafemi and Jakada (2016) have considered financial market development as an integral part of economic development. The role played by particular channels – technology and financial markets at various stages of development is, therefore, highly imperative. Levine (2002) found no evidence for the bank-based or market based argument; rather positive relation between financial services and growth. Furthermore, Levine (2002) states that distinguishing countries by their overall level of financial development helps to explain cross-country differences in economic growth. Accordingly, he explains that countries with greater degrees of financial development – as measured by aggregate measures of bank development and market development – enjoy substantially greater economic growth rates. This is in line with the postulation of King and Levine (1993) who in their study of 80 countries over the period: 1960-1989, find that higher levels of financial development are positively associated with faster rates of economic growth, physical capital accumulation, and economic efficiency improvements both before and after controlling for numerous country and policy characteristics. In particular, Levine (1997) argues that there is even evidence that the level of financial development is a good predictor of future rates of economic growth, capital accumulation, and technological change. On their part, Azmeh et al., (2017) adduce to the relevance of financial markets in the growth process of countries when they point out that financial systems contribute to the process of economic development. This was equally the opinion of Yadirichukwu and Chigbu (2014) who specifically stated that the capital market (a component of financial markets) contributes to economic growth through the specific services it performs either directly or indirectly.

By facilitating pooling of investible funds in the course of playing their intermediation roles, financial markets, according to Greenwood and Smith (1997), foster specialization in entrepreneurship, entrepreneurial development and the adoption of new technologies. To them, this is typical of developed economies where large scale businesses are required as against what small number of individuals can readily afford. As part of the debate on the uniqueness of particular financial structure being a contributory factor for the finance-growth argument, Pagano (1993) points out that the recent revival of interest in the link
between financial development and growth stems mainly from the insights and techniques of endogenous growth models, which have shown that there can be self-sustaining growth without exogenous technical progress and that the growth rate can be related to preferences, technology, income distribution and institutional arrangements. These, he emphasized is underscored by the theoretical underpinning that early contributors lacked: financial intermediation can be shown to have not only level effects, but also growth effects.

Taiwo, Alaka, and Afieroho (2016) identified the problem of non-availability of long-term funds for investment financing as a barrier to the development and growth of many developing countries such as Nigeria. Besides, Nordin and Nordin (2016) emphasized the significant role of financial markets in preventing crisis with their argument that financial markets do not only promote economic growth, but at a certain level of development, helps to prevent an economy from entering a crisis. In a related manner, one can argue that poor domestic resource mobilization due to low per capita income, is a major constraint of households which in turn affects savings, hence, investment in developing countries. Financial resources enable nations to harness economic resources for development (Acquah-Sam and Salami, 2014).

With no choice, developing countries look towards the developed countries for hand-outs in the form of aids but since these are always inadequate coupled with attached conditionalities; these countries often resort to borrowing with the attendant debt service obligations draining the little income accruable to governments, thus, majority of the countries in the continent are pushed to the precipice unwittingly. In fact, Serieux (2008) explains that since 1980, Africa has had the weakest domestic resource mobilization record of any region. According to him, on average, foreign savings have been necessary for funding more than 35 percent of the regions already low investment levels. In a nutshell, he states that these foreign resource inflows have come largely in the form official development assistance rather than private capital flows. This argument is a support for the assertion by Njogo and Ogunlowore (2014) that a well-developed capital market portrays one of the common features of a modern economy and it is reputed to perform some necessary functions, which promote economic growth in any nation. According to Hernandez-Coss and Bun (2007), Foreign Direct Investment flow to Nigeria in 2005 in relation to the Gross Domestic Product was 2.60% while Official Development Assistance in relation to Gross Domestic Product was 0.80%.

While the case of poor domestic resource mobilization presents a scary spectacle, however, reforms have been embarked upon to address the apparent short-comings which may have remained intractable in time past. The reality of this assertion was driven home by Yadirichukwu and Chigbu (2014) following their argument that for sustainable economic growth, funds must be effectively mobilized and allocated to enable businesses and the economies harness their human, material, and management resources for optimal output. They further argue that the capital market is an economic institution, which promotes
efficiency in capital formation and allocation. With respect to the pervasive influence of the stock market to improved efficiency both in resource mobilization and intermediation services improvement in an economy; Rousseau and Wachtel (2000) argue that the existence of a stock market provides important information that improves the efficiency of financial intermediation generally. However, like every coin which has sides, Rousseau and Wachtel (2000) point out that there are arguments to the contrary as well. To them, the higher returns from improved efficiency, the additional liquidity, and ability to realize capital gains from the stock market might discourage savings because of income effects. But it is important to state that the inter-relationship between economic growth and the financial markets is a factor that must be considered also while addressing the issue of how financial markets imparts the economy or vice versa. Accordingly, the relationship between economic growth and financial sector is dynamic, according to Maduka and Onwuka (2013), adding that the financial sector, at one stage influences economic growth, while at another stage, economic growth may influence the financial markets.

Romer (1986) on his part, while articulating the reason for the causal effects of differences in the growth of countries, state that the level of per capita output in different countries need not converge; growth may be persistently slower in less developed countries and may even fail to take place at all. To him, preferences and technology can be stationary and identical. There is the school of thought which declares that “where enterprise leads, finance follows”, according to Levine (1997) and his opinion on this view is that economic development creates demands for particular types of financial arrangements and the financial system responds automatically to these demands. Efficiency too has a causal inference on the finance-growth relationship and vice versa. To the extent that positive variation on the level of efficiency leads to increased financial development; the relation between finance and growth are complimentary, hence, Rousseau and Wachtel (1998) posit that increases in the efficiency of the financial sector lead to output growth, which in turn generates additional demand for deposits and financial services. In a similar vein, Laeven (2003) shows that there are efficiency gains that follow financial market liberalization which is through increased financial intermediation by the formal financial sector. Recognizing the potentials from formal intermediation, he stated that under the presence of economies of scale in information gathering and monitoring, banks and capital markets are expected to have an advantage over the informal market in allocating investment funds, which should lead to a reduction in the cost of capital. Nevertheless, in the case of Nigeria, Taiwo et al., (2016) states that the Nigerian capital market has grown to being capable of providing facilities both to the private and public sectors to raise long-term capital in executing development programmes as well as finance the expansion and modernization of projects. Greenwood and Smith (1997) were emphatic on how market development affects growth and vice versa. In fact, they posit that growth leads to the creation of markets, and the creation of markets increases the equilibrium rate of growth of an economy. Therefore, the
relation between financial market development and growth is not inverse in nature but co-equal; hence, developed economies are often categorized as having better functioning financial markets than developing countries and vice versa.

The services provided by financial intermediaries in their natural habitats: research their potential investments, exert corporate control, risk management, carry out exchange transactions, savings mobilization, lending, among others; may have informed the opinion of Levine et al., (2000) that by providing these services to the economy, financial intermediaries influence savings and allocation decisions in ways that may alter long-run growth rates. As a sequel, they argue that, thus, modern economic theory provides an intellectual framework for understanding how financial intermediaries influence long-run rates of economic growth. Greenwood and Jovanovic (2009) drew attention to the apparent intertwine nature of economic growth and the subsisting financial structure in an economy. In fact, their exposition is that growth and financial structure were intricately linked. To them, Growth provided the wherewithal to develop financial structure, while financial structure in turn allowed for higher growth since investment could be more efficiently undertaken. Levine and Zervos (1998) on their part show that stock market liquidity and banking development are positively and robustly correlated with current and future rates of economic growth even after controlling for many other factors associated with economic growth. According to them, the results of their study are consistent with the view that the services provided by financial institutions and markets are important for long-run growth. This view of significant and positive impact of financial markets and/or development on long-run growth has been dominant in the literature; viz: King and Levine (1993), Pagano (1993), Obstfeld (1994), Levine (1997), Levine and Zervos (1998), Levine et al., (2000), Arestis, Demetriades and Luintel, (2001). Greenwood and Jovanovic (2009), Acquah-Sam and Salami (2014), Njogo and Ogunlowore (2014, Nordin and Nordin (2016), and Azmeh, Al Samman, and Mouselli (2017), among others.

A simple model of global diversification in which a link between growth and financial openness, according to Obstfeld (1994), emerges very naturally. This in simple terms means that growth follows financial openness and vice versa. Within the context of this argument, Obstfeld (1994) explains that following this model, an economy that opens its asset markets to trade may experience an increase in expected consumption growth and a substantial rise in national welfare. It is pertinent to point out that there is need for caution especially regarding unsustainable benefits from financial openness as what could appear to be sweeteners from the process may induce pains that could lead to destabilization. For example, Mckinnon and Pill (1996) draw attention to possible drawbacks to liberalization programs, by stating that when undertaking reform and stabilization programs, countries are prone to excessive foreign borrowing that ultimately proves unsustainable. One of the over borrowing problems highlighted by them is a financial crisis, capital flight, and recession, often forcing an uncontrolled, deep devaluation of the currency, with a resurgence of
inflation.

Dis-aggregating equity markets from banks, though, dominant channels of financial intermediation in emerging economies; it can be argued that financial de-repression spurs equity markets growth which in turn may have causal inferences on growth in the long-term following capital inflows, amongst other benefits of financial liberalization.

The factors identified by Bekaert (1995) that are responsible for lack of integration of emerging equity markets to the global markets are: poor credit ratings, high and variable inflation, exchange rate controls, the lack of a high quality regulatory and accounting framework, the lack of sufficient country funds or cross-listed securities, and the limited size of some stock markets. Arestis et al., (2001) show that although, both banks and stock markets may promote growth, the contribution of the stock market may have been exaggerated by studies that utilize cross-country growth regressions. But Rousseau and Wachtel (2000) point out the significant impact of stock market liquidity and the intensity of activity in traditional financial intermediaries on per capita output without isolating the role of the stock markets from that of banks as both constitute majority of the formal financial intermediaries.

3.0 METHODOLOGY AND DATA

The empirical analysis we embarked upon was primarily to test for the existence of a relationship between the formal channels of financial intermediation – banks and stock market and economic growth and development in the case of Nigeria covering the period: 1999 – 2016. We modelled our test after Levine and Zervos (1998) and Hondroyiannis et al., (2005), although, with modifications. One empirical model and three variables were adopted in our empirical analysis as against two models and five variables they employed in their study. Our decision was sequel to paucity of data for the required analysis. The model we employed assesses the relationship between the aggregate financing of the economy on its growth, hence, the three variables employed are: total real output, total stock market capitalization and total commercial bank credit to the private sector.

The essence of the above tests was to demonstrate the extent of the effects of financial intermediaries on the aggregate growth of the economy; hence, our model was developed to investigate the endogeneity of the variables. Specifically, real gross domestic product (RGDP) measured output; total market capitalization as a percentage of the gross domestic product (i.e. GDP as a denominator of the total market capitalization) measured the size of the stock market relative to the whole economy. The third measure employed (TCBC) is that of the total commercial banking sector credit variable which is the aggregate of commercial bank credit to the private sector as a percentage of the GDP. This measure establishes the relative importance of commercial banks as against the role of the central bank in the real sector of the economy. The use of commercial bank credit follows the
footsteps of Levine and Zervos (1998) as they state that bank credit improves upon the traditional financial depth measures of banking development by isolating credit issued by banks, as opposed to credit issued by the central bank or other intermediaries and by identifying credit to the private sector, as opposed to credit issued to governments. Bank data were obtained from the Central Bank of Nigeria while stock market data were obtained from the Nigerian Stock Exchange and are all end of the year data. The variables were all equally expressed in logarithms.

Mathematically, we express the relationship as follows:
Model 1: \( RGDP = f(TSMC, TCBC) \)

Following from the above, we restate the above econometrically, thus:
Model 1: \( LRGDP = a_0 + b_{LTCA} + b_{2LTBC} + \varepsilon_i \)

Where \( RGDP \) = Real Gross Domestic Product; \( TSMC \) = Total Stock Market Capitalization; \( TCBC \) = Total Commercial Bank Credit to the private sector and \( \varepsilon_i \) = the Stochastic Error Term. The variables are all expressed in Logarithms.

### 4.0 RESULTS AND DISCUSSION

#### Table 4.1: Descriptive statistics

<table>
<thead>
<tr>
<th></th>
<th>RGDP</th>
<th>TCBC</th>
<th>TSMC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>454.6939</td>
<td>3969251.</td>
<td>4758.805</td>
</tr>
<tr>
<td>Median</td>
<td>343.1000</td>
<td>686217.4</td>
<td>567.4000</td>
</tr>
<tr>
<td>Maximum</td>
<td>834.2000</td>
<td>18675470</td>
<td>24800.90</td>
</tr>
<tr>
<td>Minimum</td>
<td>204.8000</td>
<td>15609.00</td>
<td>6.800000</td>
</tr>
<tr>
<td>Std. Dev.</td>
<td>213.8351</td>
<td>5908970.</td>
<td>7040.927</td>
</tr>
<tr>
<td>Skewness</td>
<td>0.444011</td>
<td>1.356436</td>
<td>1.403232</td>
</tr>
<tr>
<td>Kurtosis</td>
<td>1.589273</td>
<td>3.393567</td>
<td>3.810860</td>
</tr>
<tr>
<td>Observations</td>
<td>30</td>
<td>30</td>
<td>30</td>
</tr>
</tbody>
</table>

Researcher's output, Eviews 2017

The descriptive statistic Table above shows the summary of statistics for all our variables of interest. The Table provides a historical background for the behavior of our data, there is much variation in the minimum and maximum values of our variables. The minimum values show that the variables have been fluctuating over the years covered in the present study (evidence from the minimum statistics given in the table above). The relatively high standard deviation of the variables under study shows higher dispersion or spread in the data series. The skewness of the data series shows a symmetric (normal) data distribution.
for those that are positively skewed meaning that the variables do not relatively deviate from normality by maintaining positive skewness. The kurtosis statistic also shows that all our exogenous variables are leptokurtic in nature; this is because the variables are above the threshold of 3. While RGDP on the other hand are platykurtic, this is because the variables are below the threshold of 3.

The above graphical illustration shows the individual trend analysis of our variables so as to recognize the period of concern (if need be).
Table 4.1: Regression Estimate of the Model

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std Error</th>
<th>t</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>327.1422</td>
<td>23.94013</td>
<td>13.66501</td>
<td>0.0000</td>
</tr>
<tr>
<td>TCBC</td>
<td>2.20E-05</td>
<td>9.71E-06</td>
<td>2.263334</td>
<td>0.0319</td>
</tr>
<tr>
<td>TSMC</td>
<td>0.008478</td>
<td>0.008146</td>
<td>1.040723</td>
<td>0.3072</td>
</tr>
<tr>
<td>R-Square: Overall</td>
<td>0.746784</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>F-Test</td>
<td>43.76339</td>
<td></td>
<td>0.0000*</td>
<td></td>
</tr>
</tbody>
</table>

Researcher's output, Eviews 2017

Dependent Variable: RGDP
RGDPt = α1 + β1 TCBCt + β2 TSMCt + µ1

The multiple regression estimate of the above model shows that Total Commercial Bank Credit and Total Stock Market Capitalization have a positive effect on Real GDP. This is indicated by the signs of the coefficients, which are more than 0. This result is consistent with a-priori expectations that total stock market capitalization and total commercial bank credit have positive effects on Real Gross Domestic Product.

From the regression Table the size of the coefficient of the independent variables shows that a 1 million naira increase in the total commercial bank credit will lead to 2.2 million naira increase in Real Gross Domestic Product while 1 billion naira increase in total stock market capitalization will lead to 0.008 billion increase in the Real Gross Domestic Product. Also, the overall adjusted R-square of the model showed that 74% variations in Real Gross Domestic Product can be attributed to total commercial bank credit and total stock market capitalization used in this study, while the remaining 26% variations in Real Gross Domestic Product are caused by other factors not included in this model. This shows a good explanatory power of the model. However, the F-test showed a probability value of 0.000 which indicates that the explanatory variables are statistically significant because this is less than 5%, the level of significance adopted for this study. Therefore, the model is statistically significant. Thus, the null hypothesis that total commercial bank credit and total stock market capitalization have no significant effect on Real Gross Domestic Product is rejected.
4.1 Discussion of Findings

Prior literature are of the opinion that financial markets play an important role in promoting economic growth, most argued that a well-functioning financial sector creates strong incentives for investment and also fosters trade and business linkages thereby facilitating improved resource use and technological diffusion (Mohamed, 2014). This is consistent with the finding of the present study, where it was found out that both stock market capitalization and commercial bank credit have a significant (p-value of 0%) effect of 74% on economic growth of Nigeria.

Our result shows that stock market has a positive effect (0.8%) individually, on the economic growth of Nigeria, but the effect is shown not to be statistically significant. This finding is in line with literature (Ohiomu, 2011). The study examines the effect of stock market on economic growth in Nigeria. Ordinary least squares regression (OLS) was employed using data from 1989 to 2008. The results indicated that there is a positive relationship between economic growth and all the stock market development variables used and suggested the pursuit of policies geared towards rapid development of the stock market. Our study confirmed that the suggestion is in place, hence the reason for a positive relationship even after one decade of Ohiomu study. Supporting Ohiomu, (2011), Ugochukwu and Eleanya (2014) also in their study confirm that there exists a long-run relationship between stock market performance and economic growth, while the causality test results suggest that stock market performance causes economic growth with feedback. Our study also discovered that commercial bank credit especially to the private sector has a positive effect on the economic growth of Nigeria; this is seen to be statistically significant with a p-value of 3%. The result is in line with prior literature. Imoughene and Ismaila (2014), found that commercial bank credit to SMEs has a positive effect on the economic growth although the effect was said not to be statistically significant. Also, Yakubu and Affoi (2014), in their study Using the ordinary least square it was found that commercial bank credit has significant effect on the economic growth in Nigerian. Emecheta and Ibe (2014) investigated the impact of bank credit on economic growth in Nigeria, the major finding was that there is a significant positive relationship between bank credit to the private sector, broad money and economic growth.

Jappelli and Pagano (1992) find that the savings and growth rates are negatively and significantly correlated with indicators of development, such as GDP. Their findings confirmed that some forms of financial market development are not conducive to foster economic growth. Jappelli and Pagano (1992)'s findings are not totally in line with the findings of our study; this is because government fiscal policies had been implemented over the years which is assumed to have affected the workings of the financial market at the moment.

Finally, the graphical illustration shows that total commercial bank credit and stock market capitalization have been increasing over the years except that the latter experienced
a downward movement around the year 2012/2013 which can be related to the government’s policy on foreign investment and capital market around that period. The movement in this two variables are said to have also been responsible (in part) for the upward movement in the graphical illustration for real gross domestic product. This shows that the more banks give credit facilities to privately owned businesses, the more growth will be recorded in the economy, since the private sector contributes greatly to the growth of economies especially a developing one, such as Nigeria.

5.0 CONCLUSION AND RECOMMENDATION

From the findings above, it can be stated that Total Commercial Bank Credit to the private sector and Total Stock Market Capitalization have impacted the economy of Nigeria taking the Gross Domestic Product of the country into consideration. Since the two measures of the level of financial development have been identified to have strong causal effects on the Gross Domestic Product of Nigeria’s economy, the argument as to whether the economy should be made to depend more on the development of banks as against capital market or vice versa should be laid to rest; rather, attention should be focused on the entire financial markets in order to continue to spur economic growth and development.

REFERENCES


