

## Trade Openness, Stock Market Development and Economic Growth of Nigeria: Empirical Evidence

Udoka Bernard Alajekwu (M.Sc.)

Department of Banking and Finance, Anambra State University, Igbariam Campus  
Bluebenresearch@yahoo.com, +2347030997856

Vincent N. Ezeabasili (Ph.D.)

Department of Banking and Finance, Anambra State University, Igbariam Campus,  
vezeabasili@yahoo.com, +2348034236705

Samuel M. Nzotta (Professor)

Department of Financial Management Technology, Federal University of Technology,  
Owerri, Imo State, Nigeria, +2348033277225

### Abstract

The study investigates the effect of trade openness on the impact of stock market development on economic growth of Nigeria. The ADF test revealed stationarity of the variables at first difference. The Johansen multivariate cointegration test confirms a long-run co-integrating relationship at 5% level of significance. In addition, the regression estimates shows that trade openness response to the relationship between stock market development does not have significant effect on economic growth. The pairwise granger causality test shows that there is no causal relation between trade openness and economic growth on one hand; and trade openness and stock market development on the other hand. The study conclude that exposure to external economies (trade openness) has no significance contribution to the development of Nigerian stock market in particular and the economy in general.

**Keywords:** Stock market development, Nigeria, trade openness, economic growth, FDI.

### 1 Introduction

The stock market is the market where equity securities such as stocks, representing ownership shares in particular corporations issuing the securities, are traded. These instruments are usually issued by big corporations and promise a return (in the form of dividends) based solely on performance of the issuing corporation. In addition, investors can gain from appreciation of stock prices. The equity securities are usually listed and traded on stock exchanges which provide trading facilities for stock brokers and traders. Stock exchanges provide facilities for issue and redemption of securities as well as other financial instruments and capital events including payment of income and dividends. They are sometimes referred to as securities exchange to reflect these broad functions. Securities that are traded on a stock exchange include: shares issued corporations, unit trusts, derivatives, pooled investment products and bonds. To be able to trade a security on a certain stock exchange, it has to be listed there.

Financial markets, especially stock markets, have grown considerably in developed and developing countries over the last two decades. Claessens, *et al* (2004) cited in Koirala (2009) stated that several factors have aided in their growth, such as improved macroeconomic fundamentals, like monetary stability and higher economic growth. Also, general economic and specific capital markets reforms, including privatization of state-owned enterprises, financial liberalization, and an improved institutional framework for investors, have further encouraged capital markets development (Rajan & Zingales, 1998).

Until 1972 when the Indigenisation Decree (now Act) was promulgated, there was no restriction to foreign investors in the Nigeria capital market. The Decree also known as Nigeria Investment Promotion Decree was amended in 1977 and it effectively restrict capital inflows to a maximum of 40% equity holding in listed security among other stringent measures. The Decree was again amended in 1989 during the privatization era. This time it was aimed at encouraging domestic investment by foreigners. However, total deregulation of the capital market was facilitated the Nigeria Investment Promotion Commission Act of 1995, Foreign Exchange (Miscellaneous Provisions) Act of 1995 and the Investment and Securities Act (ISA) of 1999. With the ISA, foreigners now participate in the Nigeria capital market both as operators and investors. There is no limit any more to the percentage of foreign holding in any company registered in Nigeria. A year after the ISA, the foreign holdings on the Nigeria Stock Exchange stood at 3.96 billion naira on the average (BGL Financial Monitor, 2001). Following this open access to Nigerian capital market, foreign investments in Nigeria has risen to 8.5trn naira as at January, 2013 (Udo, 2013). The Central Bank of Nigeria's figures for third quarter of last year showed that a total of \$1.4 billion was injected into the economy

through FDI while \$4.6 billion came in through portfolio investments, with another \$4.7 billion invested in the nation's capital market (Nigerian Pilot, 2013). These facts suggest the efforts of the government in boosting investments in Nigeria.

The nature and economic significance of the relationship between stock market development and growth vary according to a country's level of economic development with a larger impact in less developed economies (Filler, Hanousek & Campos, 1999). This follows that the correlation between stock market development and economic growth is country-based; because financial market that provides cheaper fund to growing industries facilitates economic growth (Rajan & Zingales, 1998). Therefore, higher levels of financial development are positively associated with faster rates of economic growth and that the level of financial development is a good indicator of future growth prospects (King & Levine, 1993).

The above argument is also strengthened by the fact that countries with more open trade and financial policies may grow faster than those with restricted trade and financial policies. Thus, an increasing openness is expected to have positive impacts on economic growth (Jin, 2000; Khan & Qayyum, 2004). Some empirical studies in the literature have searched the channels through which both stock market development and trade openness affect economic growth. For instance, Kletzer and Bardhan (1987) incorporate financial sector into the Heckscher-Ohlin trade model and show that financial sector development gives countries a comparative advantage in industries that rely more on external financing.

Over a decade in Nigeria, most studies on the Stock-Growth nexus reported that stock market is significant for economic growth (Riman, Ezzo & Eyo, 2008; Nurudeen, 2009; Ezeoha, Ogamba & Onyiuke, 2009; Ogunmuyiwa, 2010; Ujunwa & Saalami, 2010; Adenuga, 2011; and Ohiomu & Enabulu, 2011). Besides, trade openness (in theory) has been often referred to as an engine of growth, since it enables a country to specialize using its comparative advantage and benefit from the international exchange of goods. However, the empirical evidence is mixed. Since, trade flows and FDI can be linked, the FDI was equally included in the measure of trade openness. FDI is an important source of stock market Development. Studies have shown that FDI plays roles in raising domestic savings in the country through creation of jobs and enhancement of technology transfer (Singh, 1997). Other authors posited that without FDI, it would be difficult to obtain such a large capital through the country's own domestic savings. Thus, Adam & Tweneboah (2009), Claessens, Klingebiel and Schmukler (2001), and Kalim and Shahbaz (2009) found positive and statistically strong relationship between FDI and Stock Market Development. To this effect, the role of trade openness in the impact stock market on economic growth is worth exploring.

This study aimed to improve existing empirical evidence on Stock - Growth nexus in Nigeria and developing countries in general, by exploring the influence of trade openness in the underlying impact of stock growth on economic growth. Therefore, this study is an improvement on the previous works. The study also provided relevant insight into the direction of causality between stock market development and economic growth in Nigeria.

## 2 Theoretical Framework

Demircuc-Kunt and Levine (1993) postulated four theories around the stock-growth nexus that were used this study: First, well-functioning stock markets generate lower cost of equity capital for firms. Second, continuous adjustment of share prices in a developed stock market imposes control on the investment behaviour of firms. Third, in a developed stock market, investors have the opportunity to price and hedge against risk effectively. Finally, stock markets serve as a mechanism for attracting foreign portfolio investment, thereby increasing resources available to the economy for investment.

The first and fourth propositions above can be directly linked to the notion that stock market and trade openness can have positive effect on economic growth. In support of this notion, some theorists posit that the stock market is an indicator of an economy financial health because it communicates the mood of investors in a country (Tachiwou, 2010); and that large stock markets can lower the cost of mobilizing savings and thereby facilitate investment in the most productive technology (Greenwood & Smith, 1996). Thus, stock market is expected to accelerate economic growth, by providing a boost to domestic savings and increasing the quality of investments (Singh, 1997). Thus, the theory will guide this study.

On the contrary, traditional growth theorists believed that there is no correlation between stock market development and economic growth because of *level* effect not the *rate* effect. Some of the studies that agree with the traditional theorists are Singh (1997), and Ake and Ognaligui (2010). These two opposing schools of thought have up to date received supports from empirical evidences both in developed and developing economies. The surviving controversies on the theory of stock-growth nexus thus calls for reexamination from Nigerian perspective.

### 3 Empirical Evidence

Studies have shown that stock markets can affect economic growth when they are internationally integrated; thus, Nyong (1997) proffers that international integration of the stock market be vigorously and relentlessly pursued. This was corroborated by Bekaert and Harvey (1997) who computed correlations between a number of stock market development indicators and growth of real GDP in 18 developing countries during the 1986 – 1992 periods. Bekaert and Harvey thus found that stock market development is positively associated with economic growth; and further posits that the openness of an economy is positively correlated with economic growth.

Bailliu (2000) tried to fill the gap in the literature by investigating the role of private capital flows in determination of economic growth using panel data for 40 developing countries from 1975 – 1995. Unlike existing empirical work, his study focused on the effects of broad measures of capital flows on economic growth, rather than on a more specific category, such as FDI. The study further emphasized the role played by the domestic financial sector in the process linking capital flows and growth. The study finds evidence that capital inflows foster higher economic growth, above and beyond any effects on the investment rate, but only for economies where the banking sector has reached a certain level of development. He then suggested that the domestic financial sector plays a pivotal role in ensuring that international capital flows do indeed promote economic growth in developing countries.

More so, Errunza and Miller (2000) argued that the long term impact of foreign capital inflows on the economy is broader than the benefits from initial flows. Foreign investment is associated with institutional and regulatory reform, adequate disclosure and listing requirements and fair trading practices. The increase in informational and operational efficiency is expected to inspire greater confidence in domestic markets. This increases the investor's base and participation and leads to more capital flows into the stock market.

Udegbonam (2002) opined that Nigerian economy is moving towards increased liberalization, greater openness and greater financial development. He then studied the implications of these developments for industrial growth in Nigeria using simple model which relates industrial output growth to openness, stock market development and some control variables. The study suggests that openness to world trade and stock market development are among the key determinants of industrial output growth in Nigeria.

Alfro, Chanda, Kalemli and Sayek (2003) also found strong links among FDI, financial markets and economic growth in their cross sectional study of 71 countries from 1975 – 1995. The result showed that FDI alone plays an ambiguous role in contributing to economic growth. The study posits that countries with well-developed financial markets gain significantly from FDI. With respect to Africa, Mbabazi, Milner, and Morrissey (2008), using cross-section and panel econometric techniques, found consistent evidence that trade openness have a positive effect on growth. On the other hand, by means of cointegration and causality analysis, Gries, Kraft and Meierrieks (2008) found limited evidence that trade openness enhance growth through its impact on financial development in 16 SSA countries.

Ezeoha, Ogamba and Onyiuke (2009), in Nigeria, investigated the nature of the relationship that exists between stock market development and the level of investment (domestic private investment and foreign private investment) flows in Nigeria. The authors discovered that stock market development promotes domestic private investment flows, thus suggesting the enhancement of the economy's production capacity as well as promotion of the growth of national output. However, the results show that stock development has not been able to encourage the flow of foreign private investment in Nigeria. Nurudeen (2009) who investigated whether stock market development raises economic growth in Nigeria, by employing the error correction approach posited that there is no causality between openness and economic growth.

### 4 Methodology

#### Sources and Description of Data

Key variables for the study are grouped into the dependent, the independent, and the controlled variables. The dependent variable is the growth rate of GDP at current market prices. The independent variables comprise the stock market development indicators: ratio of stock market capitalization to GDP (MCR); value of stock traded ratio (VTR); turnover ratio (TOR). On the other hand, some controlled exogenous variables derived as import plus export divided by GDP (TRADE) and Foreign Direct Investment as ratio of Gross Domestic Product (FDI) are included to access the influence of open economy on the interaction between stock market development and economic growth in Nigeria.

The inclusion of these variables is motivated by the methodologies of previous researchers and the positions of basic economic theories. Because trade flows and FDI can be linked, the FDI was equally included in the measure of trade

openness. FDI is an important source of stock market development; hence, it can play a positive role in raising domestic savings in the country through creation of jobs and enhancement of technology transfer (Singh, 1997). Without FDI, it would be difficult to obtain such a large capital through the country's own domestic savings. Thus, empirical evidences abound on the positive relationship between FDI and Stock Market Development (Adam & Tweneboah, 2009; Claessens, Klingebiel & Schmukler, 2001; and Kalim & Shahbaz, 2009). The study used an annual time series data of 26 years (1986 – 2011). The data were sourced from the Central Bank of Nigeria's Statistical Bulletin, 2011.

**Model Specification for Openness, Stock Market Development and Economic Growth**

The specification of the model adopted the work of by Nazir, Nawaz and Gilani (2010), Ohiomu and Enabulu (2011), Adenuga (2011) and Raza, Iqbal, Ahmed, Ahmed, and Ahmed, (2012), but with some modifications. The model is specified thus:

$$Gr = f(MCR, VTR, TOR, TRADE, FDI) \quad (1)$$

The above function hence forms the following equation:

$$Gr_t = d_0 + d_1MCR_t + d_2VTR_t + d_3TOR_t + d_4TRADE_t + d_5FDI_t + U_t \quad (2)$$

$d_0$  is the intercept;  $d_1, d_2, d_3, d_4, d_5$ , are the coefficients of the regression equation.  $U$  is stochastic error term. A priori expectation is that  $d_1, d_2, d_3, d_4, d_5, > 0$

**Estimation techniques**

To determine the time series properties of the variables in our equation, the data were subjected to ADF (Dickey and Fuller, 1981). The ADF can be stated thus:

$$\Delta Y_t = \delta Y_{t-1} + \sum_{i=1}^k \delta_i \Delta Y_{t-i} + \mu_t \quad (3)$$

The testing procedure follows an examination of the student-t ratio for  $\delta$ . The critical values of the test are all negative and larger in absolute terms than standard critical t-values, so they are called DF and ADF statistics. If the null hypothesis cannot be rejected then the series  $Y_t$  cannot be stationary and it may be I(1) or I(2) or have an even higher order of integration. A stochastic process (time series)  $y_t$  is stationary if its mean and variance are constant over time, and the covariance between two values from the series depends on the length of time separating the two values, and not on the actual times at which the variables are observed.

The long-run relationship among variables in equation two (2) was estimated using the modernized Johansen cointegration technique (Johansen, 1991). The OLS technique was used to confirm the significance of the relationship and contributions of the individual explanatory variables included in the model. To determine the direction of causality between the variables, the Engle and Granger (1987) as cited in Elder & Kennedy, (2001) was performed on the variables. It tests whether the endogenous variables can be treated as exogenous variables. This was done by examining the statistical significance of the lagged variables by applying separate t-tests on the adjustment coefficients.

**5 Results And Discussion**

**Unit Root Analysis**

Table 1: ADF Unit Root test for Stationarity (with constant, no trend)

Variables	At Level 1(0)	First Difference 1(1)	Order of Integration	Remark
Gr	-1.533184	*-4.710418	1(1)	No unit root
MCR	-1.277450	*-4.951767	1(1)	No unit root
VTR	-1.548951	*-5.731037	1(1)	No unit root
TOR	-1.245512	*-4.120647	1(1)	No unit root
TRADE	***-2.888051	*-4.477064	1(1)	No unit root
FDI	-1.670769	*-5.822401	1(1)	No unit root
Critical values	1%	<b>-3.7497</b>	<b>-3.7667</b>	
	5%	<b>-2.9969</b>	<b>-3.0038</b>	
	10%	<b>-2.6381</b>	<b>-2.6417</b>	

Notes:

- 1) Null hypothesis is the presence of unit root
- 2) \*1% level of significance, \*\*5% level of significance, \*\*\*10% level of significance.
- 3) Unit roots tested at 5% level of significance.
- 4) Decision rule -The critical value should be larger than the test statistical value for unit root to exist

Source: Researcher's Estimation using Eviews 3.1.

The variables for our analysis were subjected to unit root tests to determine whether they have unit roots or stationary. The test employed the Augmented Dickey Fuller (ADF) approach. The null hypothesis is the presence of unit root. The model tested considers cases with constant and no trend. The ADF results in Table 1 show that all the variables are integrated of order one. None of the variables are significant at their levels and a reasonable number of the variables were at the 1% significant level.

#### Johansen Multivariate Cointegration Analyses

Table 2: Table of Observed Result for the Johansen Multivariate Cointegration Test Results for the Trade Openness Equation

Test assumption: Linear deterministic trend in the data

Series: GR MCR VTR TOR TRADE FDI

Lags interval: 1 to 1

Eigenvalue	Likelihood Ratio	5 Percent Critical Value	1 Percent Critical Value	Hypothesized No. of CE(s)
0.936839	162.3221	94.15	103.18	None **
0.884030	101.5567	68.52	76.07	At most 1 **
0.706850	54.15939	47.21	54.46	At most 2 *
0.574646	27.16381	29.68	35.65	At most 3
0.276646	8.357456	15.41	20.04	At most 4
0.054487	1.232616	3.76	6.65	At most 5

\*(\*\*) denotes rejection of the hypothesis at 5%(1%) significance level  
 L.R. test indicates 3 cointegrating equation(s) at 5% significance level

Table 3: Ordinary Least Square Equation of Trade Openness

Variable	Coefficient	Std. Error	t-Statistic	Prob.
MCR	-1.621521	1.508573	-1.074870	0.2966
VTR	11.75125	16.99054	0.691635	0.4980
TOR	-3.785468	4.264091	-0.887755	0.3864
TRADE	-0.953129	0.672016	-1.418313	0.1732
FDI	-0.475645	48.53848	-0.009799	0.9923
C	115.1131	52.15163	2.207276	0.0405
R-squared	0.258519	Mean dependent var		24.39833
Adjusted R-squared	0.052553	S.D. dependent var		36.49180
S.E. of regression	35.51999	Akaike info criterion		10.19039
Sum squared resid	22710.05	Schwarz criterion		10.48490
Log likelihood	-116.2846	F-statistic		1.255151
Durbin-Watson stat	1.725165	Prob(F-statistic)		0.325355

Dependent Variable: GR

Source: Regression Results of Eviews 3.1 Analysis

Table 3 examines the effect of trade openness to the relationship between stock market development and economic growth. The result from  $R^2$  (0.258519) indicate that about 26% of changes in economic growth can be explained by the independent variables. Furthermore, the result of the F-statistics is 1.255151( $P > 0.05$ ) indicates that the independent variables do not have overall significance on economic growth. More so, the results of t-statistics confirm this: both trade openness and FDI have negative and insignificant influence on the regression results. The results the F- and t-statistics imply that inclusion of trade openness variables does not have statistically significant influence on the relationship between stock market development and economic growth in Nigeria. This finding does

not support Udegbumam (2002) which suggests that openness to world trade and stock market development are among the key determinants of industrial output growth in Nigeria.

### Structural Pattern

The Granger causality test examines the structural pattern in Nigerian economy, highlighting the trends in causal effect in the economy. Put in a question form: “it investigated which variable causes the other?” as shown on Table 4 below.

The results from Table 4 indicate that the variables of trade openness (TRADE and FDI) do not granger cause stock market development, and or economic growth. Besides, liquidity indicators (VTR and TOR) in the stock market development granger cause economic growth, while market size indicators (MCR and QUOTE) do not granger cause growth. The results suggest that market liquidity can influence economic growth in Nigeria. The notion that openness does not have causal relationship with stock market development, as well as economic growth supported the work of Nurudeen (2009) which posit that there is no causality between openness and economic growth.

**Table 4: Pairwise Granger Causality Tests**

Null Hypothesis:	Obs	F-Statistic	Probability	Remark
MCR does not Granger Cause GR	22	2.08989	0.15434	No causality
GR does not Granger Cause MCR		0.18198	0.83522	No causality
VTR does not Granger Cause GR	22	9.09240	0.00206	Causality
GR does not Granger Cause VTR		0.13581	0.87395	No causality
TOR does not Granger Cause GR	22	5.15668	0.01777	Causality
GR does not Granger Cause TOR		0.42019	0.66356	No causality
FDI does not Granger Cause MCR	22	0.49865	0.61596	No causality
MCR does not Granger Cause FDI		0.31366	0.73490	No causality
TRADE does not Granger Cause MCR	22	0.36527	0.69933	No causality
MCR does not Granger Cause TRADE		0.10879	0.89754	No causality
FDI does not Granger Cause VTR	22	0.77825	0.47490	No causality
VTR does not Granger Cause FDI		0.21282	0.81043	No causality
FDI does not Granger Cause TOR	22	2.73603	0.09329	No causality
TOR does not Granger Cause FDI		0.47340	0.63085	No causality
TRADE does not Granger Cause TOR	22	1.13783	0.34375	No causality
TOR does not Granger Cause TRADE		1.33311	0.28986	No causality

## 6 Conclusions

This study noted that there has being controversies on the impact of stock market development on economic growth, world over. In Nigeria, the subject has also attracted conflicting empirical evidences in the areas of relationship and causal effect. While some studies posited positive relationship, others reported negative relationship, with equally conflicting levels of significance. On the causal front, there has also being reported indicating no causal effect, uni-directional as well as bi-directional causalities. These conflicting findings created room for more empirical examination of the issue which our study undertook with the help of econometric analysis on time series data covering 1986 to 2011.

The ADF test for stationarity shows that most of the variables were integrated in the order of one at 1% level and others at 5% level. The test of cointegration was done with Johansen (1991, 1995) approach which indicates that there is cointegration in the model. Test results indicate the existence of one cointegrating relationship in the equations at the 1% and 5% significance level. Evidence from the results emerges that only 26% of changes in economic growth can be explained by stock market development and trade openness. This implies that inclusion of trade openness variables does not have statistically significant influence on the relationship between stock market development and economic growth. The results of t-statistics confirm this: both trade openness and FDI have negative and insignificant influence on the regression results. More so, there is no causality between trade openness and stock market development.

## 7 Recommendations

The study recommends that the participants of the stock market should be encouraged to engage in active stock market trading. Measures to discouraging buy-and-hold syndrome among Nigerian stock market investors should be put forwards. Thus, this study further suggest transparency check mechanisms that will make traders have fair play and boost confidence in the Nigerian capital market

Also, policy makers should develop policies that will create a friendly business environment where investors will be at home with the legal and financial framework of Nigeria. The first strategy includes the assurance of political stability in the country. The government of Nigeria must pass a law that protects foreign investor's interest and assets from changing government policies. Development of more infrastructures can also enhance FDI inflows in the country. The government must make efforts to control volatility in exchange rate and inflation rate through effective monetary policy measures.

## References

- Adam, A. M. & Tweneboah, G. (2009). *Foreign Direct Investment and Stock Market Development: Ghana's Evidence*. *International Research Journal of Finance and Economics*, Issue 26, 178-185. Retrieved from <http://www.eurojournals.com/finance.htm>
- Adenuga, A. O. (2011). Stock Market Development and Economic Growth in Nigeria: A Vector Error-Correction Approach, *Journal of Monetary and Economic Integration*, 11(1), 95 – 124. Retrieved from [http://www.wami-imao.org/ecomac/english/wamibookpdf1/vol11/vol11\\_author4.pdf](http://www.wami-imao.org/ecomac/english/wamibookpdf1/vol11/vol11_author4.pdf).
- Ake, B. & Ogaligui, R. W. (2010). Financial Stock Market and Economic Growth in Developing Countries: The case of Douala Stock Exchange in Cameroon. *International Journal of Business and Management*, 5(5), 82 – 88. Retrieved from <http://www.ccsenet.org/journal/index.php/ijbm/article/viewfile/5929/4707>.
- Alfora, L., Chenda, A., Kalemli-Ozcan, S. & Sayek, S. (2003). FDI and Economic Growth: The Role of Local Financial Market. *Journal of International Economics*. February. Retrieved from <http://www.people.hbs.edu/lalfaro/JIEfinal.pdf>.
- Bailliu, J. N. (2000). Private Capital Flows, Financial Development, and Economic Growth in Developing Countries. Working Paper 2000-15, Bank of Canada. Retrieved from <http://www.bankofcanada.ca/en/res/wp/2000/wp00-15.pdf>.
- BGL Financial Monitor (2001). *Patterns of Industry Financing in Nigeria*, A Publication of BGL Limited 18th Edition, April
- Bekaert, G. & Harvey, C. R. (1997). Capital Markets: An Engine for Economic Growth. May 7, Retrieved from [http://faculty.fuqua.duke.edu/~charvey/Research/Published Papers/P58 An engine for.pdf](http://faculty.fuqua.duke.edu/~charvey/Research/Published%20Papers/P58%20An%20engine%20for.pdf).
- CBN (2011). CBN Statistical Bulletin, (online copy). Retrieved Retrieved from [Shttp://www.cenbank.org/OUT/2012/PUBLICATIONS/STATISTICALBULLETINS/2011/INDEX.HTML](http://www.cenbank.org/OUT/2012/PUBLICATIONS/STATISTICALBULLETINS/2011/INDEX.HTML)
- Demirguc-Kunt, A. & Levine, R. (1993). Stock Market Development Growth and Financial Intermediary. Working Papers, WPS 1159. Washington DC: World Bank.
- Demirguc-Kunt, A. & Levine, R. (1996). Stock Market, Corporate Finance and Economic Growth: An Overview. *The World Bank Review*, 10(2), 223 – 239.
- Ezeoha, A. Ogamba, E & Onyiuke, N. O (2009). *Stock Market Development and Private Investment Growth in Nigeria*. *Journal of Sustainable Development in Africa*, 11(2), 20 – 35.
- Errunza, V. R., & Miller, D. P. (2000). Market Segmentation and the Cost of Capital in International Equity Markets. *Journal of Financial and Quantitative Analysis*, 35, 577-600.
- Foreign investment in Nigeria hits N800bn (2013, 16 February). Nigerian Pilot Newspapers. Retrieved from: <http://www.nigerianpilot.com/foreign-investment-in-nigeria-hits-n800bn-2/>
- Greenwood, J and Smith B., (1996). Financial Markets in Development and the Development of Financial markets, *Journal of Economic Dynamics and Control*. 21, 145-181.
- Gries, T., Kraft, M. & Meierrieks, D. (2008). Linkages between financial deepening, trade openness and economic development: Causality evidence from sub-Saharan Africa, CIE Working Paper No. 2008-08, April 2008.
- Kalim, R. & Shahbaz, M. (2009). Impact of Foreign Direct Investment on Stock Market Development: The Case of Pakistan. *Global Conference on Business and Economics*, ISBN 978-0-9742114-2-7
- Khan, M. A. and Qayyum, A. (2004). Trade, Financial and Growth Nexus in Pakistan, *Economic Analysis Working Papers* 6(14). Retrieved from <http://www.unagaliciamoderna.com/eawp/coldata/upload/Trade.%20Financial%20and%20Growth%20Nexus%20in%20Pakistan.pdf>

- King, R.G., & Levine; R. (1993). Finance, Entrepreneurship and Growth. *Journal of Monetary Economics*, 32, 1- 30. Retrieved from [http://dx.doi.org/10.1016/0304-3932\(93\)90028-E](http://dx.doi.org/10.1016/0304-3932(93)90028-E),
- Kletzer, K., & Bardhan, P. (1987). Credit Markets and Patterns of International Trade, *Journal of Development Economics*, 27, 57-70.
- Koirala, J. (2009). Stock Market Development and Economic Growth: Evidence from Underdeveloped Nation (Nepal). A Research Proposal Submitted to Faculty Members, Business or Economics Department, Tribhuvan University, Nepal, August. Retrieved from <http://www.freestonesoft.com/?p=41955>.
- Jin, J. C. (2000). Openness and Growth: An Interpretation of Empirical Evidence from East Asian Countries, *The Journal of International Trade and Economic Development*, (9)1, 5-17
- Mbabazi, J., Milner, C. & Morrissey, O. (2008), Trade Openness, Trade Costs and Growth: Why Sub-Saharan Africa Performs Poorly, CREDIT Research paper No. 06/08.
- Nazir1, M. S., Nawaz, M. M. and Gilani, U. J. (2010). Relationship between economic growth and stock market development. *African Journal of Business Management* , 4(16), 3473-3479, Retrieved from <http://academicjournals.org/ajbm/PDF/pdf2010/18Nov/Nazir%20et%20al.pdf>.
- Nurudeen, A. (2009). Does Stock Market Development Raise Economic Growth? Evidence from Nigeria, *The Review of Finance and Banking*, 1(1), 15 – 26. Retrieved from <http://www.rfb.ase.ro/articole/RFB5.pdf>.
- Nyong, M. O. (1997). Capital Market Development and Long-run Economic Growth: Theory, Evidence and Analysis, *First Bank Review*, December: 13-38.
- Ogunmuyiwa, M. S. (2010). Investor's Sentiments, Stock Market Liquidity and Economic Growth in Nigeria. *Journal of Social Sciences*, 23(1), 63 – 67. (Kanla-Raj 2010 Edition). Retrieved from <http://www.Krepublishers.com/02-Journals/JSS/JSS-23-0-000-10-web/JSS-23-1-000-10-Abst-PDP/JSS-23-1-063-10-780-Ogunmuyiww-m-s-7t.pdf>
- Ohiomu, S. & Enabulu, G. O. (2011).The Effect of Stock Market on Economic Growth in Nigeria, *JORIND 9(1)*. Retrieved from <http://www.transcampus.org/JORINDV9Jun2011/JORIND%20Vol%209%20No1%20Chapter38.pdf>.
- Rajan, R. G. & Zingales, L. (1998). Financial Dependence and Growth, *American Economic Review*, 88, 559 – 586.
- Raza, A., Iqbal, N., Ahmed, Z., Ahmed, M., & Ahmed, T. (2012). The Role of FDI on Stock Market Development: The Case of Pakistan, *Journal of Economics and Behavioral Studies*, 4(1), 26-33. Retrieved from <http://www.ifrnd.org/IEBS/Vol%204/1%281%29%20Jan%202012/3.pdf>.
- Riman, H. B., Ezzo, I. E. & Eyo, E. (2008). Stock Market Performance and Economic Growth in Nigeria: A Causality Investigation. *Global Journal of Social Sciences*, 7(2),88-91.
- Singh, A. (1997). Financial Liberalisation, Stock Markets and Economic Development, *The Economic Journal*, 107, 771 – 782.
- Udegbunam, R. I. (2002). Openness, Stock Market development, and Industrial Growth in Nigeria. Retrieved from <http://ideas.repec.org/a/pid/journal/v41y2002i1p69-92.htm>.
- Udo, B. (2013, 31 January). N8.5 trillion foreign investments coming to Nigeria in 5yrs, says Aganga, *Premium Times*. P. Retrieved from <http://premiumtimesng.com/business/118045-n8-5-trillion-foreign-investments-coming-to-nigeria-in-5yrs-says-aganga.html>
- Ujunwa, A. & Salami, O. P. (2010). Stock Market Development and Economic Growth: Evidence from Nigeria. *European Journal of Economics, Finance and Administrative Sciences - Issue 25*, 44 – 53. Retrieved from [http://www.eurojournals.com/ejefas\\_25\\_05.pdf](http://www.eurojournals.com/ejefas_25_05.pdf).
- Tachiwou, A. M. (2010). Stock Market Development and Economic Growth: The Case of West African Monetary Union. *International Journal of Economics and Finance*, 2 (3), 79 – 103, Retrieved from [www.ccsenet.org/ij](http://www.ccsenet.org/ij)

This academic article was published by The International Institute for Science, Technology and Education (IISTE). The IISTE is a pioneer in the Open Access Publishing service based in the U.S. and Europe. The aim of the institute is Accelerating Global Knowledge Sharing.

More information about the publisher can be found in the IISTE's homepage:

<http://www.iiste.org>

## CALL FOR PAPERS

The IISTE is currently hosting more than 30 peer-reviewed academic journals and collaborating with academic institutions around the world. There's no deadline for submission. **Prospective authors of IISTE journals can find the submission instruction on the following page:** <http://www.iiste.org/Journals/>

The IISTE editorial team promises to review and publish all the qualified submissions in a **fast** manner. All the journals articles are available online to the readers all over the world without financial, legal, or technical barriers other than those inseparable from gaining access to the internet itself. Printed version of the journals is also available upon request of readers and authors.

## IISTE Knowledge Sharing Partners

EBSCO, Index Copernicus, Ulrich's Periodicals Directory, JournalTOCS, PKP Open Archives Harvester, Bielefeld Academic Search Engine, Elektronische Zeitschriftenbibliothek EZB, Open J-Gate, OCLC WorldCat, Universe Digital Library, NewJour, Google Scholar

