CAPITAL MARKET DEVELOPMENT AND ECONOMIC GROWTH IN NIGERIA

Sunday Nosa UGBOGBO[1]
Department of Accounting
Benson Idahosa University
Benin City
&
***Leonard Nosa AISIEN[2]**
Department of Economics, Banking and Finance
Benson Idahosa University
Benin City

*corresponding Author

Abstract

The paper examined the impact of capital market development on economic growth using time series data from Nigeria for the period 1981-2016. The co-integration and error correction model was employed for the empirical analysis and selected variables were found to be co-integrated. The empirical result revealed that capital market development has significant and positive impact on economic growth in Nigeria both in the short run and in the long run. Other significant variables in the empirical result were interest rate, money supply and investment level. The paper, thus, recommended that the government should inject much fund into the capital market and implement appropriate reform policies aimed at ensuring reliable, efficient and stable stock market in Nigeria.

1. 0   Introduction

Capital formation, in more recent times, has been used in financial economics to refer to savings drives, setting up financial institutions, fiscal measures, public borrowing, development of capital
markets, and privatization of financial institution and development of secondary markets. However, capital formation is very fundamental for the economic growth of a country. The role of the capital market in the capital formation of a country cannot be overemphasized. Thus, Chou and Yuan (2007) stated that capital market is noted to perform two important functions of mobilizing funds from surplus sources and making same available to deficit sources, thereby matching individual saver's needs with firms requiring funds, and the resulting capital build up that leads to increase in investment and economic growth. Capital markets are the pillars for a formidable and sustainable capital formation policy of Nigeria. The whole essence of the capital market is to meaningfully increase the economic growth of a country. Economic growth is an increase in the capacity of any economy including that of Nigeria to produce goods and services

---

[1] Dr Sunday Nosa UGBOGBO is currently a senior lecturer in the Department of Accounting, Benson Idahosa University, Benin City, Nigeria.
[2] Dr Leonard Nosa AISIEN is currently a senior lecturer in the Department of Economics, Banking and Finance, Benson Idahosa University, Benin City, Nigeria.

which will be compared from one period of time to another. Meanwhile, Ibi, Joshua, Eja and Olatunbosun (2015) in their study revealed that the undeveloped and shallow nature of capital markets in developing countries is one of the factors responsible for their economic sluggishness. However, the contribution of capital market in industrial sector development in developing countries (Nigeria inclusive) is still open to debate.

Some studies have been conducted in Nigeria on the impact of capital market development on economic growth. However, the findings have been mixed. For example, Oke and Adeusi (2012), Ifionu and Omojefe (2013), and Victor, Kenechukwu and Richard (2013) in their various studies found that capital market development has positive and significant impact on economic growth in Nigeria. However, the results from the work of Nwaolisa, Kasie and Egbunike (2013) revealed that the impact of capital market development on economic growth in Nigeria, though positive, was not statistically significant. Meanwhile, Howells and Soliman (2004) had earlier found that the impact of capital market on economic growth in Nigeria is only significant in the long run. A close look at these studies shows the latest data used were 2011. This shows that these studies were not based on the rebased Gross Domestic Product (GDP) of Nigeria. Hence, these studies may not have captured the current realities of Nigeria. Therefore, the core objective of the study is to examine the impact of capital market development on economic growth in Nigeria using more current time series data for the period 1981 – 2016.

The study is divided into five sections. Apart from section one which is the introduction, section two deals with review of relevant literature. The theoretical framework and model specification are contained in section three, while empirical analysis is in section four. The study ends in section five with some policy recommendations and concluding remarks.

2.0 Literature Review
2.1 Economic Growth

Conventionally, economic growth is measured in terms of percentage increase in real gross domestic product, or real GDP. Growth is usually calculated in real terms, that is, inflation-adjusted terms, in order to net out the effect of inflation on the price of the goods and service produced (Okonkwo, Egbunike & Udeh, 2015). Balcerowicz (2012) defined economic growth as a process of quantitative, qualitative and structural changes, with a positive impact on the economy and on the population's standard of life, whose tendency follows a continuously ascendant trajectory. Fasanya, Onakoya, and Agboluaje (2013) also have seen economic growth as the process of increasing the sizes of national economies, the macroeconomic indicators, especially the GDP per capita, in an ascendant but not necessarily linear direction, with positive effects on the economic-social sector. Friedman defines economic growth as innovation process leading to the structural transformation of the social system. While Schumpeter (1912) defines it in terms of discontinuous and spontaneous change in the stationary state which forever alters and displaces the equilibrium state previously existing.

Economic growth is a multi-variance concept hence there is no single satisfactory definition of it. However, for the purpose of this study, economic growth is defined as an increase in the real value of goods and services produced in the country over a period of time.

2.2 Capital Market and Economic Growth

According to Chou and Yuan, (2007), capital market has been known to perform two important functions of mobilizing funds from surplus sources and making same available to deficit sources, thereby matching individual saver's needs with firms requiring funds, and the resulting capital

accumulation leads to increased investment and economic growth. However, Ibi, Joshua, Eja and Olatunbosun (2015) stated that expansion of industrial sector requires huge capital which can be mainly acquired from the capital market in the form of issuance of equity capital. However, they noted that given the undeveloped and shallow nature of capital markets in the developing countries (Nigeria inclusive), it is de batable whether capital market has led to industrial sector development in these countries.

Meanwhile, extant amount of study examined the role of capital market in economic growth of an economy. Oke and Adeusi (2012) examined the effect of capital market on economic growth in Nigeria, using time series data from 1981 to 2012. The results revealed that capital market promoted economic development in Nigeria during the period. Similarly, Ifionu and Omojefe (2013) revealed that capital market has positive impact on economic growth in Nigeria via market capitalization both in the short run and in the long run. In addition, Victor, Kenechukwu and Richard (2013) result also showed that capital market has positive relationship with industrial sector development in Nigeria. In contrary, Nwaolisa, Kasie and Egbunike (2013) found that capital market has positive but insignificant impact on economic growth in Nigeria. While Howells and Soliman (2004) have held that financial market has a long run impact on economic growth by mobilizing savings into productive investment which leads to the growth rate of output.

2.3 Interest Rate and Economic Growth

Evidently, the interest rate is an important economic variable that plays an important role in both macro and microeconomic activity. A change in interest rate is one of the main factors to judge the macroeconomic situation and the interest rate trend analysis is the main method to predict the macroscopic economic situation (Li Suyuan & Khurshid, 2015). Therefore, economic policy makers in some developing countries have traditionally emphasized on the necessity of keeping interest rates low in order to encourage the private sector to invest (Osundina & Osundina, 2014). However, it was based on the argument that real interest rates are frequently negative in developing countries because of administrative controls on the nominal interest rates and heavy regulation in the financial market (Osundina & Osundina 2014). Although, Leahy (1993) as cited in Lensink (2000) stated that interest rates can have a substantial influence on the rate and pattern of economic growth by influencing the volume and disposition of saving as well as the volume and productivity of investment. Many kinds of literature have drawn different conclusion about the relationship between interest rate and economic growth according to a large number of empirical analyses. Williams (2009), in its findings, reveals that real interest rates were generally negative as a result of the repressed, when the rates were fixed and as such brought about financial disintermediation which led to low savings, low investment and low growth in the economy. Udoka and Anyingang (2012) found that there existed an inverse relationship between interest rate and economic growth in Nigeria, meaning that increase in interest rate will decrease GDP of the country, thus retarding the growth of the real sector. Meanwhile, Mahmudul and Gazi (2009) found that interest rate exerts a significant negative relationship with share price for markets. Ologunde, Elumilade, and Saolu (2006) found that the prevailing interest rate exerts a positive influence on stock market capitalization rate. Also, Obamuyi (2009) revealed that real lending rates have a significant effect on economic growth in Nigeria.

2.4 Money Supply and Economic Growth

Money supply is the total stock of assets that are generally acceptable as media of exchange within an economy at a particular time. A number of items may qualify as media of exchange. The decision as to what items are to be included in the money supply remains an issue in economic debates. According to Anyanwu (1993), money supply is the total amount of money (e.g. currency and demand deposits) in circulation in a country at any given time. The stock of money can be measured in any given time in an economy. There are two criteria employed in measuring money supply. The first criteria define the stock of narrow money (usually designated by M1) as currencies and coins in circulation in the hands of the non-banking public and the demand deposit (of the non-banking public) with commercial bank (Ajakaiye, 2002). Moreover, Dedola and Lippi (2000) stated that there may not be possibility of economic growth without an appropriate level of money supply, credit and appropriate financial conditions in general. Evidence in the Nigerian economy has shown that since the 1980's some relationship exist between the stock of money and economic growth or economic activity. Chimobi and Uche (2010) examined the relationship between money, inflation and output in Nigeria covering the period of 1970 to 2005. The study found empirical support in context to the money-prices-output hypothesis for Nigerian economy, M2 (Broad money stock which is a measure of money supply. It includes all elements of M1 as well as savings deposits, money market securities, mutual fund and other time deposits) have a strong causal effect on the real output as well as on prices. Asogu (1998) revealed that unanticipated growth in money would have positive effect on output. Anyanwu and Kalu (2014) also examined money supply management on commercial Banks' Loans and Advances (CLBA) and output variables for the period of 18 years (1994-2012) and found that change in money supply (M2) has significant effect on variables such as CBLA and output in Nigerian economy within the period under review. While, researchers like Chete (2002), Saidu (2007), Odedokun (1998) and Owoye and Onafowora (2007) have confirmed a strong relationship between money supply and growth in Nigeria.

2.5 Capital Formation and Economic Growth
According to Bakare (2011), capital formation refers to the proportion of present income saved and invested in order to augment future output and income. Capital formation is equivalent to an increase in physical capital stock of a nation with investment in social and economic infrastructure. He further noted that gross fixed capital formation can be classified into gross private domestic investment and gross public domestic investment. The gross public investment includes investment by government and public enterprises while gross private domestic investment is investment by private enterprises. Gross domestic investment is equivalent to gross fixed capital formation plus net changes in the level of inventories. Economic theories have shown that capital formation plays a crucial role in the models of economic growth (Beddies 1999; Gbura, 1997). The relationship between capital formation of the nation and economic growth has been studied by a number of authors with different findings. Beddies (1999), Ghura and Hadjimichael (1996) and Ghura (1997) revealed that private capital formation has a stronger, more favorable effect on growth rather than government capital formation probably because private capital formation is more efficient and less closely associated with corruption. Orji and Mba (2011) found that the long run impact of capital formation and foreign private investment on economic growth is larger than their short-run impact while, Adekunle and Aderemi (2012) examined the relationship between domestic investments, capital formation and population growth in Nigeria. They found that the rate of investment does not assist the rate of growth of per

capita GDP in Nigeria. Likewise, Sarkar (2006) also observed that there exist no meaningful relationship between stock market capitalization and gross fixed capital formation.

3.0 Theoretical Framework and Model Specification
3.1 Theoretical Framework
The study relied on Mckinnon's hypothesis to establish the theoretical link between capital market development and economic growth. According to Mckinnon (1973), developments in the capital market promote economic growth through its effects on the growth rate of savings and investment. As he noted, repressed financial market in the form of low and administered interest rates, high reserve requirement, concessional credit practice and domestic credit control discourage savings, constrain investment, retard efficient allocation of resources and hence, constrain accelerated economic growth rate.

Therefore, a well-developed capital market is a necessary condition for rapid economic growth. As Levine (1991) noted, the stock market is important for growth because savers do not like to abandon control of their savings for long period. While on the other hand, investment requires a long-run commitment to capital. Therefore, liquid equity market eases such tension by providing an asset to savers that they can quickly and easily sell. Simultaneously, firms have permanent access to capital raised through equity issues. Therefore, well-developed capital market promotes economic growth by engineering faster capital accumulation.

3.2 Model Specification
This study employed time series data from Central Bank of Nigeria statistical bulletin. The study covers the period of 1981 to 2016. In order to accomplish the objective of this study, Co-integration and Error Correction Model (ECM) technique were employed to determine the impact of capital formation on economic growth in Nigeria. The choice of the statistical tools is because it adds more robustness, flexibility, and versatility to econometric modeling and addresses the issue of integrating short-run dynamic with long-run equilibrium. The model for estimation in this study is an augmented version of Demirgue-Kunt and Levine (1996) theory on the relationship between capital market development and economic growth. The relationship is implicitly stated as follows:

RGDP = F (MCAP, INT, M_2, INVT) ………………………………………………. **(1)**
Where;
RGDP = Real GDP growth rate (Proxy for economic growth)
MCAP = Market capitalization (proxy for capital market development)
INT = Interest rate
M_2 = Money supply
INVT = Gross fixed capital formation (a Proxy for Investment level)
The linear form of the above is given as
RGDP = α_0 + α_1 MCAP + α_2INT + α_3M2 + α_4INVT + e ………………………… **(2)**
Where;
$\alpha_0 \neq 0$
$\alpha_1, \alpha_2, \alpha_3, \alpha_4 > 0$
Equation 2 is a static model. In order to examine the dynamic properties of the model an error correction model was specified as follows

$RGDP_t = \alpha_0 + \alpha_1\Delta MCAP_t + \alpha_2\Delta INT_t + \alpha_3\Delta M2_t + \alpha_4\Delta INVT_t + \alpha_5 (RGDP_{t-1} - \alpha_0 - \alpha_1\Delta MCAP_{t-1} - \alpha_2 INT_{t-1} - \alpha_3 M2_{t-1} - \alpha_4 INVT_{t-1}) + e_t$…………………………..…………………………… **(3)**

The items in bracket in equation 3 correspond to one lagged of e_t in equation 2. i.e. $(RGDP_{t-1} - \alpha_0 - \alpha_1 MCAP_{t-1} - \alpha_2 INT_{t-1} - \alpha_3 M2_{t-1} - \alpha_4 INVT_{t-1}) = e_{t-1}$

Substituting this into equation 3

$RGDP_t = \alpha_0 + \alpha_1\Delta MCAP + \alpha_2\Delta INT + \alpha_3\Delta M2 + \alpha_4\Delta INVT + e_{t-1} + e_t$…………………(4)

Where;

e_{t-1} = error correction mechanism (the expected sign is negative)

Equation 4 is the error correction model and this is the model for estimation.

4.0 Presentation of Results

The final stage of the co-integration and error correction analysis is preceded by in numerous stages. The first stage is the test for stationarity of the variables in the model. In the test for stationarity, the unit root test based on the Dickey-Fuller (DF) and Augmented Dickey-Fuller (ADF) test was adopted. If there is unit root in the variable, the variable is said to be non-stationary, otherwise, it is stationary. If a variable is stationary in level, it is said to be integrated of order Zero I (0). On the other hand, if after differencing a non-stationary variable and it becomes stationary. It is said to be stationary in first difference hence integrated of order one 1 (1). The co-integration test which is the next step helps to examine if all variables used are co-integrated (i.e. if they draft together overtime). The Johansen co-integration test was adopted for this purpose. The result will help to know the number of co-integration factors. The last stage is the parsimonious error correction representation. This has a resemblance with the ordinary least square. The difference is the presence of the error correction mechanism (ECM) which measured the speed of adjustment from the temporal disequilibrium.

4.1   Unit Root Test

The results of the unit root test for stationary of the variables are presented in the table below:

Table 1: Unit root tests for variables

Variables	DF	ADF	Critical value
RGDP	2.3204	2.0463	2.9241
MCAP	1.8674	7.0910	2.9241
INT	1.9182	1.2659	2.9241
M2	11.0541	4.8159	2.9241
INVT	5.1500	4.5598	2.9241
DRGDP	5.7215	4.0396	2.9241
DMCAP	5.0120	16.7755	2.9241
DINT	10.8873	6.8739	2.9241

Source: Computed print out from MFIT 4.0

In testing for stationary of the variable, unit root is said to exist if the compiled value of the variable is less than the critical value otherwise there is no unit root (the variable is stationary). From the above table, RGDP, MCAP, and INT were not stationary in levels as unit root exist. However, differencing them once made them stationary. Therefore RGDP, INT, MCAP are integrated of order one I (1).

The computed value of DF and ADF for M_2 and INVT were greater than their critical value. This means there is no unit root in the variables hence they are stationary in level. Therefore they are integrated of order Zero I (0)

4.2   Cointegration Test

The Johansen cointegration test was adopted for this purpose and the result is presented below:

Eigenvalue	Likelihood	5% critical value	1% critical value	Hypothesized No. of CE (s)
0.91399	249.5092	68.52	76.07	None**
0.64677	134.2019	47.21	54.46	At most 1**
0.56291	85.2919	29.68	35.65	At most 2**
0.45613	46.3939	15.41	20.04	At most 3**
0.31480	17.7687	3.76	6.65	At most 4**

*(**) denote rejection of the hypoth esis at 5% (1%) significant level.
LR test indicate 5 Co integrating equation(s) at 5% significant level.
Source: Compute print out from E-views 7
From the above results, there are five co-integrating equations. This shows that all the five variables are co-integrated even at 1% significant level.

4.3   Error Correction Result

The error correction representation for the selected autoregressive distributed lagged model was based on the R Bar square criterion. The estimated result is presented in the table below:

Table 3: Error correction representation

Regressor	Coefficient	T Ratio	Probability
dDMCAP	1.3531*	2.1281	0.009
dDMCAP(1)	1.3960***	1.7542	0.087
dDINT	5.2735*	3.4177	0.002
dM2	-0.1388	-1.1996	0.238
DINVT	4.1676*	3.8532	0.001
DINVT(1)	0.1633**	1.9710	0.049
CONSTANT	8812.7	1.4737	0.149
ecm(-1)	-1.3500*	-2.0973	0.008
R2 = 0.75559 R^2 = 0.74749 F. STAT: F(7.39) = 6.6082[0.00]			
D.W = 2.0305 DEPENDENT VARIABLE: DRGDP N = 47			
S.E of Regression : 286.9309			
Mean of Dependent variable = 950.0149			

*Significant at 1% ** significant at 5% *** significant at 10%.
SOURCE: Computer print-out from M Fit 4.0

The above result shows that all sign expectations were met except for money supply (M2). Also, all test statistics show good performance. The coefficient of determination (R^2) has a coefficient of 0.7474. This shows that variations in the explanatory variables explained about 74% of the systematic variation in the dependent variable. The F-statistics which is the overall measure of goodness of fit also shows a good performance. Its coefficient is 6.6082 with a probability of 0.00. This shows that the F statistics was significant at the 1% level. Thus, there exists a significant relationship between the dependent variable and the group of explanatory variables.

The impact of the individual explanatory variable on the dependent variable is measured by t-ratio. A variable is said to be statistically significant if it passes the significant test at 1%, 5% or 10% level.

MCAP (Market Capitalization) has a coefficient of 1.3531 in the current period and 1.3960 in the lagged period. The t ratios value stood at 2.1281 and 1.7542 for the current period and lagged period respectively. This shows that MCAP is significant at 1% in the current period and 10% level in one lagged period. This means that an increase in market capitalization will lead to an increase in RGDP.INT (Interest Rate) has a positive sign and a Coefficient of 5.2735. The t ratio was 3.4177 and probability of 0.002. This shows that the impact of INT on RGDP is statistically significant at 1% for the period under study. Thus, the interest rate is a significant determinant of real GDP in Nigeria.

INVT (Investment level) has a positive sign for both current and lagged period. The coefficients were 4.1676 and 0.1633 for the current period and lagged period respectively. The t-ratio also stood at 3.8532and 1.9710 for the current period and lagged period respectively. This shows that the impact of INVT on RGDP was statistically significant at 1% and 5% level for the current period and lagged period respectively. The ECM (Error Correction Mechanism) not only have the right sign but also highly significant. It has a coefficient at -1.3500 and t-ratio of 2.0973. This shows that about 135% of the short run disequilibrium is adjusted for in a period by the model. This is a high speed. This is an indication that the model is dynamically stable. And also it is a confirmation that all variables used in the model are indeed co-integrated.

4.4 Long run coefficients

The estimates of the long run coefficients of variables based on auto regressive distributed lagged approached is presented in the table below:

Table 4: Long run coefficients of variables

Regressor	Coefficient	T Ratio	Probability
MCAP	0.1434**	2.2459	0.021
INT	-2.8928*	-2.5096	0.008
M2	6.9148*	3.1938	0.004
INVT	1.9783**	1.9733	0.042
CONSTANT	6.5306	3.8532	0.001

*Significant at 1% ** significant at 5%.
SOURCE: Computer print-out from M Fit 4.0

The result above shows that market capitalization, money supply and investment has a long run positive and significant impact on real GDP. On the other hand, interest rate has a negative but significant effect on real GDP in the long run.

4.5 Implications of Findings

From the above empirical results, development of capital market positively affects economic growth in Nigeria both in the short run and in the long run. This signifies that capital market development is a significant determinant of economic growth in Nigeria. This shows that the effect of capital market development on economic growth is not just a long run phenomenon as claimed by Howells and Soliman (2004), but very significant in the short run also. This finding is in line with the findings of Oke and Adeusi (2012), and Ifionu and Omojefe (2013) but contrasts the findings of Nwaolisa, Kasie and Egbunike (2013)

5.0   Conclusion
The study examined the impact of capital market development on economic growth in Nigeria. From the empirical results, it was found that the capital market development positively affects economic growth in Nigeria both in the short run and in the long run. Other significant variables include interest rate, money supply and investment level. On this basis, it is recommended that the government should consider appropriate reform policy to stimulate development of the capital market in Nigeria.

6.0   Recommendations
On the basis of the findings above, it is therefore recommended that the government should inject much fund into the capital market and implement appropriate reform policies aimed at ensuring reliable, efficient and stable stock market in Nigeria. This is based on the premise that much fund that can be gained from the capital market can be used to grow the economy. However, as the result indicates, economic growth also relies on sound monetary policy instruments such as money supply and interest rate. The growth potentials of the capital market would be better harnessed if these monetary policy variables are properly managed.

References

Adekunle, K.A., & Aderemi, A.K. (2012). Domestic investment, capital formation and population growth in Nigeria. *Developing Country Studies*, 2(7).

Ajakaiye, D.O. (2002). Short run macroeconomic effects of bank lending rates in Nigeria, *American Journal of Scientific Research, 8*(2), 78-87.

Anyanwu, J.C (1993). *Monetary economics: Theory, policy, and institutions*, Onitsha. Joance Educational Publishing Ltd.

Anyanwu, U. N., & Kalu, A. O.U (2014). The impact of statutory money supply management and commercial bank loans and advances (CBLA) on economic growth: An empirical evidence in Nigeria. *Arabian Journal of Business and Management Review,* 3, 51-18.

Asogu, J.O. (1998). An econometric analysis of relative potency of monetary policy in Nigeria. *Financial. Review, 29* (3), 30-63.

Bakare, A.S. (2011). A theoretical analysis of capital formation and growth in Nigeria. *Far East Journal of Psychology and Business,* 3(1), 10-25.

Balcerowicz L (2012). Don't forget Poland learning from abroad. *The Economist.*

Beddies (1999). Investment, capital accumulation, and growth: Some evidence from the Gambia: *IMF Working Paper 99/117*, August.

Chimobi, O. P., & Uche, U. C. (2010). Money, price, and output: A causality test for Nigeria.1987-91: A computable general equilibrium analysis, Research Paper 34.

Chou & Yuan, K. (2007). Modeling financial innovation and economic growth

Dedola, L., & Lippi, F. (2000). The monetary transmission mechanism: Evidence from the industries of five OECD countries, CEPR, *Discussion Paper No. 2508, July.*

Demirguc-Kunt, A. and R. Levine, (1996). Stock market development and financial intermediaries: Stylized facts. *World Economic Review, 10(2):* 291-321.

Fasanya, I.O., Onakaya, A.B.O & Agboluaj, M.A. (2013). Does monetary policy influence economic growth in Nigeria?

Friedman Milton (2006). A study failure.

Ghura, D. (1997). Private investment and endogenous growth: Evidence from Cameroon. *IMF Working Paper 97/165*, December.

Ghura, D., & Hadji Michael, T. (1996). Growth in Sub-Saharan Africa. *Staff Papers, International Monetary Fund*, 43, September

Ibi, E. E., Joshua, N .J., Eja, B. R., Olatunbosun, H. U.(2015).Capital market and industrial sector development in Nigeria: An empirical investigation. *European Journal of Accounting Auditing and Finance Research, 3*(6), 63-79.

Ifionu, E. P., & Omojefe, G.O. (2013). The capital market and performance of the Nigerian economy: A time series analysis. *West African Journal of Industrial and Academic Research,*8 (1), 192 – 207.

Lensink R. (2000). Does financial development mitigate negative effects of policy uncertainty on economic growth? *Credit Research Paper* 00/1

Levine R (1991). Stock market, growth and tax policy. *The Journal of Finance 64(4),* 1445 – 1465.

Mahmudul, A., & Gazi Salah, U. (2009). The relationship between interest rate and stock price: Empirical evidence from developed and developing countries. *International Journal of Business and Management, 4*(3), 43-51.

Mckinnon, R. I. (1973). *Money and capital in economic development*. Washington D.C. The Brookings Institution.

Nwaolisa, E. F., Kasie, E. G., & Egbunike, C. F. (2013). The impact of capital market on the growth of the Nigerian economy under democratic rule. *Arabian Journal of Business and Management Review, 3*(2), 53-62.

Obamuyi,T. M. (2009). An investigation of the relationship between interest rates and economic growth in Nigeria. *Journal of Economics and International Finance, 1*(4), 093-098.

Oke, M. O., & Adeusi, S. O. (2012). Impact of capital market reforms on economic growth: The Nigerian experience. *Australian Journal of Business and Management Research, 2*(2), 20-30.

Okonkwo, R.I., Egbunike, F.C. & Udeh, F.N.P (2015). Foreign direct investment and economic growth in Nigeria. *Developing Country Studies,* 5(9).

Ologunde, A., Elumilade, D., & Saolu, T. (2006). Stock market capitalization and interest rate in Nigeria: A time series analysis. *International Research Journal of Finance and Economics,* 4, 154-67.

Orji, A., & Mba, P.N. (2 010). Foreign private investment, capital formation and economic growth in Nigeria. *Journal of Economics and Sustainable Development, 1(3)54-74*

Osundina J.A., & Osundina, C. K. (2014). Interest rate as a link to investment decision in Nigeria. *Journal of Economics and Finance, 2*(4), 08-14

Sarkar, P. (2006). *Stock market development and capital accumulation in less developed countries*. Mimeograph Jadavpur University, Kolkata India

Schumpeter, J. (1912). *The theory of economic development*. Harvard University Press, 25.

Udoka,C.O., & Anyingang, R. A. (2012). The effect of interest rate fluctuation on the economic growth of Nigeria. *International Journal of Business and Social Science,* 3, 205-302

Victor, O. O., Kenechukwu, N. J., &Eze, O. R. (2013). Capital market and industrial sector development in Nigeria: A theoretical analysis. *Journal of Emerging Trends in Economics and Management Sciences*, *4*(1), 20-30.

Williams, E., (2009). *The return of interest rate caps*. Business World Publication.

Wuhan, Li Suyuan., & Adnan Khurshid (2015). The effect of interest rate on investment: Empirical evidence of Jiangsu Province, China. *Journal of International Studies*, 8(1), 81-98.