

**CAPITAL MARKET TRANSACTIONS AND INDUSTRIAL GROWTH IN
NIGERIA (1986-2014):
AN EMPIRICAL INVESTIGATION**

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Abstract

Industries in Nigeria have depended mainly on short-term funds to finance even long-term industrial concerns, and this have had a discouraging trend on the growth of the nations industrial sector; with the sector's capacity utilization still below 35% and contributing less than 5% to the GDP and employment generation respectively. This study examines the capital market transactions on the Nigerian industrial growth. And in line with the objective which seeks to determine to what extent the capital market has aided the growth and development of the industrial sector in Nigeria, secondary data were obtained from CBN statistical bulletin, covering the period of 1986 to 2014, a multiple regression model was formulated and the OLS estimation technique was employed using the E-views version 7.0 software packages to analyze the data. The Industrial Growth proxy by index of industrial production (IIP) was adopted as the dependent variable while capital market variables of Government stock (GOVT), Industrial Bond (INDB) and Equities (EQTY) formed the independent variables. The empirical results revealed that over 52% variation in the dependent variable is caused by the independent variables. While (INDB) and (EQTY) were statically significant, (GOVT) was insignificant at 5% level. Also, the coefficient value of the independent variables showed that (GOVT) and (EQTY) have a positive impact on (IIP) while (INDB) was found to have a negative effect. The authority is thus advised to improve dealings in the capital market and encourage more foreign investor's participation in the market, and equally provide enabling environment for industries in the country by investing generally on infrastructural facilities such as power, water, transportation, security and so on.

Keywords: Capital market, Equity, Industrial Bond, Government Stock and Industrialization

1.0 INTRODUCTION

It is obvious that industrialization is the backbone for economic advancement in any nation, be it capitalist, socialist, or a mixed economy (Okoye and Nwisienyi (2013). This is so because it is through the establishment of industries, both small and large that a nation could produce most of the goods and services its people require. Industries in developing countries can strive successfully among other things, if enough funds i.e., both short-term and long-term funds are available for the take-off and expansion. This is because long-term funds are needed for acquisition of assets that will provide bundles of benefits for present needs and future requirements of industries. Such assets as lands, buildings, plants, machineries, and other fixed assets are better acquired through long-term funds, while short-term funds are needed to finance

the day-to-day operations of the business such as raw materials and work in progress. The short-term funds are easier to come by via profits plough-back, bank loans, personal savings etc. (Olowe, 1997), but to stimulate industrial growth and development long-term capital is crucial, this is because availability of long-term capital stands as a sure guarantee for effective industrialization and that is where the capital market comes in.

Capital market is an integral part of the financial system that provides an efficient delivery mechanism for allocation, management and distribution of long-term funds (Alile and Anao, 1990). It facilitates the flow of funds from the area of surplus funds to the area of needs, canalization of funds from those who desire to invest to those who need it for economic endeavours. The capital market forms the major source of capital for industries in the developed and the developing economies. Owing to this reason, the Nigerian Government demonstrated the desire to rapidly develop its industrial sector by the promulgation of the SEC Decree No. 71 of 1979 which marked the establishment of the Nigeria Security Exchange Commission (SEC) to regulate the activities of the Nigerian capital market, so as to ensure rapid growth of the Nigerian industrial sector; and with the activities and regulations of the Securities and Exchange Commission (SEC), the Nigerian capital market has grown considerably over the years, market capitalization has grown from 1.6 billion naira in 1980 to 1.3 trillion naira in 2003, and 5.1 trillion naira in 2006 and has reached a higher peak of 6.9 trillion naira as at 2011.

Furthermore, the capital market was instrumental to the initial 25 Banks that were able to meet the minimum capital requirement of 25 billion naira during the banking sector consolidation in 2005. The stock market has helped government and corporate entities to raise long-term capital for financing new project, and expanding and organizing industrial and commercial concerns (Nwankwo, 1991). However, Ariyo and Adelegan (2005) contend that the liberalization of capital market led to the growth of the Nigerian capital market yet its impact at the macro economy level was negligible especially when it comes to financing industrial investment. This is one of the reasons why the performance of the Nigerian industrial sector has been discouraging. This is manifested in their low capacity utilization rate, low contribution to the country's gross domestic product, and low annual growth rate of this sector which was 5.3 per cent in 1960-1970, while it fell to 4.8 per cent in 1981-1986 (Ajayi, 2008).

However, despite the enormous reviews and studies concerning the roles of capital market in the development of the Nigeria industrial sector and the economy at large, there still seems to be a discouraging trend in the growth of the nation's industrial output. For instance, manufacturing sub-sector in Nigeria has been experiencing a stunted growth and its contribution to gross domestic product (GDP) has remained low (Ajayi, 2008). To be specific, the manufacturing sub-sector as a whole remains small, accounting for only 6.6 per cent of GDP in 2000 and 12 per cent of employment (World Bank, 2002). The CBN statistical Bulletin (1990 as a base year) also indicated that while agriculture and services experienced modest growth from 10.3 to 136.6 per cent and 297.0 per cent between 1991 and 1999 respectively. Manufacturing sub-sector recorded a decline from 109.4 to 92.3 per cent in the same period. It is also sad to mention that capacity utilization in the manufacturing sub-sector declined from about 70.1 per cent in 1980 to just 44.3 per cent in 2002 (CBN, 2001), others include; the low contribution of the industrial sector to the Gross Domestic Product (GDP), the low rate of employment generation from the industrial sector etc. For instance, from a modest 4.8 per cent in 1960, manufacturing contribution to GDP increased to 7.2 per cent in 1970 and to 7.4 per cent in 1975. In 1980 it declined to 5.4 per cent,

but then surged to a record high of 10.7 per cent in 1985. By 1990, the share of manufacturing in GDP stood at 8.1 per cent but fell to 7.9 per cent in 1992; 6.7 per cent in 1995 and fell further to 6.3 per cent in 1997. As at 2001 the share of manufacturing in GDP dropped to 3.4 per cent from 6.2 per cent in 2000. However, it increased to 4.16 per cent in 2011 which is less than what it was in 1960. Currently, Nigeria's manufacturing sector's share in the Gross Domestic Product (GDP) remains minuscule (CBN, 2011). Comparing this figure to the strong manufacturing sectors in other emerging economies, where structural change has already occurred and where millions have been lifted out of poverty as a result; for instance, manufacturing contributes 20 per cent of GDP in Brazil, 34 per cent in China, 30 per cent in Malaysia, 35 per cent in Thailand and 28 per cent in Indonesia (Ogbu, 2012).

Given the importance of high productivity on the industrial sector in boosting economic growth and the standard of living of the people, the sourcing of long-term finance through the capital market cannot but be of importance to developing economies for their industrial sector development which Nigeria is inclusive. To this end, the major concern of this research is to determine to what extent the capital market has aided the growth and development of the industrial sector, it seeks to examine whether or not there is a relationship between the operations of the capital market and the productivity in the industrial sector in Nigeria from 1986 to 2011.

This research is structured into five sections. Section one comprises the introduction, section two discusses the literature review, section three reflects on issues on the performance of Nigerian capital market in relation to industrial growth in Nigeria. And, section four dwells on methodology of the study and analyses of results, while section five gives the summary of major findings, conclusion and recommendations.

2.0 LITERATURE REVIEW

The Concept of Industrialization

In recent economic development studies, industrialization has received prominent attention and among the development and industrial economists, it has been variously described as “prime mover of the economy”, and “potent factor in the development process” (Ajayi, 2010). Indeed, industrialization has come to be seen as a key to rapid economic development in developing countries such as Nigeria. However, the term “industrialization” like most terms in social science has no universally acceptable standard of definition. Thus it has been described variously by experts in industrial developments. In the words of Hughes (1973) in Ajayi (2010), industrialization is “the system of production that has arisen from the steady development study and use of scientific knowledge”. It is based on the division of labour and on specialization and uses mechanical, chemical and power aids in production”, while to Ojo (1976) cited also in Ajayi Ajayi (2010) industrialization simply means “having more factories or industrial plants”. Similarly, Abdulkadir (1981) cited in Okoye and Nwisienyi (2013); on his part sees industrialization as “the process by which a non-industrialized country becomes industrialized one in which industrial output accounts for at least 25 per cent of gross domestic product (GDP), about 60 per cent total industrial output is contributed by manufacturing and the proportion of the population employed in the industrial sector is at least 10 per cent”. This definition appears to

be more expedient for a developing economy in the sense that it provides specific goals and the criteria to be pursued.

Empirical Literature Review

There abound research works on the relationship between capital market development and economic growth. Theoretically, the relationship has been a subject of controversy. Previous studies carried out have hardly come to a unanimous conclusion on the causal linkages between stock market development and economic growth. While some studies maintain that stock market development vigorously drives growth others are of the view that it retards growth. But in recent times, detailed historical validation has provided empirical evidence on the crucial role of capital market on economic growth of emerging and developed economies (Atoyebi, Ademola, Kadiri, Adekunjo and Ogundeji 2013) And with all modest, the relationship between the capital market and economic growth has received a fair share of empirical studies and a number of recommendations from economic analysts across the globe. The probable reason for this intriguing interest might not be unconnected with the pivotal role the capital market plays in the industrial development of countries like Britain, USA, Germany, France, China, and recently Malaysia, where rapid industrial growth is been witnessed with their capital market playing an important role.

For instance, Levine and Zervos (1996) examined whether there is a strong empirical association between capital market development and long-run economic growth. The study used pooled cross-country time series, regression of forty-one countries from 1976 to 1993 to evaluate this association. The study also “towed” the line of Benedict and Emmanuel (2013) by conglomerating measures such as stock market size, liquidity and integration with world markets, into index of stock market development. The growth rate of GDP per capita was regressed on a variety of variances designed to control for initial conditions, political stability, investment in human capital, and macroeconomic conditions; and then include the conglomerated index of stock market development. The finding was that a strong correlation between overall stock market development and long-run economic growth exist. This means that the result is consistent with the theories that imply a positive relationship between stock market development and economic growth.

Mohtadi and Agarwal (2001) examine the relationship between stock market developments and economic growth for 21 years, using a dynamic panel method. The results suggest a positive relationship between several indicators of the stock market performance and economic growth both directly as well as indirectly by boosting private investment behaviour. In the same vein, Osinubi and Amaghi (2003) also examined the relationship between Nigeria stock market and economic growth from 1980 to 2000 using ordinary least square (OLS). Their result indicates a positive relationship between the stock market and economic growth and suggests the pursuit of policies geared towards rapid development of the stock market. Also, Mishra, Mishra, Mishra and Mishra (2010) examined the impact of capital market efficiency on economic growth of

India using the time series data on market capitalization, total market turnover and stock price index over the period spanning from the first quarter of 1991 to the first quarter of 2010. Their study reveals that there is a linkage between capital market efficiency and economic growth in India. This linkage is established through high rate of market capitalization and total market turnover. The large size of capital market as measured by greater market capitalization is positively correlated with the ability to mobilize capital and diversify risk on an economy wide basis. The increasing trend of market capitalization in India would certainly bring capital market efficiency and thereby contribute to the economic growth of the country. Similarly, Ogun and Iyoha (2005), using the granger causality model document a significant relationship between current level of real GDP and lagged value of stock market capitalization in Nigeria for the period 1970 to 2003. They concluded that stock market promotes economic activity and as such, could be relied upon as a predictor of economic activity in Nigeria.

In like manner, Pat and James (2010) empirically analyzed the impact of the Nigerian capital market on her socio-economic development from 1981 to 2008. The socio-economic development was proxy by the GDP while the capital market variables considered included market capitalization, total new issues, volume of transaction and total listed equities and government stock. Using the ordinary least square (OLS), it was found that the capital market indices have not impact significantly on the GDP. The government is therefore advised to put up measures to stem up investors' confidence and activities in the market so that it could contribute significantly to the Nigerian socio-economic development. In the same vein, Samson and John (2012), critically appraise the Nigerian capital market and economic development. They maintained that the capital market is primarily established to boost the industrial growth and economic development of Nigeria economy by mobilizing long-term funds and capital formation for investment and productive purposes. In their study, they adopted time series data from 1971 to 2010 and applying the Engle-Granger and Jahansen method of co-integration in a VECM setting estimation technique. The results revealed that in the long run, the Nigerian capital market positively and significantly influence economic development. They therefore recommend that government should put more effort in developing an active new issue market by encouraging more floatation of new issues and create environment for business. Furthermore, Ewah, Esang and Basse (2009) appraise the impact of the capital market efficiency on economic growth of Nigeria using time series data from 1963 to 2004. They found that the capital market in Nigeria has the potential of growth inducing but it has not contributed meaningfully to the economic growth of Nigeria because of low market capitalization, low absorptive capitalization, illiquidity, misappropriation of funds among others.

However, Harris (1997) did not find hard evidence that stock market activity affects the level of economic growth. And also Osinubi and Amaghionyeodiwe (2003) examine the relationship between the Nigerian stock market and economic growth during the period 1980- 2000. There are findings did not support the claim that stock market development promotes economic growth. In the same line, Gabriel (2002) as enunciated by Nyong (2003) lay emphasis on the Romanian

capital market and conclude that the market is inefficient and hence it has not contributed to economic growth in Romania and this result is in line with Flavia and Peter-Ovidiu (2010) finding, that capital markets hasn't reached a level of development that would enable it to fulfil its main function in the economy, the gap with the countries of Europe being still quite high.

Meanwhile, in the above reviewed literatures and past research works on the relationship between capital market operations and the economic growth, One observes that there has been a number of valuable studies concerning the relationship between the Nigeria capital market and her economic growth using time series data (Ogun and Iyoha, 2005; Pat and James, 2010; Samson and John, 2012; Adam and Sanni, 2005; Pedro and Erwan, 2004), all of which present evidence on the positive impact of the Nigeria capital market on her economic growth and development. But, as it is observed, none of these studies investigate the impact of the Nigerian capital market on the country's industrial sector or even forecast the kind of relationship between capital market and the Nigerian industrial growth, thereby creating a research gap in this area. It is against this background that this research work is specifically investigating the impact of the capital market (with particular reference to the stock exchange) to the growth and development of the Nigerian industrial sector over the years.

Theoretical Framework

Harrod-Domar Model of Growth

The theoretical framework of this research is the Harrod-Domar growth model. The theory advocates for the importance of savings and investment in the process of economic growth. The model maintained that the growth rate of the national income is positively related to savings i.e. the more an economy is stable to save, the greater the rate of growth, while the growth rate is negatively related to interest rate. So, according to the model to grow an economy, the economy must save and invest a certain reasonable percentage of its national income on productive ventures. And over the years, various studies have supported this model and have also incorporated the role of financial markets in the model. They argued that financial development can equally affect growth in three ways; namely, raising the efficiency of capital intermediation, increasing the social marginal productivity of capital and influencing the private savings rate, and all have been confirmed by various studies. Specifically, Bencivenga and Smith (1992) stressed that through its reduction of liquidity risks, efficient financial intermediation stimulates savers to hold their wealth increasingly in productive assets, contributing to productive investment and growth. Saint-Paul (1992) also emphasized the development of a well functioning stock market in stimulating economic growth especially as it affects the sharing of risks of entrepreneurs.

So in recap, since the Harrod-Domar model of growth provides an understanding of the importance of financial development in economic growth by emphasizing increase in savings and investment to stimulate economic growth, it is thus relevant to this study because the

Nigerian industrial sector has not been performing very well over the years due largely to inadequate financing, it is therefore right to assess the performance of capital market in financing the industrial sector in Nigeria based on the background of the Harrod-Domar model.

3.0. PERFORMANCE OF THE NIGERIAN CAPITAL MARKET IN RELATION TO INDUSTRIAL GROWTH PROCESS IN NIGERIA

There is no gainsaying that capital market is a critical pillar to long term fund mobilisation needed for industrial development to fast track economic growth and development. The short term funding profile of the money market makes it unsuitable for industrial financing and infrastructure financing by both the private and the public sectors, hence it is the capital market which has the capacity to create an enabling environment for the generation of long-term financing and active private sector participation in industrial investment and infrastructural development (Oteh, 2010). The capital market therefore, facilitates the efficient mobilization and allocation of funds for production purposes in order to stimulate economic growth and development of Nigeria through industrialization. Nwankwo (1985), noted that one of the major reasons for the establishment of the Nigerian capital market is to serve as credit base to Nigerians and also provide the necessary machinery needed for medium-term and long-term financing arrangement for industrial concerns. They provide local investments outlets for the retention of funds in Nigeria and for the investments of funds repatriated from abroad. These become important as the level of investment distinguishes a developed from a developing nation. To encourage industrial development, the efficiency of the capital market becomes very necessary, this is because they provide credit facilities and divert voluntary savings into productive channel. In addition, they offer technical advice to industrialists by way of feasibility studies, which ensure that investments are much in the right direction. They do not only provide capital and technical advice on economic development they also invest in projects and enterprises. The market also aids the government in privatization programme by offering her shares in the public enterprises to members of the public through the stock exchange. For instance, the capital market played a major role in the recent recapitalization effort by commercial banks in Nigeria by a way of being the medium through which most of the banks raised substantial sums to augment their capital base; over 240 billion naira was raised through the capital market, (NSE Factbook 2005). Presently, banks have announced that they will be willing to sponsor any meaningful industrial effort by individuals or group of investors. The recently formed local initiative called Transactional Corporation is a handy reference. Part of the arrangement is the plan to fund the company through the capital market (Atoyebi, Ademola, Kadiri, Adekunjo and Ogundeji (2013). Similarly, the MTN GSM Network in a bid to expand is planning to go to the capital market to be able to achieve that fit.

In the same vein, Dangote group of company is now currently quoted at the London Stock Exchange Market, and this have had a positive impact on the company's net worth; (more specifically, that the Chairman of the Company, Alhaji Aliko Dangote was recently rated the 2013 Richest Black Man Alive, with a net worth of about 20.1 billion US Dollars: Forbes, 2013); this announcement came shortly after the company was quoted on the London stock exchange, haven been previously quoted on the Nigerian stock exchange.

Furthermore, Government also raise fund through the sale of Bonds at the Capital market for the purpose of financing industries. States government can also raise fund through the sale of state bonds. These funds are used to provide basic infrastructural facilities that could fast track the rapid development of the country's industrial sector. In all, it could be noted that the financial market with special reference to capital market has contributed and is still contributing in no small measure to achieve rapid industrialization in Nigeria. Although the money market is also helping significantly to finance the industrial sectors' day-to-day financial obligations, but as stated earlier, emphases as regard this research work are basically on the Nigerian capital market, precisely the stock market.

4.0 METHODOLOGY

The data for this research were obtained mainly from secondary sources, particularly from Central Bank of Nigeria (CBN) and that of the National Bureau of Statistics (NBS) and relevant journals, textbooks and financial newspapers. Some of the publications include: The Nigeria stock exchange factbook, CBN's statistical reports, CBN's annual reports and the statement of accounts for the year under review. While the analysis that was made in this study were mainly based on time-series data and the estimation period covers 1986 through 2014. The termination of this research analysis in 2011 is based on the year of the award of the degree meant for the study, thus any alteration or extension of time series data may likely deviate the outcome of the study from its original output; while the estimation period covers 29 years, is considered detailed enough to give robust result and analysis. The data so collected include: index of industrial production to serve as a proxy to industrial growth, while the capital market indices collected are: government stock, industrial bonds, and equities; all of which had been carefully chosen due to their importance in affecting industrial output.

4.1 Model Specification

Due to the nature of the variables, multiple linear regression model was adopted to capture the impacts of capital market on the Nigerian industrial growth with the index of industrial production as the dependent variable, while government stock, industrial bond and equities as the independent variables. The model is thus specified as:

Index of Industrial production=f (government stock, industrial bond, equities)

IIP= F (GOVT, INDB, EQTY)..... (i)

$$IIP = \beta_0 + \beta_1 GOVT + \beta_2 INDB + \beta_3 EQT \dots (ii)$$

While the econometric form of the model can be stated as:

$$IIP = \beta_0 + \beta_1 GOVT + \beta_2 INDB + \beta_3 EQTY + U \dots (iii)$$

Where:

IIP = Index of industrial production,

GOVT = Government stock,

INDB = Industrial bond,

EQTY = Equities,

β_0 = is the intercept of the regression line,

$\beta_1 - \beta_3$ = are the slopes of the regression line or behaviour of parameters, each representing the unit change in the dependent variable due to a unit change in each regressor,

U_i = is the stochastic or random error term that represents other independent variables that affects the model but were not captured in the model.

And as regarding the apriori expectation of the parameters; $\beta_1, \beta_2,$ and β_3 must have a positive sign, symbolically: $\beta_1, \beta_2, \beta_3 > 0$

4.2 Presentation and Discussion of Results

Table 4.1 Phillips-Perron Unit Root Test Results

Variables	Level	1st Difference
IIP	1.178	-5.444*
GOVT	-3.946	-13.634*
INDB	-4.076	-17.307*
EQTY	-3.616	-13.634*

Source: Researcher's computation (2014) using Eviews version 7.0. Note * indicates stationary at 1%

The results from the table revealed that all variables are non-stationary at level but stationary at first difference using the Phillips Perron test of unit root.

Table 4.2 Unrestricted Co-integration Test Result

Maximum Rank number of Co-integrating Equation	Maximum eigenvalue	Critical value of eigenvalue (0.05)	Trace statistic	Critical value Trace statistic (0.05)
0	37.873	27.07	67.908	47.21
1	16.722	20.97	30.035	29.68
2	13.083	14.07	13.313	15.41
3	0.230	3.76	0.230	3.76

Source: Researcher's computation (2014) using Eviews version 7.0.

The results on table 4.2 suggest 2 co-integrating relationships as evidenced by the trace statistic of 67.908 which is greater than 47.21 critical value at level 0. And trace statistic of 30.035 being

greater than 29.68 critical value of 5% in level 1. This necessitates the rejection of the null hypothesis that there is no co-integrating equation at 0.05 levels.

Table 4.3 Ordinary Least Square Techniques (OLS) Results

Variable	Coefficient	Standard Error	Probability	R ²	Adjusted R ²	F-statistic	DW-statistic
Constant	134.1736	5.216	0.000	0.519536	0.454018	7.929683	1.053258
GOVT	0.001519	0.003	0.610				
INDB	-0.000667	0.003	0.827				
EQTY	4.581-05	9.561	0.000				

Source: Researcher's computation (2014) using Eviews version 7.0.

A close examination at the result of the equation shows that some signs were in line with the apriori expectation. From the result, GOVT and EQTY satisfy this condition while INDB which is expected to be positive is negative. In this case, INDB is not in line with the apriori expectation. The different coefficients of the variables represent the different contributions of the respective variables to the industrial growth which is being represented by IIP in the model. Thus, using the constant co-efficient of IIP i.e.134.1736 shows that when all variables are held constant, there will be a positive variation up to the tune of 134.1736 units in IIP. Similarly, a unit increase in INDB when all variables are held constant will lead to a decrease in IIP by 0.000667 units. However, a unit change in GOVT will produce a positive impact on the growth of the Nigerian industrial sector by 0.001519 units. Similarly, if EQTY alone change by one unit, then IIP will increase by 4.581-05. When taken one at a time, with other variables being held constant, GOVT and EQTY will each increase IPP by 0.002 and 4.581units respectively while INDB will reduce IIP by 0.001units. As for the test of significant, using the T-ratio, we find that only GOVT is statistically insignificant, while INDB and EQTY were statistically significant at 5 per cent level. The value of coefficient of determination and adjusted coefficient of determination are 0.520 and 0.454 respectively. This suggests that the model is adequately fitted. Specifically, the coefficients suggest that about 52 per cent of the variation in IIP is caused by variation in the explanatory variables. The remaining 48 per cent is explained by the error term, and the Durbin-Waston statistic of 1.053 shows that there is a positive serial auto-correlation between the successive values of the variables. Interestingly, the overall regression is quite significant at 5 per cent level of significance going by the F-statistic test. This suggests that the joint effects of all the included variables are significant. Thus we reject the null hypothesis that capital market transactions have no impact on Industrial growth in Nigeria.

4.3 Policy Implication of Findings

Government stock and Equities were positively related to the Index of Industrial Growth. The policy implication is that, the industrial sector in Nigeria will respond favourably to any measure taking on the part of the Nigerian Government, or the Nigerian Capital Market Stakeholders in increasing the capital market indices of Government stock and Equities; as it will assist in

boosting industrial growth and development in the country. The finding agrees with Oke and Adeusi (2012), Pat and James, (2010), Ewah, et'al (2009) and Ariyo and Adelegan (2005) who found that capital market had a positive impact on economic growth and development of Nigeria. But it has not contributed meaningfully to Industrial growth and development in Nigeria, due to low volume of transaction, low volume of government stock, and few listed equity companies on the floor of Nigerian Stock Exchange.

Secondly, the negative sign of Industrial Bond indicates an inverse relationship between industrial growth and industrial bond. The implication is that any measure or attempt to raise industrial bond in the Nigerian stock exchange market, will have a resultant decrease in the level of industrial growth in the country. The negative impact of industrial bond on the Nigerian industrial growth may however be connected with the yet shallow nature of the Nigerian capital market even though total new issues tend to have improved remarkably since the banking consolidation in 2005 (Pat and James, 2010), there are still some rigidities in the system, which may be responsible for this kind of relationship. In the same vein, Ilaboya and Ibrahim (2004) consider this negative relationship as a reflection to the fact that majority of key investors in Nigeria prefer to invest in other sectors of the economy other than the capital market. Thus, this result supports Demirguc- Kunt and Asli (1996) cited in Odetayo and Sajuyigbe (2012) and Harris (1997) who found no hard evidence and strong positive relationship between stock market and economic growth and this is in contrary to economic theory that there is positive relationship between stock market and economic growth.

5.0 CONCLUSION AND RECOMMENDATIONS

Conclusion

This study reveals the capital market impact on industrial growth through the market's indices of government stock, industrial bond, and equities. And, it was observed that government stock and equities are important capital market variables that are capable of influencing industrial growth, though the industrial bond appears to be negatively related to industrial growth, this is perceived to be due to the fact that, data were not available for the variable (INDB) for some years reviewed. However, it is undoubtedly to say that capital market is the life wire of any economy as it acts as catalyst for industrial growth and economy development. Hence the capital market remain one of the mainstream in every economy that has the power to influence or impact industrial growth, therefore the organized private sector is to invest in it so as to guarantee a steady industrial growth in the economy.

Recommendation

Based on the results of this research and the realization of the effect of capital market on industrial growth process in Nigeria, the following recommendations are hereby made with a view to enhancing the performance of the capital market especially as it concerns the effort towards industrializing Nigerian economy.

- i. Government should improve dealings in the capital market transactions by issuing more of its stocks and bonds to industries in the country and also encourage more foreign investors to participate in the market so that the total listed equity of the market can improve.
- ii. More so, in addition to complementing the role of the Nigerian capital market in industrial financing, the government should supervise the capital market operations to forestall illegal deals by some operators in the market.
- iii. The government should equally work on relaxing the conditions for getting listed on the Nigerian stock exchange market by small and medium scale enterprises (SMEs) in the country.
- iv. In conclusion, the government should invest generally in infrastructural facilities such as power, water, security and transportation; which are seen to be the bane of industrialization in Nigeria. In addition, industrial areas should be given priority and more industrial zones should be created in other areas in line with the raw materials found in those areas.

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