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Modeling the effect of Capital Market: Empirical evidence from Nigeria.

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Abstract
This study takes a look at resource mobilization for long term economic development, an insight into the role of the Nigerian capital market. We attempted to model the effect and importance of the Nigerian capital market, as a veritable source of medium and long term development. The data collected were from the Central Bank of Nigeria statistical bulletin and the Security and Exchange Commission from the period of 2001 to 2010. The SPSS statistical tool was used to analyze the data. The economic development was proxy by gross domestic product (GDP), while the capital market variables considered included the annual market capitalization (AMC) and the total volume of transactions (TVT). Findings revealed that there was a positive relationship between the capital market activities and gross domestic product, although the relationship was not statistically significant. It is thus recommended that the more fundamental issue of building investor confidence must be addressed through transparency, fair trading transactions, political stability and social security; stringent requirements for entry into the market should be relaxed and adequate publicity should be given to the activity of the capital market. It is believed that when these recommendations are implemented, the impact of the capital market on the economy will become more significant.
Keywords: Gross Domestic Product, Resource mobilization, Market Capitalization, Capital market,

1. Introduction

The capital market has been identified as an institution that contributes to the socio-economic growth and development of emerging and developed economies. This is made possible through some of the vital roles played, such as channeling resources, promoting reforms to modernize the financial sectors, financial intermediation capacity to link deficit to the surplus sector of the economy, and a veritable tool in the mobilization and allocation of savings among competitive uses which are critical to the growth and efficiency of the economy (Alile, 1984). It helps to channel capital or long -term resources to firms with relatively high and increasing productivity thus enhancing economic expansion and growth (Alile, 1997; Ekundayo, 2002) argues that a nation requires a lot of local and foreign investments to attain sustainable economic growth and developments, the capital market provides a means through which this is made possible.
Osazee (2000) sees the capital market as the driver of any economy to growth and development because it is essential for the long - term growth capital formation. It is crucial in the mobilization of savings and channeling of such savings to profitable self - liquidating investments.
The Nigerian capital market provides the necessary lubricant that keeps turning the wheel of the economy. It not only provides the funds required for investment but also efficiently allocates these funds to projects of best returns to fund owners. This allocative function is critical in determining the overall growth of the economy.
The functioning of the capital market affects liquidity, acquisition of information about firms, risk diversification, savings mobilization and corporate control. Therefore, by altering the quality of these services, the functioning of stock markets can alter the rate of economic growth (Eguakun 2005). Okereke Onyuike (2000) posits that the cheap sources of funds from the capital market remain a critical element in the sustainable development of the economy. She enumerated the advantages of the capital market financing to include no short repayment period as funds are held for medium and long - term period or in perpetuity, funds to state and local government without pressures and ample time to repay such loans. However, the paucity of long - term capital has posed the greatest predicament to economic development in most African countries including Nigeria.
In 1986, Nigeria welcomed the international monetary fund (IMF)-World Bank structural adjustment program (SAP) which greatly affected the nation's economic policies and this triggered off reforms in the late 1980s, and early 1990s. The programme was proposed as an economic package to rapidly and effectively transform the Nigerian economy within two years (Yesufu 1996) .
However, until SAP was abandoned in 1994, the objectives were not achieved due to the inability of government to judiciously implement some of its policy measures (Oyefusi and Mogbolu 2003). The notable reforms include monetary and fiscal policies, sectoral reforms such as removal of oil subsidy in 1988 to the tune of 80%, interest deregulation from August 1987, financial market reforms and public sector reforms which entails the full or partial privatization and commercialization of about 111 public owned enterprises. The Nigerian Stock Exchange was to play a key role during the offer for sale of shares of the affected enterprises (world bank 1994; Anyanwu

1993; Anyanwu et al.1997; Oyefusi and Mogbolu 2003).
There is abundant evidence that most Nigeria businesses lack long term capital, the business sector has depended mainly on short term financing such as overdrafts to finance even long term capital (Demiurgic -kunt and Levine 1996). Based on the maturity matching concept, what appears appropriate is for such firms to raise capital through an appropriate mix of short and long term finances.
Given the roles the capital market has played during the privatization of public owned enterprises, recent recapitalization of the banking sector and avenue of long term funds to various government and corporations in Nigeria, the overriding consideration in this paper will be to examine the role of the capital market in harnessing and mobilizing these resources to generate economic growth in the country and consequently economic development.

2. Theoretical Foundation

2.1 The Capital Market

One of the widely quoted definitions of the capital market is given by Nwankwo (1998 :246) who says that the capital market comprises of the complex of institutions and mechanism through which intermediate funds and long term funds are pooled and made available to businesses, government and individuals. He also asserted that the capital market comprises the process by which securities already outstanding are
transferred. This definition is very embracing; it contains the fact that the capital market has no fixed location and deals on medium and long term funds, and has the government , individual and business firms as participants and ensures liquidity as it provides market for both new and old securities.
Also, according to Alile (1984: 154), the central task of the capital market is the mobilization of funds in the hands of individuals who save pool and channel such funds into productive uses.

2.1.1 Development in the Nigerian Capital Market

The finance and insurance sector is the one that has experience about the highest growth on the Nigeria economy especially since after the introduction of the Structural Adjustment Programme (SAP). This has had positive implications on the activities of the capital market in Nigeria.
The total number of securities transacted in the capital market (both first and second tier) was 334 in 1961. Of this, government securities were 92 while industries were 342 (72.5% of the total). In 1965, the total number of transaction increased to 1018 (204.79% over the 1961 figure). Of this, industrial securities dominated with a percentage share of 61.6%. The number of transactions however dropped in 1970 to 643 (47.8% of which were government securities). Again, the value of total transactions in the year was N16.6 million with government securities accounting for almost the total value (98.78). Industrial securities though more in number were valued at only N0.2 million.
From 1976 however, industrial share of both in number and value of transactions increased tremendously (from 97.0 and 2.03% for 1990 to 97.3 and 3.29% for 1985 and 98.85 and 11.11% respectively in 1987. The sudden growth both in the total number and value of transaction in the market and in the share of industrial securities during these periods can be attributed to the positive effect of the Nigeria enterprise Promotion Decree of 1977 on the development of the private enterprise in Nigeria.
The same positive trend continued at even a faster rate in the late 1980's. The share of government securities in the number and value of transaction fell from 1.44% and 92.6, in 1985 to 1.15 and 88.9% respectively in 1987, falling further to 0.39 and 65.13% in 1990, 0.10 and 10.4% in 1993 and 1995. This development is in line with Structural Adjustment Programmes' policy of allowing greater private sector participation in the economy.
Unlike the above picture, the trend in the total number and value of securities traded in the capital market over the same period as being erratic with decline in number 1990 and 1993 and the value in 1985. Both the secondary and primary market recorded massive growth in 1995 as a result of the relative calm in industrial environment (compared with 1993 and 1994), the repealing of the Nigeria enterprise promotion (NEP) Decree and Exchange Countries Act (ECA) of 1962. Another development that aided positive growth in 1995 was the promulgation of the Nigerian Investment Promotion commission (NIPC) Decree No. 16 and the Foreign Exchange provision decree No. 17 of 1995.
The stock exchange began its operation on 6th June, with 8 securities listed on it. Activities in the year 2001 shows that exchange as 282 securities made up of 19 government stock / bond, 49 industrial loan (debentures) or preferences. Six companies were listed on this segment of the stock market by 1988 and by 2002 over twenty-three companies had availed themselves of the opportunities offered by this market.
Over the years, the listing has increased and as at November 30th, 1985 there were 20 securities on the exchange official list, and increasing to 290 as at the end of April 2007. Although a small market by international standard, the Nigerian capital market is one of the leading markets in Sub-Saharan Africa and has made some notable strides in recent years. With a history of over 50 years (when the first public issue was floated) and 42 years of a stock exchange, equity listings and market capitalization are still relatively small, standing at 196 and US$7.0

billion respectively at the end of March 2003. The value of equities traded at year-end 2002 was US$0.5 billion, a much lower figure than market capitalization. As a result of this, turnover ratio of 7.9% was recorded at the end of 2002, higher than the average turnover ratio for 1998 to 2002. From a historical perspective, this figure except for 2001 is an improvement, evidencing the continued rise in activities in the market. The market has been quite active with traded equities of N10.8 billion (US$ 86 million) in January 2003, which represented about 18% of the total equity value in 2002. By end of March 2003, N24 billion (US$188.9 million) equities had been traded. It is important to point out that the depreciation of the local currency, the naira, has continued to impact on the size of the market in dollar terms. Between 1997 and December 2002, the naira lost over half its value to the dollar. As a result, while market capitalization witnessed impressive growth in local currency terms, this was not the case in dollar terms as a much slower growth was registered. For instance, in the five years ending 2002, equity market capitalization recorded almost three-fold increase from N256.8 billion in 1998 to N748.7 billion in 2002 or a 191.5% increase while it rose by 52.6% or from US$3.8 billion in 1998 to US$5.8 billion in 2002. The point being made is that, if the local currency had been strong, the dollar size of the market would have been larger.

In 2010, equity market capitalization grew by over N100 billion (US$794million) or 15% and has remained on the upward swing this year. In the month of January 2011, equity market capitalization rose by over 12.4% and by February 2011, it had gained N116 billion (US$0.9 billion) over December 2010 more than the increase in the whole of that year. However, in March 2011, market capitalization rose by about N98.2 billion (US$0.8 billion) over December 2010. If this trend continues, market capitalization by year-end 2012 is likely to be significant surpassing the gain recorded in 2011.

The impressive movement in market capitalization has been led principally, by new listings, and firmer prices arising from positive market sentiments. In 2012, the stock index rose by 10.7% albeit lower than the price increase of 35.2% in 2011 and 54.0% in 2007. In point of fact, the five years (2000 to 2005) average index growth of 33.3% was higher than the growth of inflation, which averaged 12.6% during the same period.

The impressive expansion of the capital market is also evident in the size (percentage) of market capitalization to gross domestic product (GDP). A look at this over the past decade shows that market capitalization represented 14.0% of GDP in 2002 in contrast to 12.0% in 2005, 9.4% in 1999 and 5.6% in 1992. The rising trend indicates that market capitalization is growing faster (in percentage terms) than GDP.

The commission believes that as the merits of the capital market become better appreciated, more initial public offerings (IPOs) would be induced. Furthermore, privatization and strong equity prices could further bolster the percentage of market capitalization to GDP. Indeed, the capital market has in recent times become a major source of funds to corporate entities and is increasingly becoming attractive to state governments. This is particularly obvious in the number and value of new issues as well as the variety of fundraisers in the market lately.

Year 2011 was a record year for the capital market with total flotation of N61.3 billion or US$0.483 million, the highest annual record ever posted in the capital market. This single year record surpassed the cumulative figure for the preceding two years. It is also significant that the total value of flotation last mid decade (year 2006) represented 36.4% of flotation in the ten years ended 2002. It may be instructive to state that the commission actually received new issue applications for over N78 billion but only few applications had been cleared and opened by year-end.

2.2 Investment Opportunities in the Capital Market

According to Eguakun (2005) the capital market can be described as a place where a nation's wealth is bought and sold. It creates facilities for raising funds for investment in long term assets. The Nigerian capital market is no exception to this global role. The opportunities that abound in our market can be looked at from two major perspectives:

a. Corporate Finance Benefits of the Capital Market

A unique benefit of stock market to corporate entities is the provision of long term non - debt financial capital. Through the issuance of equity securities, companies acquire perpetual capital for development. Through the provision of equity capital the market enables companies to avoid over reliance on debt financing, thus improving corporate debt to equity ratio.

b. Financing Options in the Capital Market

The stock market offers an array of financing instruments that meets the long term investment needs of both government and private sector. The medium and long term corporate debt markets remains a critical element in the sustainable development of the Nigerian economy. Experience in Nigeria in the last decade shows that the use of corporate bonds is a more prudent method of raising long term finance than bank loans. The advantage is that state and local governments can implement their projects quickly and at the same time avoid high interest rates in the bank loans.

2.3 Environmental Imperatives for Capital Market Smooth Functioning

Before the objectives of the capital market can be fully achieved for economic growth of any nation, the following environmental factors are imperative for its smooth functioning:

a. An economic and administrative central structure cum policy measures that allow an appropriate role for private sector enterprises: this refers to the encouragement and public enlightenments made to the members of the public of benefits to be derived by investing their savings in capital market and all other steps to boost development for the betterment of a nation.

b. A policy scheme that encourages price flexibility as reflected by the interplay of supply and demand factors. This is the work of the regulatory bodies like the Nigerian Stock Exchange (NSE), Securities and Exchange Commission (SEC) and the government.

c. A stable political environment: frequent changes of government and their policies cum decisions without due consideration of the importance of capital market will not augur well for development. Therefore, a well defined and articulated program coupled with a stable and organized political environment will have a positive effect on the activities and growth of the capital market.

2.4 Roles of Capital Market in the Development of the Nigerian Economy

According to Al - Faki (2006), the capital market is a network of specialized financial institutions , series of mechanisms , processes and infrastructure that in various ways facilitate the bringing together of suppliers and users of medium to long term capital investments in economic developmental projects.

The roles of the capital market in the development of the economy includes:

- It provides opportunities for companies to borrow funds needed for long term investment purposes.
- It provides an avenue for the marketing of shares and other securities in other to raise fresh funds for expansion of operations leading to increase in output / production.
- It provides a means of allocating the nations real and financial resources between various industries and companies. Through the capital formation and allocation mechanism the capital market ensures an efficient and effective distribution of the scarce resources for the optimal benefit of the economy.
- It reduces the overall reliance of the corporate sector on short term financing for long term projects and also provides opportunities for government to finance projects aimed at providing essential amenities for socio - economic development.
- The capital market can aid the government in its privatization programme by offering her shares in the public enterprises to members of the public through the stock exchange.
- The capital market also encourages the inflow of foreign capital when foreign companies or investors invest in domestic securities, provides needed seed money for creative capital development and acts as a reliable medium for broadening the ownership base of family - owned and dominated firms.
- Promotion of rapid formation.
- The provision of an alternative source of fund other than taxation for government.
- The creation of a built in operational and creational efficiency within the financial system to ensure that resources are optimally utilized.
- The encouragement of a more efficient allocation of new investment through the pricing mechanism.
- It is an avenue for effecting payment on debt.
- It is a necessary liquidation mechanism for investors through a formal debt and equity mechanism.
- It is a machinery for mobilizing long term financial resources for industrial development.

2.5 Contribution of the Capital Market to Socio-Economic Development of Nigeria

The capital market is very vital to the growth, development and strength of any country because it supports government and corporate initiatives, finance the exploitation of new ideas and facilitates the management of financial risk. The rate of economic growth has been linked to the sophistication of the financial market and capital market efficiency. Both markets facilitates the mobilization and channeling of funds into productive constituents and ensuring that the funds are used for the pursuit of socio - economic growth and development without being idle (Akinbohungbe 1996; Adebiyi 2005).

From 1961, the Nigerian capital market has grown tremendously, particularly during the periods of the indigenization decree of 1972 and 1977. The securities increased from 8 in 1961 to about 301 in 2010. Over the years, the Nigerian capital market has witnessed relative stability and also recorded impressive growth, this has positioned it to impact the economy. There is clear evidence that the capital market remained an important source of capital for the nation's economic development in financing infrastructural projects, the privatization programme of the government and banking sector recapitalization in Nigeria. Sule and Momoh (2009) concluded that the recent consolidation exercise of major financial institutions and privatization of publicly owned enterprises are key indications of government faith in the capital market to drive growth of the Nigerian economy. Bellow are the contributions made by the capital market to the economy:

i). Financing Government's Infrastructural Projects:

The capital market has been a viable source of financing state and local government infrastructural projects and developmental strides with less pressures and lean on resources. The first state to use the capital market was the defunct Bendel state which issued a ten year N20 million 7 % Bendel state of Nigerian loan stock in 1978. The maturity was in 1988 (Okereke - Onyuike 2000). The issue was to finance a housing project. Ogun state went to the market in 1986 to raise a N15 million 12 % first Ogun state government loan stock with a maturity date of 1996. The bond was issued to finance the construction of a water project in Abeokuta. The Lagos state government accessed the capital market in 1987 and 1988 with two tranches of its revenue bond for the development of the first and second phase of the Lekki peninsula. The first tranche was N30 million, while the second tranche was N60 million or an aggregate of N90 million raised by the Lagos state government.

Oyo state government raised 16.5 % N30 billion revenue bond in 1993 to build the Gbagi market and the Adamasingba complex. Also, the Kaduna state government raised N30 million each from the market in 1989 and 1993 to finance the development of the Kadia ginger processing factory. Edo state government went to the market to raise the first Edo state 21 % N500 million floating rate revenue bond 2002/ 2006 , it was used to finance the renovation of the Samuel Ogbemudia stadium and other projects. Lagos Island local government has also tapped from the capital market to finance a shopping complex; the Sura shopping complex. The bond carried a total amount of N100 million and an interest rate of 24.75 % (SEC 2002).

Over the years, some states have gone to the capital market to source for funds to finance their developmental projects, for instance, Yobe state raised N2.5 billion in 2001 to finance urban roads, houses and drainage improvement. Ekiti state raised N4 billion in 2002 to finance the construction and rehabilitation of some of its urban and rural roads, establishment of palm plantation, rural electricity and expansion of water project. Lagos state raised N15 billion in 2003 to refinance short term facilities obtained from banks to fund developmental projects. Cross River state raised N4 billion to upgrade and expand Obudu Ranch Resort. Akwa - ibom state raised N6 billion to finance infrastructural development. Delta state raised N5 billion to finance market, health care, water and education and Edo state raised N1 billion to finance development of Ogba riverside housing estate. Osazee (1995) while bemoaning the low level at which state and local governments sought funds from the market stressed that capital market could also be a veritable source of funding for the cash - trapped Nigerian universities yet to be harnessed.

ii). Privatization of State Owned Enterprises (SOEs)

The Nigerian capital market played a paramount role in the privatization of the state owned enterprises by giving creditability and transparency to the exercise. Within four of the privatization and commercialization decree, 88 were privatized out of 111 SOEs realizing a gross proceeds of N3.7 billion (Anyanwu et al. 1997). Between 1989 and 2001, a total of N25.6 billion was realized from the exercise. Also, the share of the SOEs were sold to Nigerian's and associations in all local government through public offers.

iii). Bank Recapitalization and Consolidation in Nigeria

The bank recapitalization to N25 billion in which 25 banks (but pre
sently 22 banks, after Stanbic and IBTC bank merged, Intercontinental and Access, Oceanic bank and Eco bank merged) emerged from the previous 89 banks clearly revealed the importance of the capital market . In fact, most of the banks in Nigeria were able to raise the required capital after going to the capital market through initial public offerings. Soludo (2006) reports that about $650 million was invested in the banking sector in 2005 . Al Faki (2006) puts the figure that was raised from the capital market by banks to meet the minimum capital requirement of N25 billion as over N406.4 billion.

3. Methodology

3.1 Data Source and Measurement of Variables.

Time series data were obtained from the statistical bulletin of the Central Bank of Nigeria and the Nigerian stock exchange. As published aggregate national data, they are normally widely used and more complete at less cost than being generated by the researcher with limited accesses to data. To actualize the purpose of the study, modeling the effect of the capital market on Nigerian economy, the study utilized the following variables – Gross Domestic Product, capital market annual market capitalization and total volume of transactions.

Gross Domestic Product (GDP), is the totality of goods and services produced in Nigeria without regards to whether income generated during the reference period accrues to or are paid to nationals of foreign countries. GDP is an economic indicator which measures the welfare and economic performance of a country. Annual Market Capitalization, refers to the annual total market value of the equity in publicly traded entity. It also refers to the value of all listed securities based on their market prices. Total Volume of Transactions, as the name implies, refers to the total transactions that took place in the capital market at a given period.

The statistical bulletin of the central bank of Nigeria provided source of yearly numerical value of the above specified variables. CBN source has proven to be a reliable and a dependable source of data for most empirical and theoretical work involving economic quantities that pertains to the Nigerian economy.

3.2 Model Specification

For the purpose of our study , we considered the use of the following variables: gross domestic product (GDP), annual market capitalization (AMC) and the total volume of transactions (TVT), this is to enable us undertake an impact assessment of the Nigerian capital market in resource mobilization for long term development in the Nigerian economy.

Our use of the gross domestic product (GDP) is justified as a proper index for measuring the performance of the Nigerian economy. It is our expectation then that the impact of the Nigerian capital market will be registered as an impressive increase in GDP over the years.

Thus , according to the theoretical underpinnings of Dermir gue - kunt and Levine (1996), Levine and Zervos (1996) which have investigated linkage between capital market activities and economic development, we specify our model as follows:

GDP = F (AMC, TVT)……………………………..........(1)

In functional notation, our model in equation (1) is further specified as:

$GDP = a_0 + a_1 AMC + a_2 TVT + U_i$……………………….(2)

In equation (2) above, GDP represents the gross domestic product of Nigeria, AMC stands for the annual market capitalization of the Nigerian capital market , TVT measures the total volume of transactions in the capital market, Ui measures the effect of random variables and a_0 represents the intercept , while a_1 and a_2 are parameters to be estimated.

These measures relates to the Nigerian economy and reflects the data for each respective index in the periods specified for the study (2001 - 2010). The data were collected from the central bank of Nigeria statistical bulletin, the CBN statistical bulletin has proven to be a reliable and dependable source of data for most empirical and theoretical research work involving economic quantities that pertains to the Nigerian economy. The collected data were analyzed using SPSS statistical software.

3.3 Apriori Expectations

The preposition of our specified model is that economic development (proxy by GDP) is significantly influenced by the capital market indices (AMC and TVT). Accordingly, our expectations for the inter-variable relationship or connections between the specified quantities are as follows:

1. That GDP will relate positively with AMC, in which case our sign expectation for the relationship will be positive.
2. We equally expect a positive apriori sign for the relationship between GDP and TVT, in which case growth in TVT will register in an increase in GDP.
3. It is our expectation also that AMC will correlate positively with TVT since according to theories, if AMC increases it is expected to increase the volume of transactions in the market.

4. Data Presentation and Analysis

4.1 Data Presentation

To carry out our study on resource mobilization for long term economic development through the activities of the Nigerian capital market, data on gross domestic product (GDP), annual market capitalization (AMC) and total volume of transactions (TVT) in capital market were utilized. Table 4.1 below captured the relevant data:

Table 4.1: yearly records for GDP, AMC and TVT

Year	GDP(N'million)	AMC(N'billion)	TVT (N'million)
2001	4,725,086.00	662.5	57,683.8
2002	6,912,381.25	764.9	59,406.7
2003	8,487,031.57	1,359.3	120,402.6
2004	11,411,066.91	2,112.5	225,820.0
2005	14,572,239.12	2,900.1	262,935.8
2006	18,564,594.73	5,121.0	470,253.4
2007	20,657,317.67	13,294.6	1,076,020.4
2008	24,296,329.29	9,563.0	1,679,143.7
2009	24,794,238.66	7,030.8	685,717.3
2010	29,205,782.96	9,918.2	799,911.0

Source: Central Bank statistical bulletin
The Nigerian Stock Exchange

4.2 Presentation of Descriptive Statistics

From our presentation in table 4.1, it was revealed that all the variables increased in quantities during the years under review, gross domestic product exhibited an increase from 4,725,086.0 million in 2001 to a magnificent value of 29,205,782.96 million in 2010 representing 83.82 percent under the reviewed period. Also, annual market capitalization increased tremendously from 662.5 billion in 2001 to 9,918.2 billion in 2010 representing 93.32 percent under the reviewed period. And lastly, total volume of transactions increased from 57,683.8 million in 2001 to 799,911.0 million in 2010 representing 92.79 percent under the period under review. The inter- variable graphical representation are show below:

Table 4.2 Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
gross domestic product	10	4725086.00	29108000.00	1.6345E7	8.38576E6
annual market capitalization	10	662.50	13294.60	5272.6900	4471.60364
total volume of transanction	10	57683.80	1679143.70	543729.4700	5.26373E5
Valid N (listwise)	10				

CORRELATIONS /VARIABLES=gdp amc tvt /PRINT=TWOTAIL NOSIG /MISSING=PAIRWISE.
Source: SPSS Version 17

4.3 Analysis of Data

The collected data as specified in table 4.1 were subjected to correlation and regression analysis using the SPSS version 17 statistical software.

The correlation analysis helps to establish the extent and degree of inter- variable relationship existing among the variables in our model. The output of the analysis is given in table 4.3:

Table 4.3 correlations

		gross domestic product	annual market capitalisation	total volume of transanction
gross domestic product	Pearson Correlation	1	.856**	.786**
	Sig. (2-tailed)		.002	.007
	N	10	10	10
annual market capitalization	Pearson Correlation	.856**	1	.866**
	Sig. (2-tailed)	.002		.001
	N	10	10	10
total volume of transanction	Pearson Correlation	.786**	.866**	1
	Sig. (2-tailed)	.007	.001	
	N	10	10	10

**Correlation is significant at the 0.01 level (2-tailed) Source: SPSS Version 17

Result from the table reveals that there are strong inter - variable correlation among the variables. The dependent variable (GDP) has high correlation with the independent variables (AMC and TVT). GDP has a correlation value of 0.856 (86 %) with AMC and 0.786 (79 %) with TVT, and these were statistically significant at the 99% confidence level (see table 4.3). A striking revelation contained in the table is that there were strong correlation among the variables for the model as evidenced by the level of significance, all the variables' correlations were at the highest level of 0.01 confidence limit (99 % confidence interval).

Our study model was equally subjected to the ordinary least square (OLS) regression procedure whose result is contained in table 4.4 and table 4.5.

Table 4.4 model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.861[a]	.741	.667	4.83630E6

a. Predictors: (Constant), total volume of transanction, annual market capitalization
Source: SPSS Version 17

Table4.5 coefficient

	Model	Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	7858962.416	2440062.371		3.221	.015
	annual market capitalisation	1317.215	720.818	.702	1.827	.110
	total volume of transanction	2.833	6.123	.178	.463	.658

a. Dependent Variable: gross domestic product
Source: SPSS Version 17

The result in table 4.4 reveals that our model is well fitted as evidenced by the R square value of 74%, this indicates that 74 % variation in gross domestic product is well explained by the explanatory variables. The F value which is a measure of the relevance of the global statistics is quiet favorable.

The regression result also reveals that the variables in our model performed according to our apriori expectation. The AMC and TVT were positively related to GDP which were in consonant with our signs expectation (apriori expectation). However, they were not statistically significant as evidenced in their T values 1.827 and 0.463 for AMC and TVT respectively.

5. Summary, Conclusion and Recommendation

5.1 Summary of Major Findings

Our study was geared towards the verification of resource mobilization for long term economic development, an insight into the roles of the Nigerian capital market. To actualize this, model was formulated to assess the role capital market in the development of Nigerian economy for the period 2001 to 2010. The data collected for this research were subjected to correlation and regression analysis using the SPSS version 17 statistical software. This model enables us to predict the relationship between the hypothesized dependent and the independent variables.

The result obtained from the estimation exercise is fairly satisfactory, we can summarize our findings thus:

1. Gross domestic product (GDP) which is a measure of economic growth is positively related to annual market capitalization (AMC) and total volume of transactions (TVT) which measures the activities in the capital market, and this implies that capital market activities have contributed fairly to the economic growth and development of Nigerian.
2. From our correlation analysis, it was found out that there is a high correlation between gross domestic product and annual market capitalization, and that it is significant at 0.01 level of confidence. This implies that factors that will enhance growth in annual market capitalization will also reinforce improvement in economic activities.
3. Total volume of transactions which represents the volume of securities being traded in the capital market is positively correlated to gross domestic product. This implies that the volume of transactions in the capital market has contributed positively to the development of the Nigerian economy.
4. Total volume of transactions correlated positively with annual market capitalization and was statistically significant at the highest level of 99 % confidence level. This meant that increase in total volume of transactions will occasion growth in the market and ultimately growth in resource mobilization for long term development.

5.2 Conclussion and Recommendations

The capital market is a veritable tool that can be used to mobilize resources for long term economic development of Nigeria, and from our regression results certain findings were made, and it was confirmed that gross domestic product is positively related to annual market capitalization and the total volume of transactions, it was also established from our correlation analysis that there is a high correlation between gross domestic product and annual market capitalization, and also that total volume of transactions correlated positively with annual market capitalization. It was also noted that due to some factors that affected the operations of the capital market, especially the global financial melt down, the impact on the economic development was not too significant.

It is thus recommended that for the capital market to grow especially in its annual market capitalization, it is necessary to maintain adequate policies to ensure that the capital market contributes its roles towards the over all development of the economy. Other recommendations include:

1. The need to maintain a state of the art technology like automated trading and settlement practices, electronic fund clearance and eliminate physical transfer of share.

2. The need to ensure transparency and fair trading transactions and dealings in the stock exchange. This will help check cases of abuses and sharp practices by some companies in the market, and avert loss of public

confidence in the operation of the market.

3. It was also recommended that to increase the number of listed companies, there is need to ensure stable macro - economic environment, encourage foreign multinational companies or their subsidiaries to be listed on the Nigerian stock exchange. There is also the need for availability of more investments instruments such as derivatives, convertibles, futures, swaps, options in the market. This will definitely boost the volume of transactions in the Nigerian capital market,

With these recommendations one believes that the Nigerian capital market will be a pivotal force in Nigeria economic growth and development.

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