CAPITAL MARKET AND INDUSTRIAL DEVELOPMENT IN NIGERIA (1985-2018)

BY
PERE EBIUNDU
OPUKIRI EBIKABOERE
AKOLOH HUMPREY OGULAZA

Abstract
The study examined the impact of capital market on industrial development in Nigeria between 1985 to 2018. We used the major capital market indicators viz; market capitalization, growth in the number of listed securities, and volume of transaction. Data obtained for this study were from secondary sources. The study employed the ordinary least square (OLS) techniques of multiple regression analysis to examine the impact of capital market on industrial growth. The study revealed that the growth in the number of listed securities (GLST) is positively related to industrial growth in Nigeria, while market capitalization (MC) and volume of transaction (VT) have negative relationship with industrial growth. Therefore, we recommend that the funds from the capital market should be properly channeled into the real sector of the economy, to boast industrial development in Nigeria.

Keywords: *Capital Market, industrial Growth, Economy, listed secutities*

INTRODUCTION

The need for industrial growth has continued to top economic and political agenda of many nations especially the developing ones such as Nigeria. This led to important public discussions through conferences, workshops, seminars and stakeholders meetings on how best to develop the economy. Thus many economic policies have been evolved by different regimes of government to grow the economy to the desired state of development. Formulation of economic policies by the developing nations have been greatly been influenced by various economic development theories propounded by eminent economists.

The over-dependence on crude oil production and export has a crowding out effect on the development of the Nigeria economy. It is a fact that other non-oil activities and agricultural development have been neglected to the bearest minimum. The Nigerian Capital Market was established with the purpose of improving the pace of Capital Formation and Industrial Growth in Nigeria just as other Capital Markets around the world.

The main purpose of Capital Market of every economy is geared towards giving borrowers and investors a wide range of trading and investment opportunities and also in the mobilization of the country's financial resources. It also promotes a more diversified economic and industrial development of economies. A well-functioning Capital Market along with good financial systems would foster economic growth and industrial development through private initiatives. The linkage between long term finance and industrial development is of great importance to Nigeria and other developing economies, because it suggests an indirect linkage between Capital Market performance and industrial growth.

The aim of Nigeria capital market has not been achieved. It has been suspected to perform below expectation in terms of providing stable funds for the industrialization of the country. The performance of the capital market as a source financing Nigeria's industrial development has been distorted by number of factor which includes, pervasive poverty that has affected or impacted seriously on the savings culture, low public awareness of the gains derivable in investing in capital market, low number of trading instrument, lack of market transparency and poor perception of the market by foreign investors and unrealistic stock pricing.

Despite the various reforms made by the Nigeria government, the Nigeria market still show little number of trading instruments.
Therefore, there is the need to properly assess the performance of the capital market and the impact on industrial growth.
Hence, the general aim of this study is to assess the performance of capital market in the mobilization of long terms funds industrial growth.

Although other scholars uses co-integration test, Error correction mechanism, Durbin Watson test and other statistical methods to analyzed the performance of the Nigerian capital market and concluded that there is positive relationship between performance of capital market and industrial growth. Therefore, Pere (2014) argued that in other to assess the performance of the Nigerian capital market and industrial growth the best statistical tool is the ordinary least squares regression analysis (OLS) this is so because the estimates of OLS possess the characteristics of best, linear, unbiased and efficiency (Blue).

CONCEPTUAL FRAMEWORK

According to Adekanye (2010), The Capital Market is a market from which large companies and public enterprises attract long-term investment funds through a network of financial institutions and stock brokers licensed to perform Capital functions.
According to Peter (2009), The Capital Market is a market for securities, debts or equities, where businesses and governments can raise long-terms funds. It is seen as a market in which money is provided for periods longer than a year.
According to Eze (2010) defined Capital Market as a financial market that provides facilities for mobilizing long term funds for economic growth and industrial development.
Anyanwu (2010), define capital market as a market that deals with long-term funds required by industrial and government.
Emeka (2011), see capital market as a market that deals on long-terms loans. It supplies industries with the much need funds. These could be medium or long terms funds
Okofor (2010) Industrial output here represents the cumulative figure of all produced and manufactured goods and services within an economic period, usually a year.
James (2009) Market capitalization is a measurement of the size of a business enterprise (corporation) equal to the share price times the number of shares outstanding (shares that have been authorized, issued and purchased by investors) of a publicly traded company.
Chukwudire (2010) These are securities that have been accepted for trading purposes by a recognized and regulated exchange. They are the total number of new shares issued multiplied by their value on the market.
Fakunle (2010) The number of shares or contracts traded in a security or an entire market during a given period of time. It is simply the account of shares that trade hands from sellers to buyers as a measure of activity.

EMPIRICAL REVIEW

Ewubara (2001) conducted a study on capital market performance under regulated and deregulated economy in Nigeria and concluded that not all the regression coefficient of the regression appeared with their correct signs. He further argue that capital market perform favourable better under the regulated period than the deregulated period.
Adekanye (2010) investigated the effect of capital market and industrial growth between 1985 to 2009 in Nigeria. His regression result was consisted with recent studies such as Levine 1986 and fund out that there is positive relationship between market capital and industrial growth.
Adedipe (2011) investigated the relationship between capital market and industrial growth that was made by World Bank stock market researching group Levine and others in Nigeria. They examine the compatibility of stock market development with financial intermediaries and economic growth. Their general finding was that stock market development is positively correlated with the development of financial intermediaries and economic growth.

Osinubi (2010) investigated the relationship between capital market and industrial development in Nigeria for the period 1985-2011) and find that the lagged error term were statistically significant in explaining variations in Nigeria industrial development.

DEVELOPMENT OF HYPOTHESES

H_{01} there is no significant relationship between the number of listed securities and industrial output in Nigeria.

H_{02} there is no significant relationship between Market Capitalization and Industrial output in Nigeria, and

H_{03} there is no significant relationship between the volume of Transactions and industrial output in Nigeria

RESEARCH METHODOLOGY

This chapter focuses on the various processes involved in obtaining the data for this research. The research is designed to be quasi-experimental in nature, because not all the variable that affects the dependent variables are capture. The ordinary least squares regression analysis (OLS) is employed are the main analytical tool. This is so because the estimates of OLS possess the characteristics of Best linear, unbiased and efficiency (BLUE).

The data for this study are from secondary source. Data were collected from the Central Bank of Nigeria Statistical Bulletin (CBN) etc.

The data required for this research work are the figures of industrial output in Nigeria since 1985 till 2018, and the corresponding figures for market capitalization, number of listed securities and volume of Transaction for the same period. This will capture the essence of this research work.

This study will deal mainly on the Nigeria Capital Market and Industrial Growth in Nigeria. The study covered a period of 1985-2018. This period was chosen because this is where the relevant statistical data were properly documented and this period also captures a great extent of Nigeria's economic activities.

MODEL SPECIFICATION

Industrial output here represents the cumulative figure of all produced and manufactured goods and activities within an economic period, usually a year. This will be the proxy for industrial development in Nigeria and it will cover the period under study.

The model for this study comprised of dependent and independent variables which will be analyzed and tested using the multiple regression method. This model aimed at finding the contribution of capital market and industrial growth in Nigeria.

The models to be estimated will serve as the framework for this study. The relationship between the variables can be represented thus;

IND OUTPUT = F (MC, GLST and VT).

Where

IND OUTPUT:	Industrial Output
MC:	Market Capitalization
GLST:	Growth in the number of Listed Securities
VT:	Volume of Transactions

LINEAR SPECIFICATION

$$\text{IND OUTPUT} = a_0 + a_1MC + a_2GLST + a_3VT + U$$

DATA ANALYSIS TECHNIQUE

The econometric technique of ordinary least square regression analysis was used as the main measurement tools, because its estimates possess the properties of best, linear unbiased and efficiency. The relationship between Nigeria's Industrial Development as indicated by IND OUTPUT and Nigeria

Capital performance as indicated by Market Capitalization (MC), Growth in the number of Listed Securities (GLST) and Volume of Transaction (VT).

EXPLANATION OF BASIC CONCEPTS

(1). The coefficient of determination. R^2 test. In this case R^2 will be used purely as a measure of the goodness of fit, which is a measure of the explanatory power of the model.

(2). The t-test to determine whether or not the estimated coefficient of each of the selected explanatory variables is significantly different.

(3). The F – test to determine the joint significance of the explanatory variable, that is the overall test of significance.

PRESENTATION OF REGRESSION RESULT

Dependent Variable: IN – OUTPUT
Method: Least Squares
Date: 09/03/14 Time:15:29
Sample: 1985 – 2018
Included Observations: 33-

Variable	Coefficient	Std. Error	t-Statistic	Prob
C	60.14350	11.27853	5.33565	0.0000
VT	-1.02 – 05	7.46 – 06	-1.367493	0.1816
MC	-0.000732	0.001267	-0.57755	0.5677
GLST	0.291391	0.048321	6.030295	0.0000
R- Squared	0.554856	Mean dependent var		126.5353
Adjusted R-squared	0.510342	S.D dependent var	15.22384	
S.E of regression	10.65297	Akaike info criterion	7,679686	
Sum squared resid	3404.576	Schwarz criterion	7.859258	
Log likelihood	-126.5547	F- statistic	12.46464	
Durbin- Watson Stat	1.163965	Prob (F-statistic)	0.000018	

Source: Eview Software Version 7

DISCUSS OF THE RESULT

The coefficient of determination (R^2) of 0.510342 indicates or suggests that 51% of the variation in the dependent variable is explained by the variation in the independent variables.

SIGNS OF THE REGRESSION COEFFICIENTS

Examining the signs of the parameter estimates for the analysis of evaluating their conformity to economic a prior expectation. From the model the obtained signs from the parameter estimates of the Growth in the number of Listed Securities (GLST) is positive, thus conforming to the theoretical expectations that increase in listed securities will lead to a corresponding increase in Industrial output. While the parameter estimate of Volume of Transactions (VT) and Market Capitalization (MC) have negative signs which do not conform with economic theoretical expectations that increase in Market Capitalization and Volume of Transactions would lead to a responding increase in Industrial Output.

t-VALUES (SIZE OF THE COEFFICIENTS)

i. Analyzing the calculated and the table value in terms of growth in the number of listed securities. From the t-table, the theoretical t-value at 5% level of significance with 29 degree of freedom is 2.045, while the t-calculate in terms of growth in the number of listed securities is 6.030295. Since the theoretical t-value is less than the calculated t-value 2.045<6.030295.

We therefore reject the null Hypothesis (HO) and accept the alternative Hypothesis (HA). This implies that the parameter estimates are statistically significant (different from zero). That is they are relevant variables that affect industrial output in Nigeria.

ii. Analyzing the calculated value and the table value in terms of market capitalization from the t-table, the theoretical t-value at 5% level of significance with 29 degrees of freedom is 2.045 while the t-calculated in terms of market capitalization (2.045>-0.577755), we therefore accept the null Hypothesis (HO) and reject the alternative Hypothesis (HA). This implies that market capitalization is not statistically significant.

iii. Analyzing the calculated value and table value in terms of volume of transaction. From the t-table, the theoretical t-value at 5% level of significant with 29 degrees of freedom is 2.045 while the t-calculated in terms of value of transaction is -1367493. Since, the theoretical value 2.045 is greater than the calculated t-value for value of transaction 2.045>-1367493. We therefore, we accept the null Hypothesis (HO) and reject the alternative Hypothesis (HA). This implies that the volume of transaction is not statistically significant.

F-TEST

The theoretical f-value at 5% level of significance with V1=3 and V2= 29 is 2.92. The calculated f-value (12.46464), this shows that the overall relationship between capital market and industrial output is significant, because the calculated value is greater than the table value. Hence, the overall model is statistically significant.

SUMMARY OF MAJOR FINDINGS

The major findings of this research work are highlighted as follows;

i. The result of the regression analysis shows that, Nigeria's growth in the number of listed securities for the period under review has contributed tremendously to the growth of the Nigerian economy. To this end, its growth has affected the economy's industrial growth positively and also leads to the listing of some Nigerian banks in other stock exchanges around the world.

ii. Also, the result of market capitalization shows a negative effect on industrial growth in Nigeria for the aforementioned period.

On the other hand, the value of transaction has affected the growth of the economy negatively based on the trend in the market. That is, as the volume of transaction increases, the economic condition also improves and vice-versa.

CONCLUSION

In order to have rapid industrial development in Nigeria, the Nigerian Capital Market should be properly enhanced to improve effective performance. From the analysis, the Growth in the Number Listed Securities has a positive relationship with Industrial Output in Nigeria. While Volume of Transaction and Market Capitalization ha negative impact, this indicates that the funds and resources from this sector have not been properly channeled into the real sector of the economy.

Lack of transparency has been a major cause of this under-utilization of funds for industrial purposes.

The Nigeria Capital Market could become a very useful means of achieving Industrial development in the country.

FUTURE IMPLICATIONS AND LIMITATIONS

The capital market has been contributing immensely to the industrial growth of Nigeria. However, the capital market has the potentials of contributing more to the Nigeria economy, as its optimal capacity has not been attained. It is hoped that with increased government legislations aimed at breaking the bureaucratic bottlenecks impeding foreign investment creating enabling environmental for foreign and local investor alike to thrive. And with privatization of utilities by government, the contribution of the market to economic development will increase. Hence, the government should promote capital market by mobilizing long term funds for economic growth and industrial development.

The research work may not be able cover all the aspects of the study due to certain constraints such as time, the researcher, inability to gain access to enough materials and also financial constraint.

RECOMMENDATIONS

The following recommendations are therefore given;

1. The funds from the capital market should be properly channeled to the real sector of the economy, to boost industrial development in Nigeria.
2. Growth in listed securities should be encouraged because it has a positive relationship with industrial development in Nigeria.
3. An ad-hoc committee should be set up to monitor the transfer of funds from the capital market to the real sector of the economy.
4. Moral issues like transparency and accountability should be encouraged as a standard practice in the Nigerian Capital Market.
5. New Capital Market instruments should be introduced to take care of varying attitudes to risk of different investors.
6. There is the need for the establishment of more offices across the country to improve access to investors.
7. The training and re-training of the market operators in order to develop the man power capacity in the sector should be integrated into the activities of the Capital market.

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