

The Role of Capital Market on Economic Growth in Nigeria (1980-2008)

Usman Owolabi Akeem, Phd
Faculty of Management Science, PMB4000, LAUTECH, Ogbomoso, Nigeria
e-mail-labisky@yahoo.com, Tel: +2348036675099

Abstract

The capital markets play important roles in the economy growth of the market. A well functioning market insures that both corporation and investors get or receive fair prices for their securities. It examines the impact of capital market on the Nigeria economy and also examines how stock exchange market has contributed to the economic growth which aims at studying the second tier securities market. The secondary data employed for this research work were sourced from the statistical bulletin of the Central Bank of Nigeria (CBN) 2008. The ordinary least square is used for all variables in order to determine the linear relationship between the independent and dependent variable. Using Statistical Package for Social Sciences (SPSS). Multiple regression models were adopted in this research work with the result from this regression model showing that the R^2 for model one and two are 0.840, 0.888, which implies that 84% and 88% variation in the dependent variable can be attributed to the variation in the independent variable. Also R^2 – ADJUSTED OF 0.799 and 0.874 implies that 79% and 87% show a minimized error from the coefficient of determinant (R^2). In conclusion, it has been observed that this ensures that valuable projects will be financed and negative value project will be rejected. Most importantly will argue that integration into the world capital market will accelerate the growth process.

Keywords: Market Capitalization, Inflation rate, Turnover and Real Output.

1.0 Introduction

Securities were first floated in Nigeria early as 1946, although there was no systematic and organized capital market with all the attendant institution until the establishment of the Central Bank of Nigeria (CBN) in 1959 and the launching of the Lagos stock exchange in 1961. Before this event, it was difficult for the government to raise funds locally for the sale of stocks. It was difficult to mobilize adequate local savings even though the volume of such savings was increasing. It was still more difficult to provide facilities for the government to sell part of the increasing volume of industrial shares that it was holding through its participation in joint ventures.

As a result of the establishment of the Central Bank of Nigeria, there came into existence a wide variety of domestic securities such as Bonds, Shares, Development stocks and premium Bonds. These were issued and offered for sale to the public. The central Bank played a vital role in the management and marketing of government securities, sometimes indeed the central bank acted as the main holder of such securities when the market became saturated until such securities were sold to the public mostly to those who saved the institution like the personal fund and insurance company.

In floating the first federation of Nigeria development stock in 1959, The Central Bank attempted to introduce arrangement for the growth of market in securities. Commercial Banks were requested to accept potential buyers and sellers whose names were then transferred to the central Bank where central register was maintained. The commercial Banks thus serve as a link between potential buyers and sellers. The central played the roles of establishing price for stock sold in the market.

The Lagos stock exchange market (LSE) was established in 1961 and since that time government stocks started being traded on the capital market even though the central Bank started to manage the issue of government securities. There were only nine issues of development stock between the year of 1962 and 1972 in an attempt to increase the volume of funds available to governments in particular, the insurance, (miscellaneous provision) act was passed in 1964. The act required insurance company to invest locally at least two-fifths (2/5) of the premium received on locally insured risk. The act stipulated as from 1st April 1966 the investment of the insurance company in Nigeria must be less than the value of funds covering all endowments assurance policies dating back to 31st March, 1992. It stipulated again that at least one quarter of their local investment must be in government securities.

Another step at increasing the volume was taken in 1961 then the income act was passed under this acts, the existing pension and provident funds were required to invest at least a (1/3) of their funds in Nigeria government stock in order to continue to qualify for tax exemption.

Another important step at developing and expanding the Nigerian capital market was the indigenization decree 1972, which required that 40 of the capital of some of the foreign owned companies must be made available to Nigerians by this single steps, many countries offered their shares to the public especially to those that have not been listed on the Lagos stock exchange market before this decree became quoted/coated. This increase size and volume of activities at the Lagos stock exchange both in participation and in exchange of operation.

To further increase in the number of securities quoted on the Lagos stock exchange, the federal government in its 1977/1978 budget indicated that the state government would be allowed to have their own bond. Similarly, in order to provide funds more abundantly to certain sectors some banks were established these were:

1. The Nigeria industrial development bank (NIDB)
2. The Nigeria bank for commerce and Industrial (NBCI)
3. The federal mortgage bank formerly the Nigeria building society.

These banks are to provide long and medium term loan for investments in manufacturing agricultural, commerce, pharmaceutical, petrochemical and real estate respectively. All these steps were taken in order to improve and expand the scope and extent of operation of capital market in Nigeria.

1.1 Statement of the problem

The Nigeria economy has been bugged down with a lot of socio-economic and political malaise antithetical to economic growth. Capital market in the world over serve as veritable channels to mobilize both domestic and foreign savings for the development purpose. But despite the fact achieved by the Nigeria capital market in the area of capital formation over the years, individuals, corporate bodies and government were yet to take full advantage of opportunities in the markets, because they experience lack of recovery fund.

1.2 Objective of the study

The primary objective of this study:

- It examines the impact of capital market on the Nigerian company economy.
- Specific objectives
- To examine how the stock exchange market has contributed to economic growth
- It also aims at studying the objectives of second tier security market (SSM) with a view of assessing their performance.

2.0 Theoretical Frame work

In Nigeria, experience has shown that the revenue generated from taxation and statutory allocation is not enough to finance recurrent and capital expenditure of most state governments of the federation therefore, if is necessary for the government to look for other avenue to source funds such as capital market for capital inflow to bridge their growth gaps. For economic growth and development of any economy, the existence of a good financial system is needed or necessary.

According to Oyindo (1994), financial market is a complex of institutional arrangements that facilitates the intermediation of funds in an economy. Onyike (1984) define financial markets as the market consisting of the money and capital market with the money market catering for short term and medium term funds needed, while the capital market cater for long term funds needs but with its activities revolve round stock exchange.

Van (1962) sees the financial system as market which includes all institutions and procedure for bringing all sellers of financial instrument together that no matter the nature of financial instrument.

Okigbo (1998) in his own view sees financial system as a family of rules and market their transaction with the rest of the economic domestic and oversees regulations and collection of financial arrangement institution, agent and the mechanism whereby they relate to each other with the rest of the world.

Ojo (1998) sees financial system as a system which covers all financial institutions including the Central Bank of any economy. Phillips (2001) in his own view that financial system is the complex of institution and

mechanism whereby medium and long term fund are pooled and made available to business government and individual thereby instrument already outstanding are transferred.

Spreacher (1987) asserted that the financial market consist of both the money and capital market and refer to the financial market as the securities market. Unlike the earlier Keynesian liquidity preference theory, this work recognizes the part of intermediation of credit creation both borrowed over investors in their reconsidered theory of banking, they elaborated upon the roles of financial intermediate in saving and investor process for development. The argued that the growth of financial asset institutions and market correspond with that of economy growth. In this regard, Shaw and Mick in (1973) introduced the concept of 'financial Deepening' i.e increase in financial asses shock in relation to GNP and develop a model to explain the complementary of financial deepening with accumulation of physical capital through their empirical evidence from difference countries study on their economy growth.

More specifically, High Patrick (1982) works particularly in relation to developing countries especially in those countries where capital market are either non existence under developed or under utilized. The latter two cases are true of the Nigerian capital market. His contention was that lack of demand for financial institution in the developing countries is denied to factors such as excessive regulatory controls, restrictive banking legislation and region barriers in some countries. Market distortion and imperfection this thesis was that of equation of supply led system which could stimulate the demand of services of those financial institution in which case supply creates its won demand while Japanese case illustrate that supply led policies could enhance public awareness as to the advantage of the financial market and this create its own demand.

David Gill (1982) on his own part extended the thesis through inter-country analysis, comprise and observe that monetary intermediaries such as savings and loan institutions, investment trust pension fund and security market tend to grow as country especially on economic development and structural change from its growth and whilst the scope of the communal system reduces he used is observation in the various segment of finance system to develop the 'planed approach' while emphasizing the development of non market sources of finance such as the security market.

In his study he discovered that in growth economy about two decades ago the banking system supply 80-90%. The Finance originated from financial institutions against a decline about 40% unless in present times. This pattern is being followed by developing countries. The significant of open market for primary security in developing countries is not usual as it is a mere reflection of the low level of development and in turn per capital income, thus, the investment saving mechanism is still rudimentary in those countries affected by growth. Studies have shown that in the absence to open market in primary securities, the role of monetary system is intermediate and very crucial thus, in many developing countries the banking system is depended upon to promote investment through the issue of currency, demand deposit (DD) and time deposit (TD) which can be extended as credit to private and public investors.

Alile (1986), subtle therefore the system can accommodate internal set off finance savings investment in SMEs, family growth and so on. More, so when access to alternative to difficult capital market are under develop and under utilize the lack of demand for this institutions could be due to a number of factor like excessive regulatory controls, social cultural imperfection and distortion in the operation of market mechanism. (Falegan 1989).

2.1 Efficient Market Hypothesis

Tinic West (1980) said that capital market is characterized with divisibility that is distributing wealth between shares and also with liquidity which is to convert asset into cash which may not be possible if the market is not efficient. Efficiency enables investors to rate a company for higher yield and also to know the economy stands. According to Perled (1974) said that capital market is the one in which security prices fully reflects all publicity available information concerning securities trades such a markets is efficient in view that if properly it fulfills the primary roles of capital market and the optimum allocation of resources.

Capital market is known to be planning the role of allocating economy's resources overtime which will then be regarded as allocation efficient when they establish securities prices and have operating characteristics that encourage the economy capital to flow to individuals from the organization with the most promissory real investments for economic growth opportunities or an efficient capital market will channel liquid capital accurately to where it will do the nation good.

Famo (1970) put it that an efficient market hypothesis is efficient in the processing information the prices of securities observed at anytime are based on correct evaluation of all information when firms issue securities that represent ownership of firm activities, they can do so under the assumption that they are paying fair prices and then became good education of values. Where there is no useful information for predicting future price change, the best

give for tomorrow prices therefore becomes today's price and this is called Random weak hypothesis. Random weak hypothesis theory is used in stock price movements that are completely random and not predictable.

Efficient adherence to the random weak hypothesis (RWH) which eliminates the usefulness of part prices information which is called the weak form of the efficiency markets hypothesis while semi-strong of the market is that an asset is worth what the market says it worth and that market quickly and correctly evaluates all public information related to the assets worth which are very useful to the investors. The strong form of the efficiency capital market is that market generally anticipates the release of useful information so that insiders cannot beat the market of information.

An insider means a chairman or managing director, secretary, company, auditors and chief executive from buy their privilege internet to quantity in or manipulate the prices of a company's secretary their personal gain capital market is also operate efficient when buyers and sales of securities can purchase transact sales show at prices that are an low as possible given the cost associated with having their sales provided. These prices at that put in time represent the best estimate of security "intrinsic value" prices are fully reflected inform when there is an assumption that the expected prices of a security in one period is the future, given to day's relevant set of information is equal today's prices and expected return for the next period.

Kaldor and Aniwire (1961) on their own cited and agree that aggregate saving ratio depend on the distribution of income, the larger the savings the larger the capital.

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SMEs can actually enter the Nigeria capital market to raise long term capital and for the financing of new project expansion as modernization existing industrial and commercial concerns before the introduction of SSM the stock.

2.2 Compositions of Capital Markets

Financial system incorporates financial instruments, financial institution, financial markets and organs operating within the system.

The financial market can be grouped into two:

Money market and Capital market.

The capital market is may main concern which is the market for long term able funds for commercial and industry.

Different economic have many various on the forms of the markets but my emphasis will be based on capital market.

Sharpe W.F. (1964) was of the view that for the capital market to play any significant role groups of borrowers and inventors would come together, trading would tend to occur when lying along investment frontier because of the interaction between borrowers and inventors which is necessary condition for a country's take-off.

Van(1962) believed that capital market includes the credit and equity market instrument that are not considered a part of money market. The capital has many separates markets like the market for corporate, state and local government bonds markets for long term federal obligation and the market for equity instruments.

According to Bullion (1994) he said that it is the market the deals in long term loan able funds. The market is the source for which industry obtain is capital from expansion and modernization and from which the gout borrows on long term basis of development purposes. With the indefinite term of 5 years and above, loan instrument (securities) traded in the market include equities, federal government, stock government loans, company loans, dubieties etc.

For policy encourage savings to be accomplished suitable institutional machinery needs to be provided for their mobilization and such mechanism is essential for the private sectors and well an useful for the government sector to tap the available resources either to wide take a new investment or add to existing capacity.

In essence, the interactive tendency of saver and the inventers mean we the importance of a capital market. Therefore, effectiveness of market depends on the volume of savings, the number of savers and the degree of sophistication of the investing public.

Bervil (1973) believed that capital market replaces labour mentality in less developed counter with the catalyst mentality by giving workers equity participation rather than increasing their wages in enterprise because equity generates dividend and a stimulus to owning property.

Capital market leads to economic growth only when there are enough savings and finances. Bervil also believe that capital market also leads to development and developing countries capital market leads to economic growth because it does not create debt and rather, it erases all loaners to economic growth.

Olaleye (1998) believes that it's a network of financing situation that arrange for sale and purchase of long term financial assets such as shares, debentures and mortgages. They are long term financial assets because their claim remains for a long-term and it is divided it into two market.

1. Primary markets and
2. Secondary markets

Primary market is a market where new issue of separation such as stock and shares are sold for cash while Secondary market is a market where the existing issued separation are bought and sold.

Ijewere (1983) argued that industries respond both to their own estimate and judgment of business to capital market environs with efficient and dependable mechanism through where long-term financial instrument can be raised and traded.

Schatz (1964) and Kayode (1972) maintained of capital shortage illusion thesis of Schatz's submission after further examinant of Schatz's operate of federal loan board (FLS) over come period put Kayode found that the noble was not large false demand for capital but migrate. He also argued the viability itself is a function of object truth about the project (1981) Schatz opened that frequent capital shortage is the effective or operatory independent of indigenious private investment is mistaken that it is a illusion created by a large false demand for capital. He said that is a ready exists is not an immediate shortage of capital but a shortage of variable project.

In line with training, it is not intention that success since gout in requires had adopted value named at time revising earlier, in effect at promoting economic growth.

But one of the most sustained is the maintenance of specializes economic and financial institution to provide accelerated industrial development in Nigeria.

2.3 Roles of Economic Growth and Capital Market

Capital market as a means of providing the growth of one technique with industrialization. Other authorities are by fiscal, external borrowing, inflationary and direct or self-finance are also important.

Many developing countries (like Nigeria) prefer combining these methods as much as possible rather than closing from the attractive methods.

In capitalized or developed economics, the dominant and most effect techniques of industrial economics are:

1. Utilizing the economic intermediaries and capital markets
2. The economic intermediation or debt asset systematic

Other methods are main fiscal, self or internal and it is predominantly used in West African Countries, which cannot adequately cope with complexity requirement of growth in present day.

The West African countries have found it difficulty to generate high levels of savings and investments through transaction and state enterprise profits, considering the fiscal option and it recounted into:

- The accumulate of public expenditure and
- The inadequate and efficient administration of both taxation system and state enterprises.

2.4 Organs of the Market

The LSC was formally known as NSE. The secondary market generating caused stock exchange and it is the prime operational institution in the capital market.

Established in 1961 by the LSE Act, the LSE was reconstituted into the NSE in 1977 and today have seven trading floor in Lagos, Kaduna, Port-Harcourt Kano, Onitsha, Ibadan and Abuja. Stock brokers are licensed by the council to deal in go et al and Industrial securities quoted on the exchange and their conducts are guided by the exchange's rules and regulations.

The NSE was established to perform the following:

- a. To provide the machinery for mobilizing the private and public saving and making them a valuable for productive investment through stock and shares.
- b. To provide meeting place for dealing member to buy and sell exactly stock and shares as were as provided opportunities for raising new capital.
- c. To facilitate the purchase and sales of security due to facilitate dealing in government securities and provide goods with funds of development purposes.
- d. To protect the public from shady deals and practice in quest securities through its rules regulation and operating codes with the objectives of ensuring fair dealings.

2.4.1 Automation and the Nigeria Capital Market Statement

The Oxford dictionary defined automation as the use of machine to do work that was previously done by people and also mean the loss of many factory jobs. Also the Webster's Cambridge dictionary defined it as any method that uses self operating equipment, electronic devices to replace human beings in doing routine of repetitive work. In other words, automation refers to the process in which machines are used to perform tasks that are previously require manual skill. Automation within the capital market context therefore means considerable reduce manual execution of capital market transaction.

In addition, the following function and process have been identified as area where automation is not only possible but also are already being practical in some developed countries.

1. Price determination process in secondary market.
2. Order execution
3. Order collection and routine
4. Market information system (MIS)
5. Clearing and settlement
6. Market surveillance system

2.4.2 Necessity for Capital Market Automation

The basic motive for promoting security market worldwide can be summarized as follows:

Firstly, to provide secondary market for trading securities, thereby improving the efficiency of capacity allocation through price mechanism.

Secondly, to foster the mobilization of saving for the purpose of buying security issued by growth or economic to growth.

Thirdly, provide an alternate source of revenue other than exact for government.

Fourth, to facilitate the form for all individual to invest their saving in a wide range of risk reward opportunities and financing to promote rapid capital formation.

In addition to pursuing the above motives for internal growth, government has also the standard responsibility and ensures that there is an adequate level of protection for whoever decides to invest in the economy. To this end, government will ensure efficient in the market, generates a high level of confidence in it assures standard and stability in the motive mentioned earlier invest the advanced.

The question therefore, how can automation enhance realization of the broad financial objectives policy mentioned above?

In the first instance, customer of the securities markets has the potential of improving the efficiency of the market from the point of view of reduces operation cost. For example, automating our already identified process, viz order collection, will reduce and processing errors that are usually associated with manual system.

The quality of market is also important of it is measure by liquidity and relative price stability. This may be possible through timely and adequate market information. Price, volume and company information disseminating among market professional and investors.

Also better market integrated can be achieved as a result of automatic where there are many branches of the same stock exchanges situated in different action or where there is independence stock exchange.

Moreover, automated securities market provides sample opportunity implementing policies that would enhance adequate protection of investors against price regulation and negative effect of inside trading. This is automated and integrated system; market progress and trading process able monitored and any unusual investment in price of volume integrated. At this point, we must agree or identify with the system question trust that there are two sides to a win or a similar statement that for everything that has some good aspect, it must have its P.

Carefully weigh sides, so in spite of the highlighted and developed of questions automated security market there are some disadvantages.

2.5 Types of Market automated

A study of automated system shows that they can easily be grouped into two broad categories as regards their modes.

The NASDAQ, ANO, SEAQ belongs to dealers market system in which market may continues quote "ASK" and bid prices at which CAT and CAC system on the other hand belong to the continuous auction system where order that match in term of size and price are consummated automatically. We shall briefly describe features of the ideal market and the auction market below:

2.5.1 AUCTION MARKET SYSTEM

This system is screen based and provides for a continuous price quotation based on the auction principle and public limit order to each security. Apart from the amount and price limit on buying and selling order, the last five trade order are consistently displayed and it makes the system more visible than the dealer market.

2.5.1.1 Market system in Nigeria

Pricing and trading characteristics Nigeria capital market system at present, the securities are called out by an officer of the NSE when trading commerce.

The stock brokers (dealing member) thereafter indicates their interest either abiding or offering a scanty in question at the price the stock brokers estimate the scanty to be Act times a stock brokers may make across deal if he has both buying and selling instruction at different of same price. The price of any stock is to a large that influence by the basis economic principle of demand supply. Other factors both exogenous and endogenous to the economy are also considered while determining the prices at the call over seasons.

Expected problems

In this season, we shall discuss the possibility of automating the securities transaction process in the Nigeria net and the problem that be encountered.

a. Order collection and order routine

It involve order collected from the alternate buyers and seller and routine of same from the broker or collector to the stock exchange given the low level of transaction in the NSE automated the processing not achieve much.

b. Price determinant and stock exchange breach wage

2.6 Definition to SMEs

The UNE United Nations Economic for Asia (1952) defines as courtage industries of the economy that carry on whole or partly with the help of the family, either as a whole or part store occupation such as a small scale industry operates with hiered labour.

Bitro (1954) and (1760) India defined small scale industries as industries established, aiming fewer than 5 employees, If motive power is used and having less than 35,000 rupees of fixed capital investment.

This the central bank of Nigeria CBN (1980) in it's credit judgment two banks, states that in the case of commercial bank SMEs can be defined as a enterprise where annual turnover ranges between enterprise with capital investment not exceeding N2million (exchanging cost of land) or with maximum turnover not more than 5 million.

For the Nigeria bank for commerce and industry (NBCI) in 1981/82 SSE are defined as those with total cost of not more than N500,000 (excluding cost of land but including working capital). It also adopted the definition of SMEs as those with cost of capital not excess of N750,000.00 and paid employment up to 50 person such establishment must be wholly Nigeria owned that is, are companies in the schedule to of the (1977) Nigeria enterprise promotion decree.

The centre to management development (CMD) (1982) wrote a policy proposal on small industry services and sub mandated to Federal Government that stated follow:

"A small scale industry is manufacturing, processing or service industry located in a fasting or production types of operations employing up to 50 full time workers.

But previously in 1974 CMD carried out a research out in Lagos and it was noted that small scale can not be adequately define in term of number of employees sales, volume, asset employ or a combination of the above because of inherent fallacy that would be embedded in such definition.

3.0 Research Methodology

3.1 Model specification

In the course of this study, two models will be examined. The first model will make use of real gross domestic product as the explained variable the explanatory variables are; share index, market capitalization, turnover and transaction at the stock exchange. The second model will make use real gross domestic product as the explained variable while the explanatory variables are; inflation rate, transaction at the stock and exchange rate.

The model is expressed as an implicit function and as follows:

Model 1

$$Y = f(X_1, X_2, X_3, X_4)$$

Where;

Y = real gross domestic product

X₁ = share index

X₂ = market capitalization

X₃ = transaction at the stock exchange

X₄ = turnover ratio

The model is being expressed in estimation form will be

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \mu$$

Where =

β^0 = intercept

β_1 = coefficient of share index

β_2 = coefficient of market capitalization

β_3 = coefficient of transaction at the stock exchange

β_4 = coefficient of turnover ratio

μ = stochastic or error term

Model 2

$RGDP = f(INF, EXR, TSE)$

Where:

RGDP = real gross domestic products

INF = Inflation rate

EXR = exchange rate

TSE – transaction at the stock exchange

The model is being expressed in estimation form will be

$RGDP = \alpha_0 + \alpha_1 INF + \alpha_2 EXR + \alpha_3 TSE + \mu$

Where:

α_0 = intercept

$\alpha_1 INF$ = Coefficient of inflation

$\alpha_2 EXR$ = Coefficient of exchange rate

$\alpha_3 TSE$ = coefficient of transaction at the stock exchange

μ = stochastic error term

A priori expectation

The Expected signs of the coefficient of the first model $\beta^0 > 0$, $\beta_1 > 0$, $\beta_2 > 0$, $\beta_3 > 0$, $\beta_4 > 0$.

3.2 Measurement of variable

The multiple regressor is used to analysed the data based on three criteria identified by koutsoyiannis (1977) They are:

- a. Economic “a priori” criteria
- b. Statistical criteria
- c. Economic criteria
- d. Economic “A Priori” Criteria

The statistical criteria are determine by statistical theory as stated below and are aimed at evaluating parameters of the model they are:

Coefficient of Determination (R^2)

It measures the proportion of the variation in the independent variable that is jointly explained by the linear influence of the explanatory variable. The value of R^2 lies between zero and one that is $0 < R^2 < 1$.

Standard Error (SE)

This test will measure the reliability of estimated parameters the standard error is a decreasing function of the sample size. The lower the standard error, the more reliable the estimate.

Adjusted coefficient of Determination (Adjusted R^2)

The adjustment R^2 is used to re-compute R^2 to give another value and to take care of non-sense variables. If the R^2 is higher it is good fit but if it lower it is bad.

R^2 simply implies the coefficient of determination (COD) that is adjusted for by taking into consideration the no of explanatory variables so as to remove the effect of insignificant regressor.

Test of Significant

The t-test describes the statistical significance of the reliability in the parameters estimated. A student t-test must be performing to determine the significant or otherwise of each explanatory variable in the model. If the value of t-calculated is greater than the value of t-tabulated, we reject the null hypothesis (H_0) and accept the alternative (H_1)

3.3 Economic Criteria

The economic criteria determine the reliability of the statistical criteria, and in particular the standard errors of the parameter estimates.

Durbin Watson (DW)

The test will be employed to test the degree of correction. A value of DW close to 2 indicates absence of auto correlation in disturbance. It should be noted that the d-statistic is not a satisfactory test when the explanatory variable include a larger value of the series itself.

3.4 Sources of data

The data is gotten from statistical bulleting of the central bank of Nigeria.

3.5 Method of Analysis

The use of OLS ordinary least square and time series data shall be used for all variables over the period

3.6 Data Analysis

The data are been calculated by the SPSS software package.

MODEL 1

Variable	Coefficient	Std. Error	t-statistics	Sig
C	215781.0	16867.561	12.793	0.000
X ₁	-2.280	0.723	-3.153	0.006
X ₂	960.016	119.678	8.022	0.000
X ₃	-7.808	1.130	-6.908	0.000
X ₄	25538.003	10006.760	2.552	0.021

R-Squared = 0.840

Adjusted R-squared = 0.799

Durbin - Watson statistics = 1.315

Then, $Y = 215781.0 - 2.280X_1 + 960.016X_2 - 7.808X_3 + 25538.003X_4$

MODEL 2

Variable	Coefficient	Std. Error	t-Statistic	Sig
C	190514.5	20599.392	9.242	0.000
TSE	0.172	0.033	5.914	0.000
INF	633.115	553.457	1.144	0.623
EXR	1913.603	229.104	8.353	0.000

R-Squared = 0.888

Adjusted R-Squared = 0.874

Durbin – Watson Statistics = 0.901

Then, $RGDP = 0.888TSE + 0.874 + 0.901EXR$

Data Interpretation

The above expression shows that the share index is positively related to the related to real GDP denoted Y. Also the market capitalization and the transaction of stock exchange.

The R² which is the correlation of coefficient the measures how much dependent variable (Y) that is explained by the independent variable (X₁, X₂, X₃, X₄) is 84%, this is a good fit it shows that a total of 84% of Y is explained by the explanatory variable X₁, X₂, X₃, X₄ and also in the second model the (RGDP) is the dependent variable that is explained by the independent variable (TSE, INF, EXR) is 88% this is a good fit it shows that a total of 88% of RGDP is explained by the explanatory variable X₁, X₂, X₃, X₄ from the period under consideration 1980-2008.

The R² which is the coefficient determination is 79%, meaning that a total of Y is explained by the four variables and the model two is 87.4% meaning that a total of RGDP is explained by the three variables.

4.0 Findings

This study has attempted to examine the various sources growth wide capital market institutions to SMEs in Nigeria. It looks at the impact of these sources on SMEs the survival on the economy.

The following were deduced on this research works.

1. It was observed that it is difficult for SME to expand above particular size. This is attributed to many resources one of which is under-financed and SMEs suffer from inadequate working capital and have difficulty in finding their purchase of materials, when payment are held the people it constitute a large part of financial payment.
2. It has also been known that equity securities sometimes known as financial plans and compos of long term source of find such as equity share capital all these are not easy to achiever.
3. It also creates the availability of stock exchange gives the SMEs more flexible capital structure and are also able to vary their financial status that SMEs towards the economy.
4. The findings reveal that SMEs have access to source of funds and growth. They have the abilty to raise funds with which is easier and more successful where the firs are listed or quoted I stock exchange. bulletin should be tied to the stock market.

5.0 Conclusion

This project has high lightened and expatiates the component of the topic, and there are several sources to this they are share index, market capitalization, transaction at stock exchange, turnover, inflation and exchange rate. Despite the loans disbursement to the economy. However, the growth of SMEs are hindered because of these factors; incompetence of banks' staff in project appraisal, loan recovery threat, inadequate equity contribution toward the economy and high autonomous exchange rate.

These hindrances are curbed by some of this factors which are strengthening existing specialized credit scheme, eliminating undue influence market for the economy effective project management by banks, development of modern technologies and establishment of non-governmental organization and also the provision of guaranteed schemes.

The available data shows the capital market are toward the economy and it's done quickly through equities, turnover, profit after tax industrial loan. The correlation rate of the model listed also agrees that there is high correlation between share index, turnover, exchange rate, and inflation rate.

Lastly, all parties unanimously agrees that the concept and design of the funds is a right step in the right direction and that all that is needed is some training on the part of the government to adjustment operations of financial institution to the peculiarities of the Nigerian economy climate.

Table i:Data from CBN statistical bulletin

YEAR	REAL GDP	SHARE INDEX	MARKET CAPITALIZATION BILLION	TRANSACTION AT THE STOCK EXCHANGE	TUOVER	INFLATION	EXCHANGE
1980	31548.8	-	-	388.7	0.51	10.00	0.5445
1981	205222.1	-	5.0	304.8	0.32	21.42	0.6369
1982	1999685.3	-	5.0	215.0	0.85	7.16	0.6702
1983	185598.1	-	5.7	397.9	0.58	23.22	0.7486
1984	183563.0	-	5.5	256.5	0.47	40.71	0.8083
1985	201036.3	1413.4	6.6	316.6	0.51	4.67	0.9996
1986	205971.4	1797.8	6.8	497.9	0.6	5.39	3.3166
1987	204806.5	2123	8.2	382.4	0.68	10.18	4.1916
1988	219875.6	2418.9	10.2	550.3	0.44	56.04	5.3530
1989	238729.6	3286.4	12.8	610.3	0.28	50.47	7.6500
1990	267550.0	5083.9	16.3	225.4	0.72	7.50	9.0001
1991	265379.1	8089.4	23.1	242.1	0.6	12.70	9.7545
1992	271365.5	11172.2	31.2	491.7	1.1	44.81	19.6609
1993	27483.3	14749.3	47.5	804.4	0.8	57.17	22.6309
1994	275450.6	22958.7	66.3	985.9	0.9	57.03	21.8861
1995	281407.4	45781.4	180.4	1838.8	1.02	72.81	21.8861
1996	293745.4	71461.7	285.8	6979.6	2.5	29.29	21.8861
1997	302022.5	91663.1	281.9	10330.5	3.9	10.67	21.8861
1998	310890.1	71542.3	262.6	13571.1	5.2	7.86	21.8861
19993	12183.5	63170.3	262.6	13571.1	5.2	7.86	21.8860

1999	312183.5	63170.3	300.0	14072.0	4.1	6.62	92.5284
2000	329178.7	80414.1	472.3	28153.1	5.9	6.94	109.5500
2001	356994.3	122170.9	662.5	576833.8	8.9	18.87	112.4864
2002	43320.5	139582.4	764.9	59406.7	7.9	12.89	126.4000
2003	47953.0	186718.7	1359.	120402.6	8.6	14.0	135.4067
2004	527576.0	296863.8	2112.5	225820.0	11.6	15.01	132.6700
2005.	561931.4	274520.6	2900.1	26295.0	10.1	17.85	130.4000
2006	595821.6	337219	5121.0	470253.4	N.A	8.24	128.700
2007	634251.4	585279.7	13294.6	1076020.4	N.A	5.38	124.7451
2008	674889.0	610418.13	9516.2	1679138.1	N.A	11.60	119.7925

SOURCES: THE CENTRAL BANK OF NIGERIA STATISIAL BULLETING

Table ii: Regression results
ANOVA^b

Model	Sum of Squares	Df	Mean Square	F	Sig.
1. Regression	1.9E +011	4	4.814E+010	20.934	.000 ^a
Residual	3.7E + 010	16	2299533912		
Total	2. 3E+011	20			

a. Predictor: (Constant), X4, X3, X1, X2)

b. Dependent Variable: Y

c.

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error			
1. (Constant)	215781.0	1686.561		12.793	.000
X1	-2.280	.723	-1.876	-3.153	.006
X2	960.016	119.678	6.870	8.022	.000
X3	-7.808	1.130	-5.453	-6.9022	.000
X4	25538.003	10006.760	.893	2.552	.021

Residuals Statistics^a

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	100015.14	578954.9	292668.7	98119.71526	21
Residual	-87537.7	104986.3	.0000	42890.87467	21
Std. Predicted Value	-1.963	2.2918	.000	1.000	21
Std. Residual	-1.825	2.189	.000	.894	21

a. Dependent Variable: Y

Model Summary^b

Model	R	R Square	Adjusted Square	Std. Error of the Estimate	Durbin Watson
1.	.942 ^a	.888	.874	54466.06630	.901

a. Predators: (Constant), EXR, INF, TSE

b. Dependent Variable: RGDP

ANOVA^b

Model	Sum of Squares	Df	Mean Square	F	Sig.
1. Regression	1.9E+011	4	4.814 +010	20.934	.000a
Residual	3.7E+010	16	2299533912		
Total	2.3E+011	20			

A. Predictor: (Constant), X4, X3, X1, X2

B. Dependent Variable Y

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficient	t	Sig.
	B	Std. Error			
1. (Constant)	190514.5	20599.392		9.249	.000
TSE	.172	.033	.412	5.194	.000
INF	633.115	553.457	.081	1.144	.263
EXR	1913.603	229.104	.681	8.353	.000

a. Dependent Variable: RGDP

Residuals Statistics^a

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	195438.5	716644.8	321525.6	144820.19045	29
Residual	-166406	72718.98	.00000	51465.59511	29
Std. Predicted	-.871	2.728	.000	1.000	29
	-3.055	1.335	.000	.945	29

a. Dependent Variable: RGDP

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