

CAPITAL MARKET DEVELOPMENT AND ECONOMIC GROWTH IN NIGERIA

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Abstract

The study analyzes the dynamics in the association between capital market development and economic growth within Nigeria using annual data on real gross domestic product (RGDP), market capitalization (MCAP), equities (EQ), bond issuance (BD), and the All-Share Index (ASI). The empirical analysis draws on both descriptive statistics and correlation analyses to pair with the Autoregressive Distributed Lag (ARDL) framework, Bounds Test for cointegration, and the Vector autoregression (VAR) model. The data reveal strong co-movement within the capital market indicators, with associations with RGDP only observed in a weak manner. Statistically insignificant are both short- and, reported, long-run coefficients, while the test F-statistic (1.36456) is below the lower critical bounds which means that with these values the null hypothesis cannot be declined. The analysis showed no evidence on such association during the analyzed term.

Key words: *All-Share Index; Capital Market Development; Economic Growth; Equity; Market Capitalization*

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INTRODUCTION

The capital market is known to play a significant role in economic growth of both developing and developed economies mainly due to its ability to avail long term funds that would help in making private investments. The importance of this is supported by the fact that it produces a positive multiplier effect in different sectors and this may boost overall economic performance (Ubesie et al. 2020). Nevertheless, sustainable growth does not necessarily depend on the capital market only, but it requires effective government policies, institutional structure, sufficient security and implementation of laws to guard the interest of investors.

The mobilization of the funds of the economic sectors via capital markets is necessary and efficient (Lubis, et al. 2024). The surplus resources can be easily shifted to the deficit sectors and reduce expenses and overcome liquidity constraints. Capital market is also critical in the process of obtaining institutional capital that may be required in supporting infrastructure and real sector operations by trading financial instruments with identical maturities. As reported by Ezeibekwe (2021) and Ofurum et al. (2019), manufacturing output is hindered by underdeveloped markets in most developing economies. Good capital markets can assist businesses to remove moral hazard and adverse selection, lower external financing costs, transaction costs, in addition to encouraging liquidity, risk diversification, and corporate accountability.

Capital market plays an important role in funding long term investments and contributing to sustainable economic growth in Nigeria. The Nigerian capital market has emerged as a major provider of funds to finance both government and privately based projects but it has numerous challenges that curtail the abilities of the capital market to finance industrial growth (Aniefor & Ndubuisi 2022). The market indicators like the market capitalization, all-share index, and the values of transactions are directly associated with industrial output and the

growth of GDP. The weaknesses of the market which are low liquidity and depth mean that manufacturers are unable to access long-term financing which is a blow to productivity. Poor governance and inconsistencies in regulation also heighten investor distrust towards the company. Although in recent years reforms have been made in an attempt to make the country more transparent and promote foreign investment, there are still problems (Angaye & Frank, 2020).

As presented by the authors, it is not only the size of capital market that facilitates its growth, but also other factors including liquidity, market conditions, quality of institutions, regulations, and the level of inhabitants' participation (Angaye & Frank, 2020; Babarinde, 2025; Yakubu, 2023). The above-mentioned constraints validate the need for further empirical evidence on potential association between dynamic changes in capital market indicators and real economic growth for the period under analysis.

The purpose of the research is to analyze the impact of capital market development on economic growth within Nigeria, taking into consideration the following tasks:

- i. To examine the effect of market capitalization on Nigeria's economic growth.
- ii. To investigate the relationship between stock market liquidity (new equity) and economic growth in Nigeria.
- iii. To assess the impact of stock price volatility (All-Share Index (ASI)) on economic growth in Nigeria.
- iv. To evaluate the contribution of bond issues to economic growth in Nigeria.

I. LITERATURE REVIEW

Capital markets constitute an important component of the financial system because they mobilize long-term funds, facilitate the transfer of resources from surplus to deficit units, support risk sharing, and provide alternative financing channels for firms and governments (Aliyu et al., 2024; Nwamuo, 2018; Ofurum et al., 2019). Market development is commonly reflected in indicators such as market capitalization, transaction activity, the number and value of securities issued, and broad stock-market indices. Market capitalization captures an important dimension of market depth, while trading activity and market indices provide information on liquidity and market performance (Rajan & Zingales, 1998; Toby & Dibiah, 2021; Ubesie et al., 2020). In this context, Moroşan-Dănilă et al. (2022) emphasize the relevance of stock-market performance indicators, including market capitalization and marketability, in assessing the performance of listed companies and providing useful information to investors and other stakeholders. The authors also mention the significance of performance indicators due to their importance in faithful representation of performance and assisting in investment relations. Another aspect of importance can be market efficiency, as it is possible to increase resource allocation efficiency through the price being determined based on the available information. Yet, there are also significant factors affecting the levels of market depth and quality of institutions (Fama, 1970; Laeven, 2014).

As reported in literature, capital market development in Nigeria has been going on under the following constraints: macroeconomic volatility, efficiency of regulations, participation among investors, and instruments depth (Aniefor & Ndubuisi, 2022; Babarinde, 2025; Ezeibekwe, 2021; Yakubu, 2023). Digitalization, demutualization, improved disclosure, and increased level of investors' education have also been considered as tools for improvement (Mamudu & Gayovwi, 2020). In this regard, investor participation is also shaped by individual decision-making factors, as investment choices may depend on both financial and non-financial information and on investors' characteristics (Tulvinschi et al., 2021). Nonetheless, it is essential to analyze the growth of capital-market financing with respect to economic viability and efficiency of the investments it makes possible. Moroşan-Dănilă and Grigoraş-Ichim (2020) emphasize that investment projects should be assessed in terms of their costs, benefits, efficiency, risks involved and reliability of information employed in investing. This suggests that growing market size or financing does not mean there's a corresponding growth in productive investment and growth in the economy, so quality and efficiency of capital investment should also be of concern.

According to the definition, economic growth is a persistent rise in productive capacity of the economy and is generally indicated by real gross domestic product. Financial development can promote growth by mobilizing savings, decreasing information and transaction costs, diversifying risks, and channeling resources into productive investments (Levine, 1997; Levine & Zervos, 1998). However, in terms of Nigeria, results varied; there were some studies that found the presence of a positive effect from indicators of capital-market financing; others communicated weak, insignificant, or indicator-dependent relationships (Acha & Akpan, 2019; Araoye et al., 2018; Cynthia et al., 2021; Ugbogbo & Aisien, 2019). This variety also indicates to use several capital-market financing indicators instead of a single one.

II. THEORETICAL FRAMEWORK

The study is primarily grounded on the views on financial development portraying supply-leading view and capital-market-driven growth perspective. According to supply-leading hypothesis, development of financial institutions and markets can come first and cater for the development of real sector by improving availability of

funds and efficiency of finance (McKinnon, 1973; Patrick, 1966; Shaw, 1973). On the contrary, the demand-following perspective shows that financial development may also react to growth in real sector (Robinson, 1952). These views are important because they notify about tendencies to assume unidirectional transformations in the nature of capital-market financing and economic growth.

Meanwhile, the reasoning about positive influence of capital-market development emphasizes also the need for easy-functioning stock markets with high liquidity, which are capable of attracting long-term investment, helping to have better prices for resources, to diversify indicators (Levine & Zervos, 1998; Rajan & Zingales, 1998). Financial Intermediation Theory also complements this reason, by explaining how financial institutions and markets reduce costs of transactions and information, screen investments, monitoring borrowers, and help in diversifying risks (Diamond, 1984; Gurley & Shaw, 1960). All this implies, according to these theories that the relationship between capital-market financing and economic growth hinges on the quality of intermediation, depth of market and content of finance as well.

Therefore, the strong empirical analysis presented in this study does not assume that larger capital-market indicators must generate greater economic growth. Rather than assuming this, we investigate whether changes in market capitalization, equity issues, bond issues and the All-Share Index are statistically associated with real GDP growth, both in the short run and whether there is evidence of a stable long run relationship in the data. This framing captures the potentiality of two mixed theoretical possibilities identified in the finance-growth literature.

III. EMPIRICAL EVIDENCE AND RESEARCH GAP

Recent evidence also suggests that the relationship between the capital market and growth appears to be context-dependent. For example, Yumame and Khuzaini (2025), in their review of the literature, identified mechanisms such as fundraising, allocation of capital, liquidity, transparency, and governance that demonstrate the capital market may help support growth. For Nigeria, Adekunle (2024) employs ARDL and causality analysis to data from 1986 to 2022 and reports positive effects for total new issues while many other capital market variables were not statistically significant. Ahmed and Chowdhury (2024), in their analysis of data from Bangladesh from 2011 to 2022, report that market capitalization and liquidity are associated with growth.

Evidence from other contexts also highlights how methodological and contextual differences may impact the association between capital market activity and economic growth. Binanga, Apridar, and Seftarita (2024) analyze panel data consisting of 34 provinces in Indonesia from 2016 to 2022, reporting positive effects from capital market activity and public savings using a fixed-effects specification selected through panel-model tests. Chang and Li (2024) combine a Heston stochastic-volatility framework with empirical analysis of China and report that different parts of the capital market may have heterogeneous effects on macroeconomic performance. Czupryn and Majchrowska-Szewczyk (2024) similarly emphasize how conclusions depend on measurement choices and econometric methods.

Studies focused on Nigeria also produce mixed results. For example, Olawale (2024) finds significant relationships for specific capital-market indicators, whereas Adesina-Uthman (2020) indicates the same indicator varies repeatedly according to direction and significance of effects. College students also report evidence of long-run association using ARDL and bounds testing. Toby and Dibiah (2021) use a VAR framework, observing dynamic (interdependent) relationships between capital-market indicators and economic growth, while Erasmus, Nkiru, and Ifeanyi (2021) use cointegration and causality methods, finding indicator-specific results as well.

Based on this overview of recent capital market research, the gap in the literature, addressed by this study, is not the absence of research on Nigeria, but persistent inconsistencies in findings. The current study combines multiple capital-markets indicators, including market capitalization, equity issues, bond issues, and the All Share funds will analyze their relationship with real GDP growth using descriptive and correlation analysis, an ARDL with bounds testing framework, and a complementary VAR specification that allows the study to separate short-run estimates from a formal test of a levels relationship, and examine dynamic relationships between the indicators.

IV. RESEARCH MATERIALS AND METHODS

This study employs an ex-post facto research design and takes a quantitative annual time series approach to explore the relationship between capital market development and economic growth. Secondary data will be sourced from the Central Bank of Nigeria (CBN) Statistical Bulletin (2025). The estimation sample comprises 34 observations per annum of real gross domestic product (RGDP), market capitalization (MCAP), equity (EQ), bonds issued (BD), and the All-Share Index (ASI); the series utilized in the analysis are reported in Appendix A. In this procedure, RGDP is the dependent variable, whilst MCAP, EQ, BD, and ASI are associated elements of capital market development. Statistically and econometrically, all procedures were executed with EViews.

The empirical procedure follows sequential logic. First, descriptive statistics and the Jarque-Bera statistic are used to characterize the distributions of the variables, after which a correlation matrix provides a preliminary

view of contemporaneous linear associations. Second, before estimating dynamic time-series models, the integration properties of the series must be established through unit-root testing. The Augmented Dickey-Fuller (ADF) test is the appropriate pre-estimation check for the present ARDL strategy: ARDL bounds testing can accommodate a mixture of $I(0)$ and $I(1)$ variables, but it is not valid when any variable is integrated of order two, $I(2)$. The ADF procedure is therefore used to determine the order of integration of each series before ARDL estimation and to verify that none of the variables is $I(2)$.

Third, lag lengths are selected before model estimation using an information-criterion approach, with the Akaike Information Criterion (AIC) used as the primary criterion and parsimony taken into account because the sample contains only 34 annual observations. The selected ARDL specification generates the short-run coefficients reported in Table 3 and the long-run/conditional error-correction coefficients reported in Table 4. The lag pattern shown by the reported ARDL estimates corresponds to $ARDL(1, 0, 0, 3, 0)$ for RGDP, MCAP, EQ, BD, and ASI, respectively. The VAR reported in Table 5 is estimated with two lags. In both cases, lag selection is based on the Akaike Information Criterion (AIC), with parsimony also considered because the sample contains only 34 annual observations.

Fourth, the ARDL Bounds Test is used to assess whether a statistically supported levels relationship exists among the variables. The null hypothesis is that no levels relationship exists. If the calculated F-statistic exceeds the upper $I(1)$ critical bound, cointegration is supported; if it falls below the lower $I(0)$ bound, the null cannot be rejected; a statistic between the bounds is inconclusive. This ruling is essential in light of the long-run coefficients because, to date, the Bounds Test F-statistic is 1.36456 and it is less than the lower bounds set out in the previous analysis. Thus the evidence supposes that the long-run level relationship is not stable over the period analyzed. Therefore, the long-run coefficients presented in Table 4 are purely descriptive and should not be interpreted as evidence of the established long-run equilibrium relationship.

Finally, a Vector Autoregression (VAR) model is estimated as a complementary framework for assessing dynamic interdependence among RGDP, MCAP, EQ, BD, and ASI. VAR is useful when the goal is to assess how each variable responds to their own lagged values and to lagged values of the other variables without imposing one contemporaneous causal ordering. Vector Error Correction Model (VECM) would be appropriate only in case of $I(1)$ variables being cointegrated. Since the reported Bounds Test do not support the existence of cointegration, the revised study does not claim to have estimated or interpret VECM. Thus, the present work solves the inconsistency reported in the previous methods of referring to VECM when the reported results are ARDL, VAR, and Bounds Test outputs.

The functional relationship can therefore be expressed as:

$$RGDP = f(MCAP, LIQ, ASI, BOND) \quad (1)$$

Transforming into an econometric form:

$$RGDP_t = \beta_0 + \beta_1 MCAP_t + \beta_2 EQ_t + \beta_3 BOND_t + \beta_4 ASI_t + \varepsilon \quad (2)$$

where RGDP denotes real gross domestic product; MCAP denotes market capitalization; EQ denotes equity; BD denotes the value of bond issues; ASI denotes the All-Share Index; β_0 is the intercept; β_1 - β_4 are the coefficients associated with the capital-market indicators; and ε_t is the disturbance term. The ARDL formulation augments this relationship with appropriate lags in order to distinguish short-run dynamics from the conditional long-run coefficients.

V. RESULTS

This section reports the empirical findings in the same order as methodology. Results start with descriptive statistics and correlations, followed by ARDL short-run estimates and reported long-run coefficients. Then the VAR model is used to assess dynamic interdependences and ARDL Bounds Test provides a formal decision about existence of the levels relationship. Since the validity of the ARDL bounds procedure relies on excluding $I(2)$ variables, checking for stationarity forms a pre-estimation step in the empirical sequence. Table 1 present descriptive statistics for RGDP and selected capital market indicators.

Table 1. Descriptive Statistics

	RGDP	MCAP	EQ	BD	ASI
Mean	4.460712	12492.89	7447.207	273.4268	23204.6
Median	3.577116	6075.87	4608.26	9.94	23965.15
Maximum	14.60438	75202.9	40923.88	1400.43	74773.77

	RGDP	MCAP	EQ	BD	ASI
Minimum	-1.92	16.3	12.1	0.8	513.8
Std. Dev.	3.910559	17,235.97	9,351.69	456.82	18,066.67
Skewness	0.555077	1.950791	1.77961	1.617236	0.736043
Kurtosis	2.819256	6.832548	6.36192	4.102556	3.310355
Jarque-Bera	1.792242	42.37358	33.95828	16.54304	3.206426
Probability	0.40815	6.29E-10	4.23E-08	0.000256	0.201249
Sum	151.6642	424758.2	253205	9296.51	788956.5
Sum Sq. Dev.	504.6514	9.8E+09	2.89E+09	6886444	1.08E+10
Observations	34	34	34	34	34

Source: Authors' computations based on data from the CBN Statistical Bulletin (2025), using EViews.

As presented in Table 1, the descriptive statistics indicate significant fluctuations within Nigeria's capital market indicators in the examined period. The values reported present high differences between the minimal and maximal market capitalization (MCAP), equity (EQ), bonds (BD), and All-Share Index (ASI), which means that capital market activities were variable. The positive to the mean skewness indicates asymmetric distributions and relatively high kurtosis recorded for other indicators indicates significant observations. Jarque-Bera probabilities shows that the MCAP, EQ, and BD are not normal with statistically significant probabilities, RGDP and ASI evidence are regarded as weaker. The evidence taken together illustrates market characterized by high variability, which may affect when the process of transmission of development to economic growth was available.

In conclusion, the data suggests high variability around the capital market indicators. The analysis presented above has outlined some preliminary assessment of the distributional properties of the variables, and having examined the distributional properties of the variables, we have also explored the strength and direction of the association between these variables. The correlation coefficients between RGDP and indicative capital-market measures are presented in Table 2.

Table 2. Correlation Analysis

	RGDP	MCAP	EQ	BD	ASI
RGDP	1	-0.30852	-0.26984	-0.18728	-0.03339
MCAP	-0.30852	1	0.994571	0.656881	0.842677
EQ	-0.26984	0.994571	1	0.667263	0.88397
BD	-0.18728	0.656881	0.667263	1	0.565714
ASI	-0.03339	0.84	0.88	0.57	1.00

Source: Authors' computations based on data from the CBN Statistical Bulletin (2025), using EViews.

As reported in Table 2, the capital market indicators are positively correlated with one another, with particularly strong associations between MCAP and EQ and between EQ and ASI. By contrast, RGDP exhibits weak negative correlations with MCAP, EQ, BD, and ASI. These coefficients suggest that the different dimensions of capital market activity tend to move together, whereas their contemporaneous association with economic growth is comparatively weak and negative. The correlation evidence therefore points to a degree of internal market integration without a correspondingly strong association with real economic activity.

The correlation analysis provides an initial indication of how the variables move together; however, correlation alone does not establish the magnitude or statistical significance of their dynamic effects on economic growth. Therefore, the analysis proceeds to the ARDL estimates in order to assess the short-run relationship between capital market development and RGDP. Table 3 reports the estimated short-run effects of the capital market indicators on economic growth in Nigeria.

Table 3. Short Run Effect Results for Capital Market Indicators and Economic Growth in Nigeria

Variable	Coefficient	Std. Error	t-Statistic	Prob.*
RGDP (-1)	0.652907	0.162468	4.018686	0.000576
MCAP	-0.00011	0.000431	-0.26052	0.796887
EQ	0.000181	0.00	0.19	0.85
BD	-0.00264	0.001795	-1.47302	0.154911

Variable	Coefficient	Std. Error	t-Statistic	Prob.*
BD(-1)	0.001756	0.002139	0.821179	0.420354
BD(-2)	0.001445	0.002129	0.678553	0.504497
BD(-3)	-0.00366	0.001718	-2.13126	0.044486
ASI	2.73E-05	9.87E-05	2.77E-01	0.78458
C	1.681351	1.06302	1.581674	0.127995
R-squared	0.650295	Mean dependent var		4.464359
Adjusted R-squared	0.523129	S.D. dependent var		3.75508
S.E. of regression	2.593102	Akaike info criterion		4.981287
Sum squared resid	147.9319	Schwarz criterion		5.397606
Log likelihood	-68.21	Hannan-Quinn criter.		5.116997
F-statistic	5.113764	Durbin-Watson stat		2.192107
Prob(F-statistic)	0.001097			

Source: Authors' computations based on data from the CBN Statistical Bulletin (2025), using EViews.

The short-run ARDL estimates reported in Table 3 indicate that RGDP is significantly influenced by its own lagged value, with RGDP(-1) displaying a positive coefficient and a statistically significant probability value. In contrast, MCAP, EQ, and ASI have small and statistically insignificant coefficients. The bond variable also shows limited short-run influence, although BD(-3) records a negative coefficient that is statistically significant at the 5% level. The model as a whole is statistically significant, as indicated by the F-statistic probability, while the reported R-squared suggests that a substantial proportion of the variation in RGDP is explained by the model. Overall, the results provide limited evidence that capital market indicators exert a strong positive influence on economic growth in the short run.

Taken together, the short-run estimates provide limited evidence that the selected capital-market indicators are associated with RGDP in the short run. Table 4 next reports the coefficients generated as the long-run/CEC component of the ARDL specification. These coefficients are considered alongside the subsequent Bounds Test, which determines whether a statistically supported levels relationship exists.

Table 4. Long Run Effect Results for Capital Market Indicators and Economic Growth in Nigeria

Variable *	Coefficient	Std. Error	t-Statistic	Prob.
MCAP	-0.00032	0.001247	-0.25913	0.797574
EQ	0.000521	0.00	0.19	0.85
BD(-1)	-0.00895	0.007864	-1.13796	0.265516
ASI	7.87E-05	0.000272	0.289687	0.774353
C	4.844101	3.112912	1.556132	0.131767

Note: * Coefficients derived from the CEC regression.

Source: Authors' computations based on data from the CBN Statistical Bulletin (2025), using EViews.

The coefficients reported in Table 4 are individually statistically insignificant at conventional levels. MCAP and lagged BD have negative coefficients, whereas EQ and ASI have positive coefficients, but their p-values remain above conventional significance thresholds. Importantly, these coefficients should not be interpreted in isolation as proof of a stable long-run equilibrium. As shown later in Table 6, the Bounds Test does not reject the null hypothesis of no levels relationship. The appropriate conclusion is therefore that the model provides limited evidence of a long-run association between the selected capital-market indicators and RGDP over the analysed period.

While the ARDL estimates assess the short- and long-run effects of individual capital market indicators on economic growth, a complementary dynamic framework is useful for examining the interdependence among the variables. Accordingly, a Vector Autoregression (VAR) model is employed to evaluate how RGDP, MCAP, EQ, BD, and ASI respond to their own lagged values and to the lagged values of the other variables. The VAR estimates are presented in Table 5.

Table 5. Vector Autoregression Estimates

	RGDP	MCAP	EQ	BD	ASI
RGDP(-1)	0.540751	283.0703	129.2349	27.80446	426.4217
	0.18734	232.4771	150.649	18.39032	538.1429
	[2.88647]	[1.21763]	[0.85785]	[1.51191]	[0.79239]
RGDP(-2)	4.62E-02	89.98777	84.94961	13.68559	469.5763
	0.174377	216.3907	140.2247	17.11779	500.9057
	[0.26481]	[0.41586]	[0.60581]	[0.79950]	[0.93745]
MCAP(-1)	-0.00069	1.618929	0.541988	0.039722	0.785629
	0.000711	0.88264	0.571965	0.069822	2.043153
	[-0.97176]	[1.83419]	[0.94759]	[0.56891]	[0.38452]
MCAP(-2)	0.001484	1.695234	1.488161	-0.17743	5.012388
	0.00094	1.166041	0.755614	0.092241	2.699177
	[1.57883]	[1.45384]	[1.96947]	[-1.92356]	[1.85701]
EQ(-1)	0.000225	-1.73214	-0.78919	0.089606	-4.17612
	1.05E-03	1.31E+00	0.847429	0.103449	3.027156
	[0.21391]	[-1.32454]	[-0.93128]	[0.86618]	[-1.37955]
EQ(-2)	-0.00197	-1.98833	-1.8461	0.250291	-6.3088
	0.001297	1.60935	1.042886	0.127309	3.725358
	[-1.51983]	[-1.23548]	[-1.77018]	[1.96601]	[-1.69347]
BD(-1)	0.00216	3.299308	3.206824	0.543718	10.25369
	0.001989	2.467663	1.599087	0.195207	5.712199
	[1.08617]	[1.33702]	[2.00541]	[2.78534]	[1.79505]
BD(-2)	-0.00095	-2.05116	-0.98942	-0.31673	-0.89175
	0.002025	2.513015	1.628476	0.198794	5.817181
	[-0.47109]	[-0.81621]	[-0.60758]	[-1.59326]	[-0.15330]
ASI(-1)	0.000137	0.089666	0.115093	-0.02577	1.156582
	0.000145	0.179425	0.11627	0.014194	0.415337
	[0.94558]	[0.49974]	[0.98987]	[-1.81559]	[2.78468]
ASI(-2)	3.80E-05	-0.00904	0.034839	-0.01206	0.075649
	0.000149	0.184605	0.119627	0.014603	0.427328
	[0.25571]	[-0.04896]	[0.29123]	[-0.82616]	[0.17703]
C	1.26363	-1096.1	-840.328	49.91261	-394.642
	1.143022	1418.416	919.1573	112.2051	3283.38
	[1.10552]	[-0.77276]	[-0.91424]	[0.44483]	[-0.12019]
R-squared	0.610158	0.972876	0.961028	0.761041	0.857914
Adj. R-squared	0.424519	0.959959	0.94247	0.647251	0.790255
Sum sq. resids	166.8581	2.57E+08	1.08E+08	1607917	1.38E+09
S.E. equation	2.818798	3497.946	2266.727	276.7083	8097.12
F-statistic	3.286794	75.32139	51.78451	6.68813	12.67983
Log likelihood	-71.8286	-299.784	-285.902	-218.601	-326.643
Akaike AIC	5.176785	19.42403	18.55635	14.35009	21.10269
Schwarz SC	5.680632	19.92787	19.06019	14.85394	21.60654
Mean dependent	4.393394	13272.46	7911.704	290.4472	24614.37

	RGDP	MCAP	EQ	BD	ASI
S.D. dependent	3.715766	17480.86	9450.404	465.8966	17680.09
Determinant resid covariance (dof adj.)		4.87E+25			
Determinant resid covariance		5.93E+24			
Log likelihood		-1139.69			
Akaike information criterion		74.66835			
Schwarz criterion		77.18759			
Number of coefficients		55			

Source: Authors' computations based on data from the CBN Statistical Bulletin (2025), using EViews.

The VAR estimates reported in Table 5 show substantial persistence and interdependence among the variables, particularly for MCAP, EQ, BD, and ASI, as reflected in their relatively high equation-specific R-squared values. In the RGDP equation, the first lag of RGDP displays a positive and statistically meaningful effect, whereas most lagged capital market variables show comparatively weak effects on real GDP. Across the system, several lagged relationships emerge among the financial variables, indicating that capital market indicators respond to both their own past values and developments elsewhere in the market. Overall, the VAR evidence suggests a dynamically interconnected capital market, while the transmission of these dynamics to real economic growth remains limited.

Overall, the VAR results indicate substantial dynamic interdependence among the capital market variables, but comparatively limited transmission from capital market performance to real economic growth. Given these findings, it is necessary to establish formally whether a stable long-run relationship exists among the variables. For this purpose, the ARDL Bounds Test for cointegration is applied, and the results are presented in Table 6.

Table 6. Bounds Test for Cointegration

F- Bound Test		Null Hypothesis: No levels relationship							
Test Statistic	Value	Signif.	Sample Size	I(0)	I(1)	I(0)	I(1)	I(0)	I(1)
F-statistic	1.36456	10%	31	2.525	3.56	3.058	4.223	4.28	5.84
C	2	5%	31	2.46	3.46	2.947	4.088	4.093	5.532
		1%	Asymptotic	2.2	3.09	2.56	3.49	3.29	4.37
* I(0) and I(1) are respectively the stationary and non-stationary bounds.									

Source: Authors' computations based on data from the CBN Statistical Bulletin (2025), using EViews.

In addition to the correlation coefficients presented in the analysis, the Bounds Test F-statistic has also been calculated with a resulting value of 1.36456 as shown in Table 6, which is less than the lower-bound critical values of the critical bounds test. Thus, we accept the null hypothesis of no levels relationship. Within the presented ARDL framework, this result implies that we do not have statistical evidence of cointegration between RGDP and the selected capital-market indicators such as bond issues, equity, ASI, and market capitalization, over the sample period under review. The result cannot be interpreted to indicate that the Nigerian capital market is weak or immature but only indicates that the analysed data and specification do not provide much evidence of a stable long-run association between capital-market development and economic growth.

VI. DISCUSSION OF FINDINGS

What can be inferred from empirical analysis is the difference between co-movement within the capital market capital indicators and measured relationship with real economic growth. The indicators MCAP, EQ, BD, and ASI indicators are positively correlated with one another, while indicating little to weak correlations with RGDP in recent research studies. The short-run estimates of the ARDL model (not reported, but available) are mainly not statistically significant with the exception of one or two lagged variables, and the results of the VAR exercise indicate stronger persistence and interactions within the depended variables than their transmission to RGDP. While the reported empirical relationship is broadly consistent with Nigerian studies reporting weak to indicator-specific economic growth effects (Angaye & Frank, 2020; Idris, 2020), it differs from those studies that report relatively stronger positive relationships (Erasmus et al., 2021; Yakubu, 2023) and this difference in finding

may, presumably, be due to the differences in sample periods, proxies, lag structures, and econometric specifications.

While conducting the analysis of the relationship between capital-market development and economic growth, the present analysis provides limited evidence that formal capital-market structure, or the lack of it, impacts the relationship between RGDP and indicative capital-market determinants. It should be noted that the lack of evidence of a long-run association between capital-market development and economic growth does not lend support to the hypothesis that 'capital markets play no role' in the economic growth process. While the central focus of the analysis in this analysis is the long-run interpretation of the relationship between RGDP and capital-market indicators, and in particular the present study cannot offer explanatory theories, it does provide a number of important contextual interpretations of the analysis presented on the data examined.

While the conducted analysis has examined the short and long-run relationships between capital-market development and economic growth in Nigeria, it is accepted that more data and measures will yield further insights into the potential determinants of these relationships. In particular, the potential structural explanations for capital-market development indicators involved market depth, regulation, liquidity, institutional quality, etc. Such structural explanations are plausible in light of the wider literature (Babarinde, 2025; Onuora, 2019; Olawale, 2024), but they are not defined or identified directly by the current model and so can be interpreted only contextually.

VII. CONCLUSION

The study has examined relationship between capital market development and economic growth in Nigeria using RGDP, market capitalization, equity, bond issues, and All Share Index, and the results show strong interrelationships among the capital market indicators, but comparatively limited statistical association with RGDP measures. Most short-run coefficients are insignificant, the reported long-run coefficients are also statistically insignificant, and the Bounds Test does not support a stable levels relationship over the analysed period. The central conclusion is therefore that the results provide limited evidence that capital-market development was associated with economic growth during the period covered by the study. This conclusion is deliberately narrower than attributing the outcome to structural or regulatory weaknesses, because those mechanisms are not directly tested in the estimated model.

From a policy perspective, the findings justify continued attention to the conditions under which capital-market activity may translate into productive investment. Measures aimed at improving liquidity, transparency, investor protection, access to market financing for viable firms, and financial literacy remain consistent with the broader literature. However, these recommendations should be understood as policy implications informed by both the empirical results and prior research, rather than as causal effects established by the present econometric specification. Future research could incorporate institutional and macroeconomic control variables, alternative measures of market depth and liquidity, and robustness tests across different sample periods.

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Appendix A. Data

RGDP	MCAP	EQ	BD	ASI
11.63	16.3	12.1	0.8	513.8
-0.55	23.1	18.4	1.4	783
2.19	31.2	26.2	1.8	1,107.60
1.57	47.5	41.8	2.1	1,543.80
0.26	66.3	61	2.1	2,205.00
1.87	180.4	175.1	2.1	5,092.20
4.05	285.8	279.8	3	6,992.10
2.89	281.9	276.3	2.8	6,440.50
2.50	262.6	256.8	3.1	5,672.70
0.52	300	294.5	3.1	5,266.40
5.52	472.3	466.1	4.1	8,111.00
6.67	662.5	648.4	5.8	10,963.10
14.60	764.9	748.7	3.5	12,137.70
9.50	1,359.30	1,325.70	8.4	20,128.94
10.44	2,112.50	1,926.50	7.9	23,844.50
7.01	2,900.06	2,523.50	9.83	24,085.80
6.73	5,120.90	4,227.13	3.49	33,189.30
7.32	13,181.69	10,180.29	16.98	57,990.20
7.20	9,562.97	6,957.45	16.41	31,450.78
8.35	7,030.84	4,989.39	10.05	20,827.17
9.54	9,918.21	7,913.75	56.37	24,770.52
5.31	10,275.34	6,532.58	1,341.29	20,730.63
4.21	14,800.94	8,974.45	1,400.43	28,078.81
5.49	19,077.42	13,226.00	1,394.00	41,329.19
6.22	16,875.10	11,477.66	144.96	34,657.15
2.79	17,003.39	9,850.61	205.89	28,642.25
-1.58	16,185.73	9,246.92	281.97	26,874.62
0.82	21,128.90	13,609.47	276.5	38,243.19
1.91	21,904.04	11,720.72	256.56	31,430.50
2.27	25,890.22	12,968.59	355.82	26,842.07
-1.92	38,589.58	21,056.76	507.76	40,270.72
0.51	42,054.50	22,302.75	718.3	42,716.44
3.10	51,188.87	27,965.74	1,058.50	51,251.06
2.74	75,202.90	40,923.88	1,189.40	74,773.77

Source: CBN Statistical Bulletin, 2025