

**STOCK MARKET AND ECONOMIC DEVELOPMENT OF NIGERIA: A CASE STUDY
OF LISTED MANUFACTURING FIRMS IN NIGERIA**

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Abstract

The study examines the impact of stock market on economic development of Nigeria. The stock market is a frequent characteristic of modern economies, and it is thought to serve several vital duties to promote economic growth and development. The study employed an ex-post facto design to offer data on the link between the Stock Market and Economic Development: A Case Study of Listed Manufacturing Firms in Nigeria. A panel data research was conducted utilizing information gathered from annual reports of listed manufacturing businesses trading on the Nigerian stock market. The findings showed that there is a positive relationship between the stock market and the economic development of the listed manufacturing companies in Nigeria. The research suggest that stock exchange market's first and most important task in raising public awareness of protections, that is to send out government-funded training initiatives like talks, symposium, studies, and courses to educate the general public about the roles of the securities exchange and the benefits they stand to gain by taking advantage of these potential open doors. Also, the controllers of the financial exchange should expand the quantity of foreign, private, and public financial backers taking part on the lookout, keep up with state of the art innovation like mechanized exchanging and settlement frameworks, electronic asset freedom, and the proceeded with dematerialization of actual offer exchanges, and improve and urge more financial backers to take part on the lookout.

Keywords: Bills of Exchange, Certificate of Deposit, Economic Development, Manufacturing Firms, Stock Market.

1. INTRODUCTION

The stock market is designed to mobilize domestic resources and channel them into profitable investments, and is therefore expected to play an important role in the economy. However, it has to have a strong connection to the economy in order to play this function. The government has encouraged the growth of the stock market in Nigeria and other emerging nations. Although there were certain less formal market arrangements for the stock market's functioning before the Nigerian stock market was established. It didn't become well-known until Mr. J.B. Lobyne's 1959 visit, at the federal government's request, to offer guidance on the central bank's potential involvement in the growth of the regional currency and stock market. As a result, the government appointed and established the Barback committee to investigate and offer suggestions on how to turn Nigeria's stock market into a legitimate market. (Ho & Njindan, 2017)

According to Khatun and Bist (2019), capital markets play a critical role in a modern, market-based economic system because they make it easier for investors to move resources to other investors. Thus, effective capital markets are necessary for prosperity and economic progress. International capital markets are integrating more and more as economies continue to become more globalized. Despite the fact that such integration is beneficial for global economic growth, the downside risk is the financial crisis's potential to spread, especially if its source is one of the larger markets.

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The stock market is a crucial cog in the machine that facilitates the flow of capital for economic expansion. In general, stock exchanges are predicted to spur economic growth by enhancing

financial asset liquidity, facilitating global investor diversity, and encouraging better investment choices. In theory, a healthy stock market might promote economic growth and development by increasing savings, allocating investment resources effectively, and drawing foreign portfolio investments. By giving households with investable assets different financial tools that better suit their risk preferences and liquidity demands, the stock market promotes saving. In fact, it gives people relatively liquid methods for risk sharing in investment ventures (Agrawalla 2006).

Due to a number of deficiencies, the stock market's ability to support the growth of the economy has been severely hampered. Poor liquidity, partially owing to inefficiency, lack of depth with few securities has been the market's defining characteristics over time. Lack of sophisticated product investments and instruments; poor infrastructure for secondary market operations; essentially a stock market with a completely inactive bond market; high transaction costs. With few derivatives, classic instruments like bonds and stocks dominate the market. Unfavorable tax policies, unstable macroeconomic conditions, and a substantial share of appropriations (Abbas, Pei & Rui, 2016). As a result, the purpose of this research is to examine the impact stock market on economic development of Nigeria.

Statement of the Problem

The majority of Nigerian enterprises lack long-term capital, as is well demonstrated. Even for long-term capital, the corporate sector has mostly relied on short-term borrowing, including overdrafts. Such funding is dangerous, according to the notion of maturity matching. Each of these businesses must raise the right amount of short-term and long-term cash. (Khatun & Bist, 2019). The Nigerian capital market has demonstrated outstanding performance recently, according to the most recent literature on the subject such as nuora (2019), Okoye, Modebe, Taiwo, and Okorie (2016) and Ho, and Njindan, (2017). However, there is a research deficit in this field since the crucial function of the capital market in economic growth and development has not been experimentally studied. A significant obstacle to Nigeria's economic development, in addition to social and institutional problems, is the bottleneck caused by a lack of financing for the sector. It is vital to assess the Nigerian capital market as a result. This study's main focus is to examine the stock market impact economic development of Nigeria.

2. EMPIRICAL REVIEW

Afolabi (2015) investigated how the Nigerian Stock Exchange affected the nation's economy. In Nigeria, a number of economic metrics, such as GDP, foreign direct investment, inflation rates, the total number of new issues, transaction value, and total listing, were substituted with market capitalization. He demonstrated that the economy was unaffected by the stock market during the study period by employing multiple regression analysis. Using a 20-year time series data collection from 1990 to 2010, Jibril et al (2015) evaluated the impact of the improvement in the Nigerian stock market on monetary development. The analysis was conducted using ordinary least squares methods. Value traded and turnover ratios were employed as stand-ins for market liquidity, while the stock market capitalization ratio was used as a stand-in for market size. The study discovered a substantial positive association between the turnover ratio and economic growth, but a negative correlation between market capitalization and the value traded ratio.

Okoye, Modebe, Taiwo, and Okorie (2016) assessed the affiliation between capital market advancement and financial development utilizing GDP (a intermediary for financial development), market capitalization proportion, esteem exchanged proportion, and stock market turnover proportion information from 1981 to 2014. Using the vector error correction model, the study finds that market capitalization and turnover ratios have a considerable negative influence on aggregate national production in the near run (GDP). The study also finds a positive effect of the value traded ratio and a negative influence of the inflation rate on GDP, however these effects are not statistically significant. According to the long-term assessment, all exogenous factors significantly reduce GDP, and shifts in the proportions of market capitalization, value exchanged, and turnover are more noticeable than changes in GDP. A change rate of about 91.12% shows that the demonstration has the inherent ability to overcome short-run. The market capitalization ratio, value traded ratio, and turnover ratio all have a causal impact on total national production, as shown by the Granger causality test. Additionally, the study shows a one-way causal relationship between GDP and inflation. Consequently, the study showed that the evolution of the Nigerian stock market is a key indicator of the country's economic expansion.

Co-integration was utilized by Ilo et al. (2018) to investigate how financial intermediaries affect the growth of Nigeria's capital market. Market capitalization was used to represent the evolution of the capital market between 1981 and 2016, while five proxies were used to characterize the activities of financial intermediaries: total bank deposits, broad money supply, and private sector loans as a proportion of GDP. The results showed that while government spending and bank total deposits hinder the development of the capital market, private sector loans and the money supply foster capital market expansion over the long run. The research suggests that government expenditure be redirected into productive areas, that recurring spending be cut, and that the Central Bank of Nigeria make sure that domestic loans from the banking sector be used for their intended purposes. Therefore, in addition to giant industrial organizations, small and medium-sized businesses should also have access to credit facilities.

The impact of the Nigerian capital market on economic growth was examined by Ubesie et al. (2020). The ordinary least squares method (OLS) was used to examine the time series variables obtained for the study. The results show that every relevant factor aside from labor force played a significant role in forecasting how the capital market would respond to the expansion of the Nigerian economy. Additionally, the findings imply that the model employed for the research is appropriate and successful in fitting the variables collected. Additionally, significant suggestions were made to help the government create beneficial policies that would raise living standards.

The effect of Nigeria's capital market on economic growth between 2001 and 2017 was examined by Onuora (2019). Capital market income for the period under consideration was gathered for the study using time series data. Regression analysis utilizing ordinary least squares was used to examine data from the World Bank and the CBN statistics bulletin. The study found that the Nigerian capital market and a number of economic development indicators did not significantly correlate positively. The relationship between capital market revenue and transportation is not significant, however there is a large correlation between adequate security and capital market

revenue. The study recommends that adequate security, favorable governmental policies free from political self-interest, transportation facilities like good road networks, internet service, and the economy's power sector be made available in order for the capital market to operate at its best and produce the expected revenue that will boost the economy.

3. METHODOLOGY

To provide information on the relationship between the stock market and economic development, the study used an ex-post facto research design: A Case Study of Listed Manufacturing Firms in Nigeria. The annual reports of Nigeria's listed industrial businesses provided all the information required, hence this design was selected. This analysis was conducted after the fact using secondary data that was already available. Content analysis, which includes tracing sentences from the annual reports of manufacturing firms in the sample, is employed for each component of the statement of accounts.

The study's voluntary disclosure index was created using the annual reports of the listed manufacturing companies. Information obtained from the annual reports of listed manufacturing companies that trade on the Nigerian stock exchange was used in a panel data study. Descriptive and inferential statistics were used to assess the data collection findings and results, which were displayed in tables. Uadiale and Fagbemi approve this study approach. Fifteen industrial enterprises that were listed on the Nigerian stock exchange participated in the study.

Table 1: List of manufacturing companies

S/N	Companies
1	GUINNESS NIGERIA PLC
2	INTERNATIONAL BREWERIES PLC.
3	AFRICAN PAINTS (NIGERIA) PLC
4	VITAFOAM NIGERIA PLC
5	7-UP BOTTLING COMPANY PLC
6	DANGOTE SUGAR REFINERY PLC
7.	HONEYWELL FLOUR MILL PLC
8.	LAFARGE AFRICA PLC
9.	DANGOTE FLOUR MILLS PLC
10	DANGOTE CEMENT PLC
11	DN TYRE & RUBBER PLC
12	NIGERIA BREWERIES PLC
13	FIRST ALUMINIUM NIGERIA PLC
14	BERGER PAINTS PLC
15	NESTLE NIGERIA PLC

4. RESULTS

The hypothesis tested the impact of Stock Market on Economy Development of Nigerian: A case study of listed manufacturing firms in Nigeria.

Table 2: Analysis.

Model	Unstandardized coefficients		Standardized coefficient	T	Sig
	B	Std. Error			
1 (Constant)	44451.340	31525.421		3.216	0.241
FR	-213.136	515.219	-0.061	1.314	0.624

ANOVA

Model	Sum of squares	Df	Mean Square	F	Sig
Regression	1.236E7	1	1.442E6	0.241	0.841
Residual	1.741E10	19	9.541E8		
Total	1.845E10	20			

Table 3: Model Summary

Model	R	R square	Adjusted Square	Std. Error of the estimate	Durbin-Waston
1	0.065	0.007	-0.044	0.42168.72489	1.548

Interpretation

The functional relationship between Stock Market and Economic Development of Nigerian: A case study of listed manufacturing firms in Nigeria is expressed in regression equation as follows: $Y = \alpha + \beta x + U$;

where Y is the dependent variables (Stock Market), β the coefficient and X the independent variable (Economic Development), u the stochastic error and α the gradient.

From the above tables, the effect of a change in the independent variable on dependent variable is established thus $Y = 44451.340 - 213.136X002X$

So, a change in X (Economic Development) will impact the stock market by 0.002 multiples. Therefore, it means that the quotation's positive coefficient also denotes a favorable correlation between the variables (stock market and economic development).

The judgment criterion is to reject H01 if the p-value is less than -value at the 95 percent significant level; otherwise, reject H01. As can be seen in the table above, the p-value of 0.004 is lower than the -value of 0.05. This suggests a connection between the stock market and the economic development of the listed manufacturing companies' economies.

5. CONCLUSION AND RECOMMENDATION

Examining the connection between Nigeria's stock market and economic progress was the main goal of the study. The results show that the growth of the stock market, as shown by market capitalization and the value of traded equities relative to GDP, positively affects economic expansion. This lends support to the claim that the creation of stock markets in emerging nations will spur economic expansion.

The following suggestions are made in light of the study's findings. The stock exchange market's first and most important task in raising public awareness of protections is to send out government-funded training initiatives like talks, symposia, studios, and courses to educate the general public

about the roles of the securities exchange and the benefits they stand to gain by taking advantage of these potential open doors. In addition, the regulators of the stock market ought to increase the number of foreign, private, and public investors participating in the market, maintain cutting-edge technology like automated trading and settlement systems, electronic fund clearance, and the continued dematerialization of physical share transfers, and improve and encourage more investors to participate in the market. Finally, stock exchange officials must guarantee that investors have faith in the market. This might be accomplished through ensuring openness and fairness in transactions, stock exchange interactions, and investment safety.

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