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Impact of Globalization on the Stock Market Growth in Nigeria (1981– 2016)

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Abstract
The study examined the impact of globalization on stock market growth in Nigeria from 1981 to 2016. The specific objectives were to identify the relationship that exist between foreign direct investment as well trade openness on stock market growth. Six explanatory variables were specified for this study based on theoretical underpinning. The study employed ordinary least squares technique and secondary econometrics test such as Augmented Dickey Fuller (ADF) unit root test , co-integration test, granger causality test while the model was estimated using the Vector Error Correction Model (VECM).The result of the analysis reveals that the coefficients of Trade Openness (TOP) and Exchange Rate had a positive linear relationship with Market Capitalization of the Nigeria Stock Exchange (MCAP) such that if the variables increase, then Nigerian Total Market Capitalization of the Nigeria Stock Exchange value (MCAP) will increase. The result also revealed that stock market growth in Nigeria is adequately explained by the variables used in the model for the period of 36 years (i.e.) from 1981 to 2016). Based on this, the study suggests for appropriate policy measures coordination that will have a good synergy with stock market growth in Nigeria.

Key words: Globalization, Stock market, Growth, Foreign Direct Investment, Trade Openness.
JEL Classification: F02, H54, O47

1. Introduction

Globalization is a contemporary economic and socio-political phenomenon that has elicited diverse interpretation and reactions, some of which are positive, while some are negative, depending on the context and situation of the perceiver. Globalization is a process of global economic, political and cultural integration. It has made the world become a small village; borders between countries have been broken down. The history of globalization goes back to the second half of the twentieth century, the development of transport and communication technology led to situation where national borders appeared to be too limiting for economic activity (Kotilainen, 2002). Ogundele (2005) viewed globalization as the process of international integration of goods, technology, labour, capital, individuals, organization,

institutions, that are implementing worldwide strategies which link and coordinate international activities on a global basis.

The Nigerian stock market which is a sub-set of the financial system that serves as the engine of growth in our modern economy. It is referred to as a capital market because it deals with long term financial instruments, and has been seen as an institution that contributes to the socio-economic growth and development of emerging and developed economies. The stock market provides a means through which local and foreign investments are undertaken by countries. The stock market is an avenue to encourage savings, help channel savings into productive investments. It mobilizes long-term debt and equity finance for investments in long-term assets. Stock markets also help in boosting the financial system as well as improving the economic growth of a country. It supplements traditional lending activities of the financial institutions such as banks by providing risk capital (equity) and loan capital (debt). By means of these instruments, the market is able to mobilize long-term savings and provide capital to investors to finance long-term investments thereby broadening ownership of productive assets (Daniel, 2004).

Undoubtedly, globalization has impacted economic variables to be determinants of stock market growth. The Nigeria stock market has been in existence for over half a century now and has become an integral part of the economy structure of the country.

But most developing nations are still far from reaping the benefits of globalization (Konyeaso, 2016). The functions of the stock market have in recent times been beset by a lot of problems. This has been due to social and institutional factors and other bottlenecks, which hindered its vibrancy and development (Gerald & Simon, 2014). The results from the previous studies on globalization on stock market growth have not been clear and conclusive. The inconclusive nature of these results has been attributed to several reasons, including the difficulty of measuring the real global variables, policies of capital accounts liberalization, and the issue of distortions in the foreign capital transaction, as well as exchange rate restrictions. Distortions in capital movement have been a major characteristic of developing countries like Nigeria.

The motivation for this study is to provide better understanding on the impact of globalization on stock market growth in a developing country like Nigeria. Several studies have been conducted on the impact of globalization and economic growth and also the impact of stock market on economic growth. This study therefore presented current and fresh empirical evidence on the direct impact of globalization and stock market growth in Nigeria.

The rest of the paper is organized as follows. Section two reviews the relationship between globalization and stock market growth. Section three dwells on the methodology for the empirical analysis. Section four reveals the empirical results and discussion. Section five provides conclusion and recommendations.

2. Literature Review

The concept of globalization is not a new phenomenon. The interaction between people in different parts of the world has been taking place for thousands of years. A very good example of this interaction is a Silk Road, which connected Asia, Africa, and Europe.

Philosophy, religion, language, the arts, and other aspects of culture spread and mixed as nations exchanged products and ideas. One important aspect of economic globalization is market integration. Stigler (1969) and Sutton (1991) explains that a market is the area within which the price of an asset tends to be uniform after allowing for different transportation costs, differences in quality, marketing, etc. This definition relates the price evolution in the long-run, although deviations may occur in the short-run. It is, therefore, an equilibrium relationship or long-run trend.

The economic variable which is price is therefore a key element in the process of market globalization and provides a suitable framework for testing market integration by looking at the price relationship of assets over time. The core variables to be used in this study includes foreign direct investment and trade openness; Foreign direct investment is an investment made by an individual or a company (investor) in a country which is not the country of origin of the investor, in the form of either establishing business or acquiring business assets in the country. Griffin and Pustay (2007) regarded FDI as the ownership or control of 10 percent or more of an enterprise's voting securities or the equivalent interest in an unincorporated business. It represents a veritable source of foreign exchange and technological transfer, especially to a developing economy like Nigeria. It can be analyzed in terms of inflow of new equity capital (change in foreign share capital), re- invested earning (unremitted profit), trade and supplier's credit, net inflow of borrowing and other obligations from the parent company or its affiliates (Nwankwo, Ademola & Kehinde, 2013). Trade openness on the other hand is the removal or reduction of restrictions or barriers on the free exchange of goods between nations. This includes the removal or reduction of tariff obstacles, such as duties and surcharges, and nontariff obstacles, such as licensing rules, quotas and other requirements. The easing or eradication of these restrictions is often referred to as promoting free trade. It promotes a free trade marketplace. This allows goods to cross international lines without any regulatory barriers or their associated costs. This can make it more cost effective for those looking to import or export goods with other nations and, ultimately, may result in lower costs to consumers due to lower fees and additional competition (Investopedia.com).

Osmond, Ogwuru and Ajudua (2014) defined the stock market as an organized market which provides facilities to the government and private investors to raise long term loans to finance its expenditures and for expansion and modernization of industries. It also exists to offer platform where suppliers of capital can quickly and easily restore their liquidity. The stock market serves the purpose of capital mobilization and allocation of the nation's capital resources among various competing alternative uses. It supplies firms with fixed and working capital and finance medium term and long term borrowings of the federal, states and local governments. Thus, the stock market encompasses of institutions and mechanisms through which medium term funds and long term funds are pooled and made available to corporate entities and governments. Stock market makes use of different intermediaries such as brokers, underwriters, depositories etc. These intermediaries act as working organs of the stock market and are very important elements of stock market.

Toree and Schmuker (2007) found out that the growth of stock market is positively related to globalization. This work shows that reform and globalization of capital market increases

domestic market capitalization, trading and capital raising, increases in the chain of activity in international equity markets can contribute to the spread at least practices in corporate governance, accounting rules and legal traditions.

There have been recent studies on the impact of globalization on economic growth as well as the impact of stock market on economic growth however limited empirical studies have tested the impact of globalization on stock market growth.

Adegbite (2002) deduced that capital market globalization empowers the intensification of international financial security market. Integration of stock markets leads to greater international portfolio capital flows and increases the risks of emerging markets to crisis. This implies that globalization through the stock market provides opportunity to domestic companies to access new sources of capital and at the same time expose both the fund-users to risk of globalization.

The study of Foluso (2014) who used ordinary least square (OLS) estimation technique revealed that globalization promotes regional and global integration of Nigeria stock market; trade liberalization had a significant positive impact on the growth of Nigeria stock market. She therefore advised that for the Nigeria stock market to attain growth, there is need to adopt modern information and communication technology. The growth of stock market is also tied to the adoption of new information and technology. New payment and settlement system should be adopted so as to attract new investor both domestically and internationally.

Gerald and Simon (2014), in their study indicates that injection of new capital into Nigeria capital market shows a statistically significant positive impact or effect on globalization of Nigeria economy. Based on the finding, the study recommended the establishment of an institution that will ensure that the capital market executive's director maintained the rules and regulations that guided the market for the interest of the shareholders and of the economy at large so as to boost the financial responsibility of customer.

Omodero, Cordelia and Ekwe (2016) studied the impact of foreign direct investment and stock market performances in Nigeria between 1985-2014, the results revealed that FDI has an insignificant impact on the economy and the macroeconomic variables that determine stock market performances. He therefore recommended policies that would encourage foreign firms operating in the oil and gas including the telecommunication and the agricultural sectors to be listed since it would go a long way in attracting more FDI, leading to improvement in the stock market performance. This should be complemented with policies that ensure stable macroeconomic environment.

The foregoing review of empirical studies indicated that the impact of globalization on stock market growth have been mixed, most of which have positively related. Hence this current study will, therefore, examine the impact of globalization on the growth of the Nigeria stock market for the period of 1981 to 2016.

3. Methodology

This research work relied on the use of secondary data, the sources of which includes publication from CBN Statistical Bulletin, International Monetary Fund and World Bank development Indicators.

3.1 Statement of Hypothesis

Ho: Globalization has no significant impact on stock market growth.

Hi: Globalization has a significant impact on stock market growth.

Model Specification

The following multiple regression model from the work of Foluso (2014) is adopted and improved upon in an attempt to determine the impact of globalization on stock market growth in Nigeria. Foluso's (2014) is improved in the sense that some variables which are of significant impact are added to the model such as trade openness, foreign debt, inflation rate , interest rate and exchange rate . The reason for this is to have a broad understanding from the estimation.

Thus, the model is stated as;

MCAP=F (FDI, TOP, FDT, INF, INT, EXT)……..1

Mathematically, this implicit functional relationship was specified in explicit stochastic linear form as thus:

$MCAP = \beta_0 + \beta_1 FDI + \beta_2 TOP + \beta_3 FDT + \beta_4 INF + \beta_5 INT + \beta_6 EXT + \mu$…….……...2

However, the Log Linear specification is specified as thus:

$LOG(MCAP) = \beta 0 + \beta_1 LOG(FDI) + \beta_2 TOP + \beta_3 LOG(FDT) + \beta_4 INF + \beta_5 INT + \beta_6 EXT + \mu$……3

Where;

MCAP=Market Capitalization of Stock Market
FDI = Foreign Direct Investment
TOP = Trade Openness
FDT =Foreign Debt
INF = Inflation Rate
INT = Interest Rate
EXT= Exchange Rate
β_0= intercept
$\beta_1, \beta_2, \beta_3, \beta_4, \beta_5, \beta_6$ = parameters
μ = stochastic error term

3.2 Unit Root Tests

It is now a common practice to examine the time series properties of economic data as a guide to a subsequent multivariate modeling and inference. Therefore, this study will adopt the Augmented Dickey Fuller (ADF) unit root test to verify the unit root property of the series. All the variables in the model will undergo the ADF test.

3.3 Cointegration Test

This was used to investigate the existence of a long-term relationship between globalization and stock market growth. We shall explore existence of a long-term relationship among the variables in our model. If the variables that we are using in this research work are found to

be co-integrated, it will provide statistical evidence for the existence of a long-term relationship.

3.4Vector Error Correction Model (VECM)

If cointegration has been detected between series we know that there exist a long term relationship between them so we apply the VECM in other to evaluate the short term properties of the cointegrated series. The error correction will be used to show the speed of adjustment of the variables to their long-term equilibrium. The error correction model coefficient is meant to tie the short-term disequilibrium of the error term to its long term value. The lag of error term by one period is the error correction mechanism (ECM) that measures the rate of adjustment of the variables from long run to short run (David, Noah & Agbalajobi, 2016).

4. Results and Discussion

This section shows the analysis of data, pre-estimation and post-estimation test results and discussion of the results in line with specific objectives and concludes with the comparison of the findings of the study with past empirical findings.

Table 4.1: Multiple Regression Result

Dependent Variable: LOG(MCAP)				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-12.1239	2.1299	-5.6922	0.0000
LOG(FDI)	0.7577	0.1150	6.5839	0.0000
TOP	2.4464	1.2430	1.9680	0.0587
LOG(FDT)	-0.1043	0.1285	-0.8119	0.4234
INF	-0.0042	0.0063	-0.6613	0.5136
INT	-0.0937	0.0356	-2.6316	0.0135
EXT	0.0128	0.0043	2.9619	0.0060
R-squared	0.9731	Mean dependent var		5.7741
Adjusted R-squared	0.9676	S.D. dependent var		3.0115
S.E. of regression	0.5419	Akaike info criterion		1.7853
Sum squared resid	8.5171	Schwarz criterion		2.0932
Log likelihood	-25.135	Hannan-Quinn criter.		1.8927
F-statistic	175.3016	Durbin-Watson stat		1.8577
Prob(F-statistic)	0.0000			

Source: Authors' computation, 2018 from E-view

The result of the analysis as presented in table 3 above shows that, the coefficients of Foreign Direct Investment (FDI), Trade openness (TOP) and Exchange Rate has a positive linear relationship with Total Market Capitalization of the Nigeria Stock Exchange (MCAP). This implies that as Foreign Direct Investment (FDI), Trade Openness (TOP) and Exchange Rate increases by one percent, *ceteris paribus*, Nigerian Total Market Capitalization of the Nigeria Stock Exchange value (MCAP) will increase by 0.757, 2.446 and 0.012 percent respectively. The result is in line with initial expectation because theoretically, the sign of the coefficients are expected to be positive (i.e. directional relationship with that of aggregate Nigeria Stock Exchange value (MCAP). All other

variables remaining constant the value of Market Capitalization of Stock Exchange will decline by 12.123. Furthermore the coefficients of Foreign Debt (FDT), Inflation Rate (INF) and Interest Rate (INT) has a negative linear relationship with total Market Capitalization of the Nigeria Stock Exchange (MCAP). This implies that a percent change (increase) in Foreign Debt (FDT), Inflation rate (INF) and Interest Rate (INT) holding the effect of other

variables constant will bring about change (decrease) in the total Market Capitalization of the Nigeria Stock Exchange value in Nigerian economy by 0.10, 0.004 and 0.09 percent respectively.

The constant is found to be statistically significant at five percent level of significance which implies that there are other variables that affect Market Capitalization (MCAP) in Nigeria apart from those captured in the course of this study but were not included.

4.1 Augmented Dickey Fuller Test Result

The result of the stationarity test of the time series data incorporated in the model as outlined in the previous chapter conducted using the Augmented Dickey-Fuller (ADF) test is presented below;

Table 4.2: ADF Test Result

Varaible	ADF Test Statistics (Level)	ADF Test Statistic (First Difference)	5% Critical Value	Order of Integration
MCAP	-0.4818	4.3758	-2.9511	I(1)
FDI	-1.2543	-9.2340	-2.9511	I(1)
TOP	-2.2440	-7.8320	-2.9511	I(1)
FDT	-1.8801	-4.5455	-2.9511	I(1)
INF	-1.2543	-9.2340	-2.9511	I(1)
INT	-2.4028	-5.1336	-2.9540	I(1)
EXT	1.3201	-3.6443	-2.9511	I(1)

Source: Authors' computation, 2018

The results of unit root test are contained in Table 4.2 above and it reveals that all the time series variables (MCAP, FDI, TOP, FDT, INF, INT and EXT) are found to reject null hypothesis "*no stationarity"* at first difference I(1). This is because the ADF value of each of the variable is less than their respective McKinnon 5% critical values. Therefore all the variables (MCAP, FDI, TOP, FDT, INF, INT and EXT) are stationary at first difference i.e. integrated at order one.

4.2 Co-integration Test

The results of the Johansen co-integration test for the long run cointegrating relationship among the variables in the model is presented in table below.

Table 4.3: Johansen Cointegration Test Result

Included observations: 34 after adjustments
Trend assumption: Linear deterministic trend
Series: LOG(MCAP) LOG(FDI) TOP LOG(FDT) INF INT EXT
Lags interval (in first differences): 1 to 1
Unrestricted Cointegration Rank Test (Trace)

Hypothesized No. of CE(s)	Eigenvalue	Trace Statistic	0.05 Critical Value	Prob.**
None *	0.8160	168.5676	125.6154	0.0000
At most 1 *	0.6844	111.0016	95.7536	0.0030
At most 2 *	0.5639	71.7853	69.8188	0.0345
At most 3	0.4205	43.563	47.8561	0.1194
At most 4	0.3595	25.011	29.7970	0.1610
At most 5	0.2362	9.8605	15.4947	0.2916
At most 6	0.0203	0.6984	3.8414	0.4033

Trace test indicates 3 cointegrating eqn(s) at the 0.05 level
** denotes rejection of the hypothesis at the 0.05 level*
***MacKinnon-Haug-Michelis (1999) p-values*

Unrestricted Cointegration Rank Test (Maximum Eigenvalue)

Hypothesized No. of CE(s)	Eigenvalue	Max-Eigen Statistic	0.05 Critical Value	Prob.**
None *	0.8160	57.5660	46.2314	0.0021
At most 1	0.6844	39.2162	40.0775	0.0623
At most 2	0.5639	28.2220	33.8768	0.2034
At most 3	0.4205	18.5513	27.5843	0.4500
At most 4	0.3595	15.1514	21.1316	0.2784
At most 5	0.2362	9.1620	14.2646	0.2729
At most 6	0.0203	0.6984	3.84146	0.4033

Max-eigenvalue test indicates 1 cointegrating eqn(s) at the 0.05 level
** denotes rejection of the hypothesis at the 0.05 level*
***MacKinnon-Haug-Michelis (1999) p-values*

Source: Authors' computation, 2018

From the Table 4.3 above the trace statistic of 168.5676, 111.0016 and 71.78537 clearly exceeds the critical values of 125.6154, 95.75366 and 69.81889 respectively at 95 percent confidence interval, hence, we are not accepting the null hypothesis and conclude that there is at least one cointegrating relationship and therefore, a long run equilibrium relationship exists among the variables. The eigenvalue test also supported this claim of long run equilibrium relationship among the variables. The maximum eigenvalue statistics of 57.56602 exceeds the critical value of 46.23142 at 95 percent confidence level, thus, we are not accepting the null hypothesis of no cointegrating relationships among the variables.

4.3 Presentation of Vector Error Correction Model Result

Table 4.4: Presentation of Short Run Error Correction Model Result

Dependent variable: Δ(LOG(MCAP))				
Independent variables	Coefficient	Std. Error	t-Statistic	Prob.
Δ(LOG(MCAP(-1))	0.2552	0.1572	1.6238	0.1170
Δ(LOG(FDI(-1))	-0.1987	0.0803	-2.4726	0.0206
Δ(TOP(-1)	0.2428	0.4657	0.5213	0.6067
Δ(LOG(FDT(-1))	-0.2628	0.0890	-2.9519	0.0068
Δ(INF(-1)	-0.0017	0.0024	-0.6986	0.4912
Δ(INT(-1))	-0.0027	0.0125	-0.2209	0.8269
Δ(EXT(-1))	0.0095	0.0030	3.1812	0.0039
ECM(-1)	-0.3468	0.0743	-4.6651	0.0001
CONSTANT	0.2187	0.0600	3.6413	0.0012
R-squared	0.6009			
Adjusted R-squared	0.4732			
F-statistic	4.7058			
Prob(F-statistic)	0.0013			
Durbin-Watson stat	1.6712			

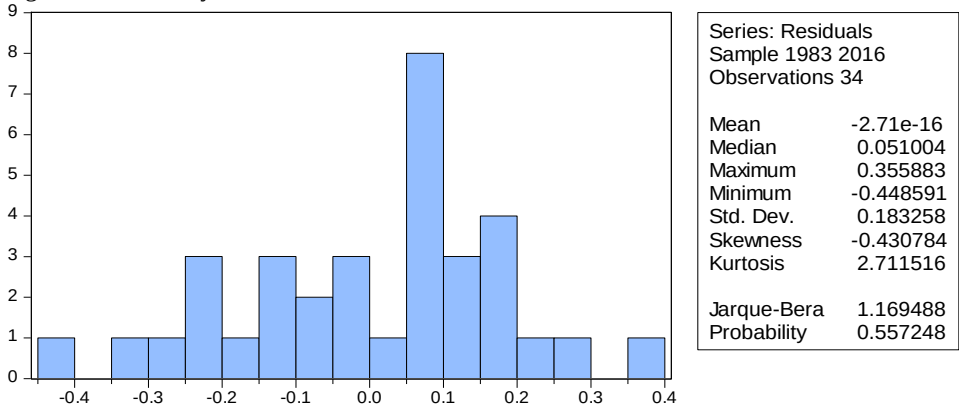
Source: Authors' computation, 2018

Table 4.5: Breusch-Godfrey Serial Correlation LM Test Result

Breusch-Godfrey Serial Correlation LM Test:			
F-statistic	0.871666	Prob. F(1,24)	0.3598
Obs*R-squared	1.191583	Prob. Chi-Square(1)	0.2750

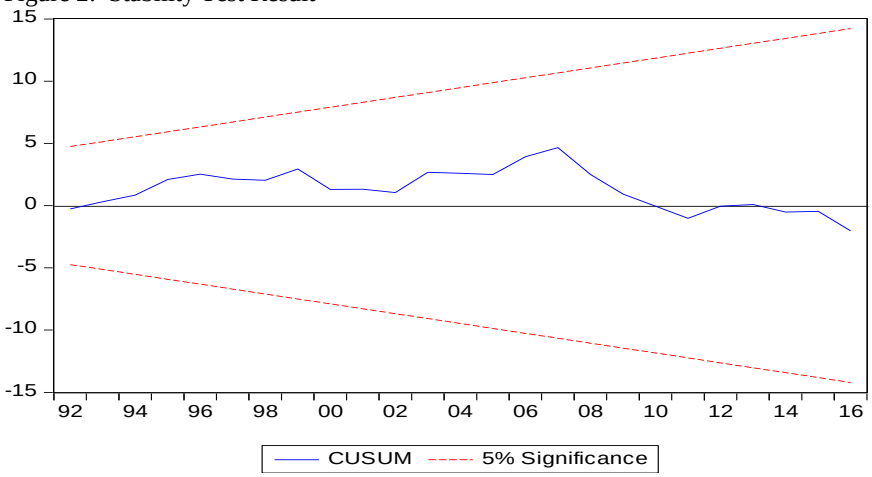
Source: Author's computation, 2018

Figure 1: Normality Test Result



Source: Authors' computation, 2018 from E-view

Figure 2: Stability Test Result



Source: Authors' computation, 2018 from E-view

Interpretation of Vector Error correction model (VECM) Result

The lag length is selected on the basis of Schwarz Info Criteria (SC). The short run analysis suggests that the estimated coefficient of the lagged error correction term ECM (-1) has the expected negative sign, it shows the speed of adjustment to long run equilibrium impling that 34.6% of disequilibrium within the model in the previous year is subsequently corrected in the current year.

Drawing from the VECM results, foreign direct investment was found to have a statistically significant negative relationship with stock market growth. The negative impact and effect is 19%. This implies that in the short run, *ceteris paribus*, an increase in foreign direct investment will have a negative effect on stock market growth. The result is not consistent with the apriori expectation that foreign direct investment is positively related to stock market growth. Trade openness was found to have an insignificant positive impact of 24% in the short run. This shows that in the short run, *ceteris paribus*, 1% increase in trade openness will lead to about 24% increase in stock market growth in Nigeria. This is however in consonance with the apriori expectation of the variable.

Foreign debt is found to have a negative impact on stock market growth with a positive elasticity effect of 26.28% implying that 1% increase in foreign debt holding the effect of other variables constant will lead to 26.28% decrease in stock market growth. This conforms to the sign expectation of the variable.

Further, in the result, inflation rate was found to have a negative effect on stock market growth. It shows that a percent increase in inflation rate holding the effect of all other variables constant will lead to about 0.1% decrease in stock market growth. This sign is in conformity with the apriori expectation.

Also, interest rate is found to have a negative impact on stock market growth. It shows that 1% increase in interest rate holding the effect of other variables constant will have a decreasing effect of 0.1% on stock market growth. This sign is also in conformity with the apriori expectation.

Exchange rate was found to be positive and significant in the short run with an impact of 0.9%. This shows that exchange rate contributes about 0.9% to the growth of stock market in the short run. This is also in consonance with the apriori expectation of the variable.

4.4 Discussion of Results

The focus of this study is economic globalization. Two major indicators of economic globalization were used by this study. They include foreign direct investment and trade openness. These two variables will be used to test or validate the hypothesis stated above.

As shown in the Table 4.1 above (multiple regression result), Based on the probability value of each of the variables, only the probability value (P-value) of FDI, INT and EXT were found to be statistically significant at five percent level. This ultimately implies that these variables (FDI, INT and EXT) contributes significantly to market capitalization and therefore are major determinants of growth of the stock market in Nigeria. The R^2 of the value of 0.9731 implies that 97.31% of total variation in the Market Capitalization was explained by Foreign Direct Investment (FDI), Trade Openness (TOP), Foreign Debt (FDT), Inflation Rate (INF), Interest Rate (INT) and Exchange Rate (EXT) i.e. the explanatory variables used in the study. The remaining 3% may be due to stochastic error term. Furthermore, the F-Statistics which is the joint test of significance of all parameter estimated in the model is statistically significant at 5% level as the p-value being 0.0000. With this result we reject the null hypothesis and conclude that the explanatory variables in the model are jointly significant in explaining market capitalization of Nigeria stock exchange. Thus globalization has significant impact on Nigeria stock market growth.

From the vector error correction model (VECM) result (Table 4.4), Using the t-statistics or the probability value of the variables to test the individual significance of Foreign Direct Investment (FDI) and Trade Openness (TOP), foreign direct investment was found to be significant (with p-value of 0.0206) while trade openness was found to be insignificant (with p-value of 0.6067).

Further, using the probability value of the F-statistics to test the joint significance of trade openness, foreign direct investment (globalization) and other control variables on market capitalization, it is found that the p-value (0.001314) is less than 0.05. Therefore, all the variables are jointly significant in explaining market capitalization of stock exchange in Nigeria.

Therefore, relying on the above, it is clear that globalization has a significant and negative impact on the stock market growth of Nigeria. Therefore, the study reject the null hypothesis and accept the alternative hypothesis and conclude that a significant and indirect relationship exist between globalization and stock market growth in Nigeria. Therefore in general, an increase in the globalization may lead to a significant decrease in stock market growth of Nigeria.

The result of the study deviates from past empirical studies on the variables used to capture globalization. The finding of the study differs from previous studies such as Foluso (2014) and Gerald *et al* (2014) that an indirect and negative relationship exist between globalization and stock market growth in Nigeria.

5. Conclusions and Recommendations

The study examined the impact of globalization on stock market growth in Nigeria between 1981 and 2016. The estimation techniques used are mainly descriptive and infrencial analysis. Effort is made to capture the trend of market capitalization of Nigeria stock exchange (MCAP), Foreign Direct Investment (FDI), Trade Openness (TOP) and other variables included in the model. As part of the estimation technique used, the study employed the ordinary least squares (OLS), Augmented Dickey Fuller (ADF) unit root test to determine the stationarity level of the time series data variables of the model. Johansen test for cointegration was used to determine the long run relationship between the dependent and the independent variables of the model while vector error correction model was used to determine the short run dynamics of the relationship between globalization and stock market growth in Nigeria. The short run vector error correction model result shows that FDI as a proxy of globalization has a negative and significant impact on stock market growth in Nigeria. This shows that foreign direct investment into the country has been sufficiently inadequate to stimulate the growth of stock market. Trade openness was found to have a positive impact on stock market growth. Such impact however is statistically insignificant. This shows that though trade openness serves as a major determinant of stock market growth in the country, an increase in trade openness will lead to an insignificant increase in stock market growth.

Based on the findings, the study therefore provides the following recommendations: Government should invest more and develop the nation's infrastructure (such as roads, power, telecommunications (e.t.c) in order to create an enabling environment for businesses to grow, increase the productivity and efficiency, and the rate of returns of firms. This can be achieved through trade restrictions such as import duties, tariffs etc. Secondly, the study recommends the establishment of an institution that will ensure that the capital market executive director maintained the rules and regulations that guided the market for the interest of the shareholders and of the economy at large so as to boost the financial responsibility of customers. Finally, the findings of this study show that trade openness exerts positive but insignificant impact on stock market growth. Therefore, since no nation can develop in isolation, government should adopt adequate measures that will moderate trade relationships and encourage the level of trade openness that will not exert adverse effect on the Nigeria economy. This also prompts the conclusion that if exchange rate is properly managed may encourage and facilitate trade and other major aspects of globalization and therefore promote stock market growth of the country.

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