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**TOPIC: BANK CREDITS AND THE NIGERIAN CAPITAL MARKET (2000-2021)**  
**DEPT: BANKING AND FINANCE**

## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.1 Background to the Study**

The pursuit of economic growth and sustainable development is one of the core macroeconomic goals in every nation. Economic growth is usually anchored on the financial development of a country. A critical measure of economic prosperity and growth in countries is the growth rate of real Gross Domestic Product (GDP) per capita and has been used as a close proxy of economic growth. This is because GDP measures the total market value of economic activities within a country and as such, an increase in economic activities means higher growth. Following this, extant studies – both theoretically and empirically – have been done to determine factors that drive economic growth and those that cause growth disasters. The avenue for network of financial institutions and infrastructure that establish the mobilization and allocate long-term funds in the economy is capital market. The market affords business firms and governments the opportunity to sell stocks and bonds, to raise long-term funds from the savings of other economic agents. Capital is one of the factors of production and where finance is readily available in an economy it is presumed that production will be higher and this will impact positively on the economic growth. It is in line with the aforementioned, that

governments of many economies try to develop the financial sector in an effort to achieving sustainable economic growth. There is strong perception of economic growth to be associated with the financial sector through other sectors such as real sector and provision of infrastructures. Capital Market provides important avenue for economic growth. Its liquidity role stands on clearly as the most significant among the numerous functions it provides. The capital market contributes to economic growth through the specific services it performs either directly or indirectly. Notable among the functions of the capital market are mobilization of savings, creation of liquidity, risk diversification, improved dissemination and acquisition of information, and enhanced incentive for corporate control. There is no doubt that capital market is pivotal to the level of growth and development of the economy. Daniel (2004), sees it as an instruments that is able to mobilize long-term savings and provide capital to investors to finance long-term investments thereby broadening ownership of productive assets. Dealers in the securities segment of the capital market include banking institutions, stockbrokers, investment and merchant bankers and venture capitalists that intermediate between the market and the public. Well-functioning financial markets are very crucial for the promotion of global financial integration. An efficiently functioning domestic financial market can better position a country's

competitiveness in the markets for global capital (Senbet and Otchere, 2005).

Therefore, it would seem that policies to develop the financial sector would be expected to raise economic growth. Indeed, the role of bank credit is considered important to economic growth and development (Khan and Senhadji, 2000). The literature on financial economics provides support for the argument that countries with efficient credit systems grow faster while inefficient credit systems bear the risk of bank failure (Kasekende, 2008). Economic growth rate of change must entail consumption and investment of the firm. Economic growth is therefore, the steady growth in the productive capacity of the economy. It is the increase in the amount of the goods and services produced by an economy over time, the level of increase in economic growth is been attributed to the level of capital structure of firms in the country. This is because economic growth has been attributed to the accumulation of human and physical capital. The dynamism between capital market and bank credit has not been fully explored in many developing countries especially Nigeria. The extent to which capital market and bank credit component influence economic growth worthy of an examination in Nigeria. The current study, therefore, attempts to fill this gap by examining the dynamic relationship between capital market and bank credit in Nigeria.

## **1.2 Statement of the Problem**

Adopting a single aspect of the financial system when both the banking sector and stock market are fairly developed may hinder the discovery of the overall effects of financial development on economic performance. The largely underdeveloped nature of the Nigerian economy implies that the Nigerian government is under pressure to improve and strengthened the drivers of economic growth. In order to stimulate development to formulate optimum growth enhancing economic policies, expert knowledge of the relative importance of the banking sector and stock market in the financial system is vital. This raises question of nexus that should be addressed as a study of this nature. More so, from the empirical studies of capital market, bank credit variable and economic development , different conclusions has been be found based on the different techniques. Arestis, Demetriades and Luintel (2001), Beck and Levine (2004), Dritsaki and Dritsaki-Bargiota (2005), Handa and Khan (2008), Christopoulos and Tsionas(2004), and Enisan and Olufisayo (2009) have all arrived at different conclusions. The inconclusive nature of these theoretical and empirical studies provides the basis for a further empirical investigation on the appraisal of capital market dynamics, bank credit and economic growth. A study of this nature has become imperative to explore the dynamics of capital market like market capitalization, total new issue and volume of transaction on real economic growth. Also the influence of bank credits on real Gross Domestic Product is

worthy of examination. There is the need to appraise the direction of causality between the variants of capital market, bank credit and economic growth in Nigeria over the years

### **1.3 Objectives of the study**

The general objective of this study is to examine the effects of bank credit on growth in the Nigeria capital market. The specific objectives include:

- i. Determine the degree of contribution that credit to private sector has on the growth of the Nigerian capital market.
- ii. To determine the effect of loan and advances on the growth of the Nigerian capital market.
- iii. Determine the effect of market capitalization on economic growth in Nigeria.

### **1.4 Research Questions**

The following research questions will guide this study:

- i. Does credit to private sector has any significant effects on the growth of the Nigerian capital market?
- ii. What are the effect of loan and advances on the growth of the Nigeria capital market?
- iii. To what extent does market capitalization affect economic growth in Nigeria?

## **1.5 Research Hypotheses**

### **Null Hypothesis (Ho) one**

Credit to private sector does not have any significant effects on the growth of the Nigeria capital market.

### **Null Hypothesis (Ho) two**

Loan and advances has no significant effect on the growth of the Nigeria capital market.

### **Null Hypothesis (Ho) three**

Market capitalization has no significant effect on economic growth in Nigeria.

## **1.6 Significance of the Study**

This research work was not initiated for the sake of it, though several studies have been carried out on this subject area, this work is justified from the following perspectives:

- i. This research work will contribute to existing literature on the subject area.
- ii. The study may assist the Government, corporate bodies and individuals to evaluate the advantages and gains associated with sound capital market and thereby being more result – oriented.
- iii. The study will serve as a base or reference point and guide to future researchers in this particular area of study.

- iv. The research work will serve as clear direction for developing capital market via credit financing.

### **1.7 Scope of the Study**

The scope of this study is restricted to 21 years period (2001 to 2021) within which effect of bank credit on the growth of the Nigeria capital market is evaluated.

### **1.8 Limitations of the Study**

The limitation of this study is related to the acquisition of information from the deposit money banks and the Nigerian capital market under study. The oath of secrecy sworn annually makes staff adamant to release operational information to non staff members. Another major constraint to this study is the researcher's inability to ascertain banks credit contribution to the growth of capital market in Nigeria within the period under review. This study is also limited in scope.

### **1.9 Definition of Terms**

**Bank Credit:** Is the amount of loans and advances given by the banking sector to the various economic agents.

**Capital market:** Is the medium through which funds are mobilized and channeled efficiently from savers to users of funds. Apart from judicious mobilization of idle savings into productive use, the capital market creates an avenue for foreign investment and the influx of



foreign capital for developing projects that will increase the welfare of citizens.

**Market Capitalization:** This is the market value of a company's outstanding shares. It can be derived by multiplying the share price by the number of shares outstanding.

**Gross Domestic Product (GDP):** This can be defined as the monetary value of all the finished goods and services produced within a country's borders in a specific time period. It includes all of private and public consumption, government outlays, investments and exports less imports that occur within a defined territory.

**Economic development:** This refers to the adoption of new technologies, transition from agriculture-based to industry-based economy, and general improvement in living standards. It can also be seen as the sustained, concerted action of communities and policy makers that improve the standard of living and economic health of a specific locality.

## **CHAPTER TWO**

### **REVIEW OF RELATED LITERATURE**

#### **2.1 Conceptual Review**

##### **2.1.1 Concept of Capital Market**

Sule and Momoh (2009) notes that the capital market is the medium through which funds are mobilized and channeled efficiently from savers to users of funds. Apart from judicious mobilization of idle savings into productive use, the capital market creates an avenue for foreign investment and the influx of foreign capital for developing projects that will increase the welfare of citizens. Capital market consists of primary markets and secondary markets. Primary markets deal with trade of new issues of stocks and other securities, whereas secondary market deals with the exchange of existing or previously-issued securities. Mbat (2001) describes it as a forum through which long-term funds are made available by the surplus economic unit to the deficit economic units. It must, however, be noted that although all the surplus economic units have access to the capital market, not all the deficit economic units have the same easy access to it. The restriction on the part of the borrowers is meant to enforce the security of the funds provided by the lenders. In order to ensure that lenders are not subjected to undue risks, borrowers in the capital market need to satisfy certain basic requirements such as the capital

base of the organization, financial worthiness and a host of others. Gugler, Muler and Yurtoglu (2003) argue that the strength of a country's capital market determines the degree of a firm's investment performance regardless of how closely managers' and owners' match. The capital market offers access to a variety of financial instruments that enable economic agents to pool, price and exchange risks. Through assets with attractive yields, liquidity and risk characteristics, it encourages savings in financial form.

The Nigeria Financial Market is a market for short and long term funds. It is a market where funds are pooled from surplus unit to deficit unit Njogo (2010). The market is divided into money market and capital market. The money market is a segment of the financial market in which financial instruments with high liquidity and very short maturities are traded. It is used by participants as a means of borrowing and lending in the short term, within a year. Money market securities consist of negotiable certificates of deposit (CDs), bankers acceptances, Treasury bills, commercial paper, among other. But the capital market is a market for long term borrowing; it consists of two broad categories which are the primary capital market and the secondary capital market. The primary capital market category consists of securities which are most freshly created. It is also a market where new securities are issued. That is they are securities

that have not yet been traded, Securities that have been traded, are categorized under the secondary market. Primary capital market securities may be issued in several ways. Some of these include issuance of rights, sales offers, subscription offerings and private placements. In the secondary market, however the exchange of existing securities takes place once they have initially been issued in the primary market, either privately or publicly. The market is regulated by Securities and Exchange Commission which strives to protect investors in the market as well as to make advancements toward socio-economic improvement. In Nigeria, studying the role of financial market on economic growth of the Nigerian economy is a vital one considering the ups and downs in its financial sector.

### **2.1.2 Banking Sector Credit**

The Central Bank of Nigeria Brief (2003) defined bank credit as the amount of loans and advances given by the banking sector to the various economic agents. The Central Bank of Nigeria (CBN) Monetary Policy Circular (2010) identifies such bank credits as comprising loans and advances, commercial papers, bankers' acceptance and bills discounted. Bank credit is usually accompanied with some collateral that helps to ensure the repayment of the loan in the event of default. The banking sector includes monetary authorities and deposit money banks as well as other banking institutions that do not accept

transferable deposits but do incur such liabilities as time and savings deposits. This sector is viewed as the only financial means of attracting savings on a large scale which is further extended to borrowers as credit (Singaraj and Josephin, 2015). According to Nwanyanwu (2008), the banking sector helps to make credits available by mobilizing surplus funds from the savers, who do not have immediate need for them, and channeling them, in the form of credits, to the investors who have good ideas on how to create some additional wealth in the economy but lack the necessary capital to make use of those ideas.

### **2.1.3 Capital Market Dynamic System in Nigeria**

In Nigerian, the government influences the capital market through the Nigerian Securities and Exchange Commission (SEC) and the Nigerian Stock Exchange (NSE). SEC has the primary objective of being in charge of the overall regulation of the entire capital market while NSE supervises the operations of the formal quoted market (as a self-regulatory organization). However, the Nigerian financial markets are experiencing challenges such as poor infrastructural facilities, low level of public awareness as to the benefits derivable from the operation of the capital market, inadequacy of supply of securities, stringent stock exchange listing requirements limiting mostly the smaller companies, illiquid market and unfavorable government policies. The capital

market is the cornerstone of every financial system since it provides the funds needed for financing not only business and other economic institutions, but also the programme of government as whole. The capital market is essentially a market for long term securities that is stock, debenture and bonds lasting for usually longer than three years. The proper functioning of the capital market was not set up until the establishment of the Central Bank in 1959 and launching of the Lagos stock exchange in 1961 even though securities were floated as far back as 1946.

#### **2.1.4 Component of Capital Market Dynamic**

##### **Volume of Transaction**

Volume of transaction refers to the total amount of securities traded in the capital market regardless of what type of security instrument. The volume of transaction often determines the level of transactional activities or the performance of the capital market as far as the business transaction of the market is concerned and this in turn could have an effect on the growth of the economy as either positive or negative outcome of the transaction volume (Adewoyin, 2004). Volume of Transaction has to do with the number of shares or contracts traded in a security or in an entire market during a specific period. It is simply the total amount of shares that change hands between buyers and sellers (Mbat, 2001). Volume of transaction is the number of shares

traded in a country's stock market or in an entire market over a specific period.

## **2.15 Framework for Regulating the Nigerian Capital Market**

According to Esosa (2007), the Securities and Exchange Commission (SEC) is the apex regulatory/supervisory authority in the capital market. A detailed review of the Nigerian capital market was carried out in 1996. This led to the enactment of the Investment Securities Act (ISA) No. 45 of 1999 (and the regulation made there under). This Act replaced the Securities and Exchange Commission Decree No. 29 of 1988. It aims at providing a more efficient and viable capital market positioned to meet the country's economic and developmental needs.

### **2.1.6 The Nigerian Securities and Exchange Commission**

The origin of the Securities and Exchange Commission dates back to 1962, when an ad hoc consultative and advisory body, known as the Capital Issues Committee, was established under the aegis of the Central Bank of Nigeria (CBN). Its mandate was to examine applications from companies seeking to raise capital from the capital market and recommend the timing of such issues to prevent issues clustering which could overstretch the market's capacity. The Committee operated within the Central Bank of Nigeria unofficially as a capital market consultative and advisory body with no regulatory framework. An increase in the level of economic activities, coupled

with the promulgation of the Nigerian Enterprises Promotion Decree in 1972, necessitated the establishment of a body backed by law to regulate capital market activities hence the creation of the Capital Issues Commission to take over the activities of the Capital Issues Committee. The Capital Issues Commission was established with the promulgation of the Capital Issues Commission Decree in March 1973. The new body had a board of nine (9) members, including a representative of the Central Bank of Nigeria who served as Chairman, while the other eight (8) members were drawn from some Federal Ministries, the industrial and financial sectors of the economy. In order to cope with emergent challenges, the powers of the Capital Issues Commission had to be further enhanced. A Financial System Review Committee was set up by the federal government to review capital market activities and proffer ways of developing the market. The recommendations of the Financial System Review Committee in 1976, led to the establishment of the Securities and Exchange Commission following the promulgation of the Securities and Exchange Commission Decree No. 71 of 1979 to supersede the Capital Issues Commission in 1979. The Commission had more powers to regulate and develop the Nigerian capital market, in addition to determining the prices of issues and setting the basis for allotment of securities. The SEC currently derives its powers from the ISA 29 of 2007. Composition of the



Commission According to Section 2(1), (2), (3) of Investment Securities Act (ISA) For the purpose of carrying out its responsibilities under the Act, the Commission consists of;

- i) a Chairman,
- ii) one person not below the rank of Director to represent the Central Bank of Nigeria,
- iii) one person not below the rank of Director to represent the Ministry of Finance,
- iv) two full time commissioners who must be persons with ability, experience and specialized knowledge in capital market matters,
- v) the Director-General of the Commission and
- vi) five other Commissioners who must be persons with proven ability and expertise in corporate matters generally.

#### **2.1.7 Functions of the Commission**

According to section (6) subsection (9) to (10) the commission is charged with the following duties and functions;

- i) determining the amount of price and time when securities of companies are to be sold to the public whether through offer for sale or subscription,
- ii) registering all securities proposed to be offered for sale to or for subscription by the public,

- iii) monitoring surveillance over the security market to ensure orderly, fair and equitable dealing in securities,
- iv) protecting the integrity of the security market against any abuses arising from the practice of insider trading,
- v) acting as regulatory apex organization for the Nigeria capital market including the Nigerian stock Exchange and its branches to which it would be at liberty to delegate power,
- vi) reviewing, approving and regulating merger and acquisition and all forms of business combination,
- vii) creating the necessary atmosphere for the orderly growth and development of capital market,
- viii) undertaking such other activities as are deemed necessary or expedient for giving full effect to the provision of this decree.

### **2.1.8 The Nigerian Stock Exchange**

As one of the constituencies of the capital market, the Nigeria Stock Exchange is a private non-profit making organization limited by guarantee. It was incorporated via the inspiration and support of businessmen and the Federal Government via CBN, but owned by about 500 members. The membership includes financial institution, stock brokers and individual Nigerians of high integrity, who have contributed to the development of the stock market and the Nigerian economy.

The Nigeria Stock Exchange started with the incorporation of the then Lagos Stock Exchange in 1960. Trading commenced on the Exchange in 1961 after the enactment of the Lagos Stock Exchange Act of 1961, the self regulatory organization was subsequently reorganized and renamed the Nigeria Stock Exchange in December 1977, based on the report and recommendation of Pius Okigbo Financial System Review Commission. The Stock Exchange is thus an institution of capital market, which provides trading floor where all dealing members operates on every business day. The Exchange now has nine (9) branches and all the branches function principally as trading floor, with 283 numbers of enrolled securities.

Functions of the Nigeria Stock Exchange;

- i. it provides a stable platform for individuals and organization who trade and invest their savings by purchasing shares,
- ii. it helps to increase the market capitalization of companies,
- iii. it can also give the opportunity to issue and redeem different securities,
- iv. to improve the efficiency of capital by providing market measure of return on capital,
- v. it facilitates the transfer of enterprises from the public sector to the private sector,

- vi. to reduce the risk of liquidity by facilitating the purchasing and sale of securities, (Al-faki, 2007),
- vii. set rules and regulations for dealing members.

#### **2.1.9 Roles of the Capital Market**

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 for investment in socio-economic developmental projects". The capital market is divided into the primary market and the secondary market. The primary market or the new issues market provides the avenue through which government and corporate bodies raise fresh funds through the issuance of securities which is subscribed to by the general public. The secondary market handles the trading of previously issued securities and must remain highly liquid in nature because most of the securities are sold by investors.

#### **2.1.10 Impact of Capital Market on Economic Growth and Development of Nigeria**

The Nigeria 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. The capital market is very

vital to the growth and development of any country because it supports government and corporate initiatives, finances the exploitation of new ideas and facilitates the management of financial risk. The rate of economic growth has been inexorably 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 socioeconomic growth and development without being idle (Akinbohunbe 1996: Adebisi 2005). There is clear evidence that the capital market remains 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 & Momoh (2009), conclude that the recent privatization exercise of most publicly owned enterprise are key indications of government faith in the capital market to drive growth of the Nigerian economy.

#### **2.1.11 Nigerian Capital Market and Economic Development**

Economic development is the process of increasing real per capita income and engineering substantial positive transformations in the various sectors of the economy. The positive changes which take place improve the general well-being of the people and ensure a sustained rise in the standard of living of the masses. Dare (2003), defines

economic development as a process by which a high degree of self-reliant economic growth in a given society, sustained over a given time is associated with substantial reduction of poverty, unemployment levels and income inequality.

The Nigeria economy, in recent times, has been growing but still far behind in terms of development. The slow pace of development is indicated by the rising level of unemployment, poverty and the low standard of living.

However, a major panacea that can take Nigeria out of this predicament is promotion of a vibrant capital market. The stability of a nation's economy is measured by the condition of its capital market because the market is a major indicator of the state of health of the national economy.

The most important function of the capital market is in its capacity to provide long term debt in the form of bonds issued by the government and corporations and as well as equities.

The level of national economic development and the extent to which most economic activities can efficiently rely on the capital market are major indicators of a healthy balance between a sound financial system and macroeconomic stability.

In addition, the capital market is the most credible source of medium and long-term financing and a base for sustainable development.

## **2.2 Theoretical Framework**

### **2.2.1 The Random Walk Hypothesis:**

This concept was popularized by Burton Malkiel a professor of Economics at Princeton University and a writer of "A Random Walk Down wall street. It is a financial theory which states that stock market prices evolve according to a random walk and thus cannot be predicted. It can also be seen as an investment theory which claims that market price follow a random path up and down without any influence by past price movement making it impossible to predict with any accuracy which direction the market will move at any point in time. In other words, the theory claims that the path a stock's price follows is a random walk that cannot be determined from historical price information, especially in the short term. Investors who believe in the random walk theory feel that it is impossible to outperform the market without taking on additional risk, and believe that neither fundamental analysis nor technical analysis have any validity.

### **2.2.2 Capital Asset Pricing Model (CAPM)**

This is a mathematical model that seeks to explain the relationship between risk and return in a rational equilibrium market. The model was simultaneously and independently developed by William Sharpe, John Lintner and Jan Mossin and the research appeared in three different, highly respected journals during the period of 1964-1966.

The CAPM states that the return on assets should, on average, equal the yield on a risk-free bond held over that time plus a premium proportional to the amount of systematic risk the stock possesses. The key element of the model is that it separates the risk affecting an asset's return into two categories. The first type is called unsystematic, or company-specific risk while the second kind of risk called systematic risk is due to general economic uncertainty and cannot be diversified away. Examples of systematic risk include interest rate, recessions and war etc. Assumptions of CAPM

According to Arnold (2005), this model assumes that all investors:

- i. are rational and risk-averse,
- ii. are broadly diversified across a range of investments,
- iii. are price takers, i.e., they cannot influence prices,
- iv. can lend and borrow unlimited amounts under the risk free rate of interest,
- v. trade without transaction or taxation costs,
- vi. deal with securities that are all highly divisible into small parcels (All assets are perfectly divisible and liquid),
- vii. have homogeneous expectations,
- viii. assume all information is available at the same time to all investors.



### **2.2.3 Efficient Market Hypothesis**

The Efficient Market Hypothesis (EMH) is an investment theory that states that it is "Impossible to "beat the market" because stock market efficiency causes existing share prices to always incorporate and reflect all relevant information and that prices rapidly adjust to any new information. Information includes not only what is currently known about a stock, but also any future expectations, such as earnings or dividend payments. It seeks to explain the random walk hypothesis by positing that only new information will move stock prices significantly and since new information is presently unknown and occurs at random, future movements in stock prices are also unknown and, thus, move randomly. Hence, it is not possible to outperform the market by picking undervalued stocks, since the efficient market hypothesis posits that there are no undervalued or even overvalued stocks. The basis of the efficient market hypothesis is that the market consists of many rational investors who are constantly reading the news and react quickly to any new significant information about a security. There are also many funds whose managers are constantly reading new reports and news, and with the aid of high-speed computers, is constantly sifting through financial data looking for mispriced securities. High-speed traders, likewise, use high-speed computer systems located near exchanges to execute trades based on

price discrepancies between securities on different exchanges or between related securities that have interrelated prices, such as a stock and options based on the stock.

To summarize, the efficient market hypothesis rests on the following predicates:

- i. that information is widely available to all investors;
- ii. that investors use this information to analyze the economy, the markets, and individual securities to make trading decisions;
- iii. that most events that have a major impact on stock prices, such as labor strikes, major lawsuits, and accidents, are random, generally unpredictable events and when they do happen, they are quickly broadcast to investors;
- iv. and that investors will react quickly to any new information.

There are 3 forms or levels of the efficient market hypothesis which are stated below;

- i. the weak form efficient capital market
- ii. the semi-strong form efficient capital market
- iii. the strong form efficient capital market.

1. In the **weak form**, only past market trading information, such as stock prices, trading volume, and short interest are considered, the returns from stocks in this type of market are unpredictable. Hence, even the weak form of the EMH implies that technical analysis cannot

work, since technical analysis relies exclusively on past trading data to forecast future price movements.

2. The **semi-strong form** extends the information to public information other than market data, such as news, accounting reports, company management, patents, products of the company, and analysts' recommendations.
3. The **strong form** extends the information further to include not only public information, but also private information, typically held by corporate insiders, such as officers and executives of the corporation. Obviously, corporate insiders can make abnormal profits by trading their company's stock before a major corporate change is communicated to the public, which is why such insider trading is banned by the Securities and Exchange Commission (SEC). Corporate insiders can trade their stock, but only if the trade is not based on a major development that only a few people know, such as a merger, a new product line, or significant key appointments within the company.

**2.2.4 The Finance-Led Growth Hypothesis:** On the other hand, the proponents of the finance-led growth hypothesis, including King and Levine (1993) and Habibullah and End, (2006), postulates that a well-developed financial sector has the ability to stimulate the economy. Put succinctly, the finance-led growth hypothesis postulates that a well developed financial sector plays a major role in the economic growth

of nations. The hypothesis holds that financial development promotes growth of the economy through several channels which include efficient allocation of capital, mobilization of savings through attractive instruments and lowering of cost of information gathering cum presenting (Bara, Mugano and Le-Roux, 2016). Importantly, an efficient financial sector is seen as transmitter or supplier of limited credit resources from the surplus units to the deficits units.

Through this process the financial sector helps to promote efficient allocation of resources. Empirical evidence in support of this hypothesis has been provided in the works of the above mentioned proponents. According to Nyasha and Odhiambo (2014), Schumpeter had argued that finance leads economic growth and that financial institutions are necessary for the capitalistic economy's development. Supporting the above, Goldsmith (1969), McKinnon (1973) and Shaw (1973), also emphasized the role of financial services in promoting economic growth. A number of studies including Levine (2005) have observed that financial intermediaries as the agents that watch, fund and promote entrepreneurship and hence, investment and growth in the economy of nations. Meaning that financial intermediation will influence saving rate, investment decisions, technology innovation and hence long-run growth rate. The finance-led growth hypothesis has been criticized.

For instance, Lucas (1988), McKinnon (1973) and Shaw (1973) and argued that financial development is not a precondition for economic growth because investment in a typical developing economy is mostly self-financed and during crisis, countries with better developed financial systems are more adversely affected than those with underdeveloped financial systems (Bara et al, 2016). Despite these criticisms, the finance-led growth hypothesis is realistic in that it takes into consideration the important of financial intermediation in influencing saving rate, investment decisions, technology innovation and hence long-run growth rate. Hence, it provides a framework for investigating the impact of capital market on economic growth in Nigeria.

**2.2.5 Solow-Swan Growth Theory** The neoclassical growth theory also known as the Solow-Swan growth theory or exogenous growth theory is a class of economic model of long-run economic growth. The growth theory explains long-run economic growth by looking at productivity, capital accumulation, population growth and technological progress (Solow & Swan, 1956). This theory was developed independently by Robert Solow and Trevor Swan in 1956 and supersedes the post Keynesian Harrod – Domar theory. Due to its attractive mathematical characteristics, Solow-Swan proved to be a convenient starting point for various economic growth theories.

### **2.2.6 Harrod – Domar growth Model**

Harrod-Domar (1946) work suggests that growth depends on the quantity of labour capital and that more investment leads to capital accumulation, which generates economic growth, in economically less developed countries. Labour is in plentiful supply in these countries but physical capital is not, thereby slowing the economic growth process. This theory is an early post Keynesian economic growth. It is used in explaining an economy's growth rate in terms of the level of saving and productivity of capital. The theory also suggests that there is no natural reason for an economy to have a balanced growth. The theory was developed independently by Roy F. Harrod in 1939 and Evsey Domar in 1946, the theory was the precursor to the exogenous growth theory.

### **2.3 Empirical Evidence**

Cynthia, Chinedum and Ikechi (2021) examined the effect of capital market development on the economic growth in Nigeria and utilizes secondary data spanning 1983 to 2016. The data was analyzed using the autoregressive distributed lags model (ARDL). The results show that the number of listed securities has a positive and significant relationship with growth in Nigeria.

Enoruwa, Ezuem & Nwani (2019) examined the impact of the capital market on economic growth in Nigeria. The study used secondary data

from 1985 to 2015 using the ordinary least square (OLS) method. The study found that market capitalization, all share index, trade volume, and trade value exhibited a positive and significant relationship with economic growth in Nigeria.

Azeez and Obalade (2019) applied ARDL bound testing technique to examine the long and short term association between stock market development and macroeconomic determinants which include GDP, banking sector development, stock market liquidity, foreign direct investment, inflation rate and savings rate. The study found that all the macroeconomic variables were significant in determining the stock market development except the savings rate which was not significant in explaining the stock market development in Nigeria.

Epaphra and Salema (2018) utilized month to month board information of 10 organizations recorded on the Dar es Salaam Stock Exchange of Tanzania from 2012-2016 to look at the effect of macroeconomic factors on stock costs. The relapse result demonstrated that cash supply and conversion scale positively affected stock costs while Treasury bill rate applied a negative effect on stock costs. The examination affirmed that swelling rate did not have any effect on the stock costs.

Kamazima and Omurwa (2018) also examined the determinants of financial markets development in Tanzania using secondary data obtained from Dar es Salaam Stock Exchange from 2007 to 2016. The study employed vector autoregressive (VAR) model and came up with the finding that stock market volatility, stock market liquidity and economic growth impacted positively and significantly on financial market development. The result of the study also revealed that inflation rates had an insignificant negative effect on financial market development in Tanzania.

Kunofiwa (2018) examined the determinants of stock market development in emerging market development in the Europe, Latin America and Africa. The study employed secondary data from 1994 to 2014 and made use of pooled ordinary least squares (OLS) method. The findings revealed that FDI, savings, economic growth, trade openness, exchange rates, banking sector development and stock market liquidity affected the development of the emerging nations' stock market positively and substantially. In a similar study, Megaravalli and Sampagnaro (2018) inspected the long run and short run effect of macroeconomic pointers on financial exchanges in ASIAN 3 economies which include: China, India and Japan utilizing month to month time arrangement information from 2008 to 2016. The examination discovered proof that swapping scale had a huge positive



effect on the securities exchanges over the long haul while swelling had an immaterial negative effect on the financial exchanges. The factors did not have any measurably critical effect on the securities exchanges in the short run.

Ho and Odhiambo (2018) analyzed the macroeconomic drivers of stock market development in the Philippines from 2001 to 2016. The study specifically examines the impacts of banking sector development, inflation rate, exchange rate, economic growth, trade openness and stock market liquidity on the development of stock market in the Philippine. The findings revealed that trade openness had a negative impact on Philippine stock market development in the long run, while the banking sector development and the exchange rate had positive impacts on the development of the Philippine stock market in the short run.

Gatsimbazi, Jaya, Mulyungi and Ochieng (2018) expanded the investigation in Rwanda utilizing month to month time arrangement information which spread over for a time of 6 years. The discoveries uncovered that GDP, swelling and conversion standard had huge negative impacts on financial exchange execution while loan fee applied an irrelevant negative effect on securities exchange execution in Rwanda.

Kolapo, Oke and Olaniyan (2018) surveyed the effect of macroeconomic factors on financial exchange execution in Nigeria from 1986 to 2015 utilizing Autoregressive Distributed Lag (ARDL) limits method. The investigation discovered proof that Gross local item (GDP) and cash supply impactsly affected financial exchange execution in Nigeria. The examination likewise settled the presence of a long run connection between macroeconomic essentials and securities exchange execution.

Obiakor (2016) used OLS techniques to examine capital market and economic growth in Nigeria from 1985 to 2015. Analysis was anchored on relevant manifold regression model whose coefficients were estimated via the ordinary least squares (OLS) techniques. Results revealed that in specifics, market indices had heterogeneous effects on growth of the economy but on aggregate, capital market development significantly induced growth of the economy.

Odo, Anoke, Onyeisi and Chukwu (2017) investigated the impact of capital market on economic growth in Nigeria from 1986 to 2016. They employed Auto Regressive Distributed Lag bound testing and VAR Granger causality econometric tools of estimation to test the variables in the model. The result of the estimation revealed a stable long run association between the explained and explanatory variables as

supported by the greater bound value of 10.58. The finding of the ARDL revealed that market capitalization has positive significant association with economic growth; also, stock traded total value indicated a negative insignificant link with economic growth, all in the short run. The findings further showed that market capitalization and stock traded total value percent of GDP exhibited a negative insignificant link with economic growth in the long run within the period of the study. Findings of VAR Granger test revealed that, causality was seen from MCAPGDP to GGDP.

Muritala and Ogunji (2017) critically studied the association between the capital market and economic growth in Nigeria (1980-2015). Unit root, Co-integration and ECM methods of econometrics were employed. The finding showed that total new issue, market capitalization, and total listing positively impact on the economy. Meanwhile, the value of the transaction has impacted on real gross domestic product negatively.

Amadi, Oneyema and Odubo (2002) employed multiple regression to estimate the functional relationship between money supply, inflation, interest rate, exchange rate and stock prices. Their study revealed that the relationship between stock prices and the macroeconomic variables are consistent with theoretical postulation and empirical findings in some countries. Though, they found that the relationship between

stock prices and inflation does not agree with some other works done outside Nigeria.

Barlett (2000) states that rising stock prices have two main effects on the economy; first, it raises wealth in the economy. This increase in wealth raises the amount of consumer spending and thereby increases the wealth of the nation. Secondly, rising stock prices can increase investment spending. We see that one way a firm can finance investment spending is to issue stock. If stock prices rise, it can raise more money per share of the stock issued. He further added that the main mechanism through which the stock market affects the economy is the so-called wealth effect. A standard "rule of thumb" is that every \$1 increase in stock market wealth boosts consumer spending by 3 to 7 cents per year, with a common point estimate being 4 cents. According to him, this happens because a rise in stock market wealth encourages consumers to cut back on savings or increase their debt, and increase their spending on consumption goods. Conversely, a fall in the market causes them to cut back on consumption by a similar magnitude".

Arestis (2001) examine the relationship between stock market development and economic growth through quarterly time-series data for five developed economies while controlling for the effect of banking

system and market volatility. These countries are: the USA, the UK, France, Germany, and Japan. The period covered 1968-1998 although the data span is different for different countries in the sample. The results reveal that in Germany, there is evidence of bidirectional causality between banking system development and economic growth.

Irving (2004) considered the links between stock exchanges and overall socio-economic development to be tenuous, nonexistent or even harmful. He advised African countries not to devote further scarce resources and efforts to promoting stock exchange, since there are many weightier problems to address in Africa: high poverty levels, inadequate social services and undeveloped infrastructure. Even if the resources were available, stock markets could expose already fragile developing economies to the stabilizing effects of short-term, speculative capital inflows.

Carporale (2005) use the vector autoregression (VAR) framework to test the endogenous growth hypothesis for four countries: Chile, South Korea, Malaysia and the Philippines. The overall findings indicate that the causality between stock market components, investment and economic growth is significant and is in line with the endogenous growth model.

Agu (2018) appraised the Economic Growth and Capital Market Development In Nigeria. The analysis of data was done using descriptive statistics and ordinary least square (OLS) regression Technique. The result of the study shows that market capitalization was found to have negative relationship with Real Gross Domestic Product (GDP) in Nigeria.

Taiwo, Alaka, and Afieroho (2016) assessed capital market and economic growth in Nigeria. This study seeks to evaluate the contribution of capital market to the growth of Nigeria's economy, using Vector Error Correction techniques on an annual time series data spanning from 1981 to 2014 in Nigeria. The result reveals that market capitalization rate, total value of listed securities, labor force participation rate, accumulated savings and capital formation are significant macroeconomic determinants factors of economic growth.

Stephen and Nkamare (2015) examined the Impact of Capital Market on the Development of the Nigerian Economy. The result indicates that none of the variables (predictors) individually predicted GDP.

Suna (2015) assessed the impact of Bank Credits on Economic Growth and Inflation. In this study, it was analyzed whether or not bank credit

had effect on macro variables economic growth (GDP) and inflation for 10 randomly-selected European countries (Spain, Finland, France, Germany, Greece, Hungary, Italy, Poland, Turkey and United Kingdom) by using the annual data of 2006-2012. The findings revealed that Development of financial markets is an indicator that a country is strong in economic sense.

Aliyu and Hashim (2014) examined the Impact of Bank Lending on Economic Growth in Nigeria. This study is carried out to examine the impact bank lending on economic growth in Nigeria. In addition, the objective of this study is to examine the impact of bank lending on economic growth in Nigeria for the period 1987 to 2012. The study revealed that the performance of the Nigerian economy is greatly influence by bank lending.

Emecheta and Ibe (2014) examined the Impact of Bank Credit on Economic Growth in Nigeria. A major finding is that there is a significant positive relationship between bank credit to the private sector, broad money and economic growth.

## **2.4 Gap in Literature**

Various studies have been done on the effect of capital market on economic growth in Nigeria. These studies include Epaphra and Salema (2018); Ho and Odhiambo (2018) respectively. However, these studies were conducted for countries outside Africa and the studies obtained

varying results. In the case of Nigeria, studies conducted on capital market and economic growth include Emecheta and Ibe (2014), Taiwo, Alaka, and Afieroho (2016) and Agu (2018). However, these studies did not consider the effect of capital market on bank credit. This study sought to address the gap in literature by focusing on bank credit and the Nigerian capital market.



## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Research Design**

The research design for this study is *quantitative and ex post research design*. The choice of quantitative research design is motivated by the fact that the study seeks to find out empirically, the effect of bank credits on the Nigerian capital Market.

#### **3.2 Population of the Study**

The population of this study comprises all the banks and the Nigeria capital market.

#### **3.3 Sampling/Sample Size**

The sampling size for this study was determined using a purposive sampling technique. For the purpose of this study loan and advances, bank lending rate, Nigerian economy vis-à-vis capital market capitalization is chosen as the sample size for this study for the period of (2001 - 2021).

#### **3.4 Method of Data Collection**

The data for this study was obtained mainly from secondary sources particularly from Central Bank of Nigeria (CBN) statistical Bulletins,

Nigerian Stock Exchange (NSE) fact books, Security and Exchange Commission (SEC) market Bulletins and relevant journals.

### 3.5 Method of Data Analysis

The procedure for analyzing the data was econometric procedure. Here the technique used was the multiple regression analysis to test whether the bank credit have impacted on.

### 3.6 Model Specification

For the analysis of this study, the multivariate analysis with ordinary least square (OLS) regression will be used. The regression will be run using e – view software. There is a need for the researcher to ensure that all assumptions of multiple regression are obeyed. The data analysis techniques to be employed are the descriptive statistics and regression analysis using time series data.

$$\text{MCAP} = f(\text{LOA}, \text{BLR}) \dots\dots\dots 3.1$$

$$\text{RGDP} = (\text{MCAP}) \dots\dots\dots 3.2$$

The econometric form of the model is written as:

$$\text{MCAP} = a_0 + a_1\text{LOA} + a_2\text{BLR} + \mu_t \dots\dots\dots 3.3$$

$$\text{RGDP} = a_0 + a_1\text{MCAP} + \mu_t \dots\dots\dots 3.4$$

Equation (3.1) capture research objectives 1 and 2 while equation 3.2 capture research objective 3

Where:

MCAP= Market Capitalization proxy for capital market

LOA= Loan and advances

BLR= Bank Lending Rate

RGDP= Real Gross Domestic product

## CHAPTER FOUR

### DATA PRESENTATION, ANALYSIS AND INTERPRETATION OF REGRESSION RESULTS

#### 4.1 Data Presentation

Years	MCAP	RGDP	BLR	LOA
2000	472.30	25,430.42	17.98	508.30
2001	662.50	26,935.32	18.29	796.16
2002	764.90	31,064.27	24.85	954.63
2003	1,359.30	33,346.62	20.71	1,210.03
2004	2,112.50	36,431.37	19.18	1,519.24
2005	2,900.06	38,777.01	17.95	1,976.71
2006	5,120.90	41,126.68	17.26	2,524.30
2007	13,181.69	43,837.39	16.94	4,813.49
2008	9,562.97	46,802.76	15.14	7,799.40
2009	7,030.84	50,564.26	18.99	8,912.14
2010	9,918.21	55,469.35	17.59	7,706.43
2011	10,275.34	58,180.35	16.02	7,312.73
2012	14,800.94	59,929.89	16.79	8,150.03
2013	19,077.42	63,942.85	16.72	10,005.59
2014	16,875.10	67,977.46	16.55	12,889.42

2015	17,003.39	69,023.93	16.85	13,086.20
2016	16,185.73	68,652.43	16.87	16,117.29
2017	21,128.90	69,205.69	17.56	15,740.59
2018	21,904.04	70,536.35	19.33	15,134.20
2019	25,890.22	72,094.09	15.53	17,187.77
2020	38,589.58	70,800.54	12.32	20,373.49
2021	42,054.50	73,382.77	11.69	24,378.19

Source: CBN, Statistical Bulletin, 2021.

## 4.2 Data Analysis and Interpretation of Regression Result

### Model I

The OLS result is stated in the table below:

Variable	Coefficient	Std. error	t-statistics	Prob. Value
C	6302.193	1740.667	3.620561	0.0020
LOA	4.085669	1.036363	2.012488	0.0013
BLR	-0.242352	0.036222	-6.690669	0.0000

<b>R-squared</b>	<b>0.931649</b>
<b>Adjusted R-squared</b>	0.918833
<b>DW Stat</b>	1.7
<b>F-statistic</b>	72.69517
<b>Prob(F-statistic)</b>	0.0000

### **Constant**

The constant of the equation is positive and statistically significant. The constant is 6302.193. This implies that if the independent variables are held constant the dependent variables (MCAP) will become 6302.193.

### **Loan and Advances (LOA)**

The coefficient of Loan and Advances (LOA) is positive and statistically significant. The value of the coefficient is 4.085669. This implies that there is a positive relationship between Loan and Advances (LOA) and the growth of the Nigerian capital market proxy as Market Capitalization (MCAP). A unit increase in Loan and Advances (LOA) will lead to 4.085669 increases in the growth of the Nigerian capital market proxy as Market Capitalization (MCAP).

### **Bank Lending Rate (BLR)**

The coefficient of Bank Lending Rate (BLR) is negative and statistically significant. The value of the coefficient is -0.242352. This implies that there is an inverse relationship between Bank Lending Rate (BLR) and growth of the Nigerian capital market proxy as Market Capitalization (MCAP). A unit increase in Bank Lending Rate (BLR) will lead to -0.242352 decrease in the growth of the Nigerian capital market proxy as Market Capitalization (MCAP).

The  $R^2$  value is 0.620622 and  $R^2$  (adjusted for loss in degree of freedom) is 0.594899. The value of  $R^2$  shows that the model explains variations in gross domestic product to the tune of 62%. Durbin Watson statistics value of 0.055342 shows the presence of negative autocorrelation.

### **Coefficient of Determination ( $R^2$ )**

The  $R^2$  value is 0.931649 and  $R^{-2}$  (adjusted for loss in degree of freedom) is 0.918833. The value of  $R^2$  shows that the model explains variations in gross domestic product to the tune of 93%.

Durbin Watson statistics value of 1.7 shows the absence of autocorrelation.

### **F-Statistics**

The F-statistics which is used to determine the overall significance of the entire regression model yielded an F-value of 72.69517. This implies that the entire regression model is statistically significantly.

### **Model II**

The OLS result is stated in the table below:

<b>Variable</b>	<b>Coefficient</b>	<b>Std. error</b>	<b>t-statistics</b>	<b>Prob. Value</b>
C	6302.193	1740.667	3.620561	0.0003
MCAP	5.33E-08	5.04E-07	3.105882	0.0004
R-squared	0.620622			
Adjusted R-squared	0.594899			
DW Stat	0.055342			
F-statistic	110.01121			
Prob(F-statistic)	0.000047			

### **Constant**

The constant of the equation is positive and statistically significant. The constant is 6302.193. This implies that if the independent variables are held constant the dependent variables Real Gross Domestic Product (RCGP) will become 6302.193.

### **Market Capitalization (MCAP)**

The coefficient of Market Capitalization (MCAP) is positive and statistically significant. The value of the coefficient is 5.33. This implies that there is a positive relationship between Market Capitalization (MCAP) and the growth of the Nigerian economy proxy for Real Gross Domestic Product (RCGP). A unit increase in Market Capitalization (MCAP) will lead to 5.33 increases in growth of the Nigerian economy proxy for Real Gross Domestic Product (RCGP).

### **Coefficient of Determination ( $R^2$ )**

The  $R^2$  value is 0.620622 and  $R^2$  (adjusted for loss in degree of freedom) is 0.594899. The value of  $R^2$  shows that the model explains variations in real gross domestic product to the tune of 62%. Durbin Watson statistics value of 0.055342 shows the presence of negative autocorrelation.

### **F-Statistics**

The F-statistics which is used to determine the overall significance of the entire regression model yielded an F-value of 110.01121. This implies that the entire regression model is statistically significant.



### 4.3 Test of Hypotheses

#### **Null Hypothesis (Ho) one**

**Ho<sub>1</sub>:** Loan and advances has no significant effect on the growth of the Nigeria capital market.

The hypotheses above were tested by considering the f- tabulated and f- calculated values.

**Decision Rule:** Reject the null hypothesis if the f-calculated is greater than the f –critical (table value) at 5% level of significance.

**Decision:** A comparative analysis of both the F-calculated value of F-Statistics in model one shows that the F-Statistic = 72.69517 and f- tabulated of 0.5300 shows that the f- calculated is higher than the f- tabulated. We therefore reject the null hypothesis and conclude otherwise that Loan and advances has significant effect on the growth of the Nigeria capital market.

#### **Null Hypothesis (Ho) two**

**Ho<sub>2</sub>:** Bank lending rate does not have any significant effects on the growth of the Nigeria capital market.

**Decision Rule:** Reject the null hypothesis if the f-calculated is greater than the f –critical (table value) at 5% level of significance.

**Decision:** A comparative analysis of both the F-calculated value of F-Statistics in model one shows that the F-Statistic = 72.69517 and f- tabulated of 0.5300 shows that the f- calculated is higher than the f-

tabulated. We therefore reject the null hypothesis and conclude otherwise that bank lending rate has negative significant effects on the growth of the Nigeria capital market.

**Null Hypothesis (Ho) three**

**Ho<sub>3</sub>:** Market capitalization has no significant effect on economic growth in Nigeria.

**Decision Rule:** Reject the null hypothesis if the f-calculated is greater than the f –critical (table value) at 5% level of significance.

**Decision:** A comparative analysis of both the F-calculated value of F-Statistics in model one shows that the F-Statistic = 110.01121 and f-tabulated of 0.5300 shows that the f- calculated is higher than the f-tabulated. We therefore reject the null hypothesis and conclude otherwise that market capitalization has significant effect on economic growth in Nigeria.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSION AND RECOMMENDATIONS**

#### **5.1 Summary of Findings**

The findings of the study reveal the followings

- i. That the bank credit to private sector record significant positive contribution to the growth of the Nigeria capital market.
- ii. Volume of transactions of industrial securities has significant impact on the growth of the Nigeria capital market.
- iii. Total new issues have significant impact on the growth of the Nigeria capital market.

#### **5.3 Conclusion**

The study reveals that the capital market impact on economic growth via market capitalization, value of transaction and total listing of equity. As it was observed market capitalization and volume of transaction are important capital market variables that are capable of influencing economic growth.

Therefore, the study concludes that capital market remain one of the mainstream in every economy that has the power to influence or impact economic growth.

### **5.3 Recommendations**

In order for the Nigeria capital market to be pivotal force in Nigeria economic growth and development, the following suggestion or recommendation are put forward.

- i. Deposit money banks should make credit available at lower interest rate to encourage investment in the capital market.
- ii. Foreign multinational companies (MNCs) or their subsidiaries should be encouraged to be listed on the Nigerian stock exchange, this will help to increase the volume of transactions.
- iii. Since total new issues have significant impact on the growth of the Nigeria capital market, the regulatory authority should create enabling environment for both local and foreign companies to make public offer through the capital market.

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### Appendix

<b>Years</b>	<b>MCAP</b>	<b>RGDP</b>	<b>BLR</b>	<b>LOA</b>
2000	472.30	25,430.42	17.98	508.30
2001	662.50	26,935.32	18.29	796.16
2002	764.90	31,064.27	24.85	954.63
2003	1,359.30	33,346.62	20.71	1,210.03
2004	2,112.50	36,431.37	19.18	1,519.24
2005	2,900.06	38,777.01	17.95	1,976.71
2006	5,120.90	41,126.68	17.26	2,524.30
2007	13,181.69	43,837.39	16.94	4,813.49
2008	9,562.97	46,802.76	15.14	7,799.40
2009	7,030.84	50,564.26	18.99	8,912.14
2010	9,918.21	55,469.35	17.59	7,706.43
2011	10,275.34	58,180.35	16.02	7,312.73
2012	14,800.94	59,929.89	16.79	8,150.03
2013	19,077.42	63,942.85	16.72	10,005.59
2014	16,875.10	67,977.46	16.55	12,889.42
2015	17,003.39	69,023.93	16.85	13,086.20
2016	16,185.73	68,652.43	16.87	16,117.29
2017	21,128.90	69,205.69	17.56	15,740.59
2018	21,904.04	70,536.35	19.33	15,134.20
2019	25,890.22	72,094.09	15.53	17,187.77

2020	38,589.58	70,800.54	12.32	20,373.49
2021	42,054.50	73,382.77	11.69	24,378.19

Source: CBN, Statistical Bulletin, 2021.

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AUCHI POLYTECHNIC AUCHI, EDO STATE**

**NOVEMBER 2022**  
**BANK CREDITS AND THE NIGERIAN CAPITAL MARKET**  
**(2000-2021)**

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**MAT NO: SBS/2282060387**

**PROJECT SUBMITTED TO THE DEPARTMENT OF BANKING  
AND FINANCE**  
**IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF**  
**HIGHER NATIONAL DIPLOMA (HND)**  
**IN BANKING AND FINANCE**

**SCHOOL OF BUSINESS STUDIES,  
AUCHI POLYTECHNIC AUCHI, EDO STATE**

**CERTIFICATION**

We, the undersigned certify that this research work titled **BANK CREDITS AND THE NIGERIAN CAPITAL MARKET (2000-2021)** was carried out by **ABDULLAHI ADILAT** with **Mat No./SBS/2282060387** in the Department of Banking and Finance, School of Business Studies, Auchi Polytechnic, Auchi. We also certify that the work is adequate in scope and content in partial fulfillment of the requirements for the award of Higher National Diploma (HND) in Banking and Finance.

.....  
**Dr. Agbadua O.B**  
**(Project Supervisor)**

.....  
**Date**

.....  
**Dr. Musa Abdulai**  
**(Ag. Head of Department)**

.....  
**Date**

**DEDICATION**

I dedicate this project to God Almighty my creator, my strong pillar, my source of inspiration, wisdom, knowledge and understanding. I also dedicate this project to my wonderful parents and siblings who has helped me both in prayers and in finances.

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## **Abstract**

*The study examines bank credits and the Nigerian capital market (2000-2021). The objectives of the study are to determine degree of contribution that credit to private sector has on economic growth as well as the effect of loan and advances on the growth of the Nigerian capital market.. Using time series data sourced from Central Bank of Nigeria Statistical Bulletin. The study applied the ordinary least square (OLS) of multiple regression tool to carryout statistical analysis for the study. The findings of the study revealed that bank credit to private sector has significant impact on economic growth while loan and advances has significant impact on the Nigerian capital market. It was recommended among others that deposit money banks should make credit available to private sector in order to encourage investment in the capital market also Foreign multinational companies (MNCs) or their subsidiaries should be encouraged to be listed on the Nigerian stock exchange, this will help to increase the volume of transactions.*

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