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# CAPITAL MARKET AND ECONOMIC GROWTH IN NIGERIA: AN AUTO REGRESSIVE DISTRIBUTED LAGGED APPROACH

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**Abstract**

*This study assessed the effects of the capital market on economic growth in Nigeria between 1986 and 2024 using the Autoregressive Distributed Lag model. Data were obtained from the Nigerian Exchange Group and the Central Bank of Nigeria Statistical Bulletin 2024. The result from the unit root test indicated that ASI was stationary at level, while the other variables became stationary at first difference. In addition, the bounds test shows that a long run relationship exist among the variables. The empirical findings revealed that, in the short run, all variables except ASI had a direct impact on GDP at lag one. The results also indicated the selected variables exerted a direct impact on GDP in the long run. It was concluded that the capital market has made a significant contribution to economic growth in Nigeria. Consequently, the study recommends the creation of an enabling environment for foreign investors through favourable policies to further deepen the Nigerian capital market and promote sustainable economic growth.*

*Keywords: Capital Market, Economic Growth, GDP, Autoregressive Distributed Lag, Bound Test*

## INTRODUCTION

The Capital Market (CM) is a platform trading securities, giving businesses and governments the opportunity to raise funds for long-term projects (Sullivan and Sheffrin, 2003). According to Itiveh (2022), a well-organized and efficient capital market does more than gather financial resources. It guides investment toward productive areas of the economy and supports sustainable growth. Generally, capital markets help maintain financial stability by giving access to funds needed for expansion and innovation (Ezeannyi et al., 2022). Because of this important role, governments and policymakers often adopt reforms aimed at improving transparency, efficiency, and investor trust (Ibrahim and Mustafa, 2022). When functioning effectively, the capital market does not simply mirror economic conditions. It influences them by widening access to investment opportunities. Sa'adu (2022) stresses that protecting investors is essential for a strong and competitive market.

As noted by Ezeannyi, Usifo, Oyelade, and Ejefobihi (2023), the capital market resembles other markets except that it deals mainly in financial assets like bonds, treasury bills, industrial stock, and similar instruments. It draws on savings from individuals and firms and converts them into investment for fixed assets. In this way, the capital market supports economic growth by channeling surplus funds to areas where they are most needed (Ewah, Esang and Bassey, 2022). Because of this role, it also serves as an indicator of economic performance.

Economic growth can be seen as an increase in a country's ability to produce goods and services over time (Okoli and Itiveh, 2022). The capital market contributes to development by creating access to long-term financing. This reduces firms' dependence on short-term borrowing and improves their debt-to-equity ratio (Emeh and Chigbu, 2022).

Recently, the connection between capital markets and economic growth has gained considerable attention. Many studies point to the importance of capital market development for national economies. For instance, Ewah et al. (2009) argue that efficient capital markets are tied to economic growth and development. Indicators such as market capitalization, money supply, stock transactions, development stock, and interest rates all have the capacity to influence growth. Yet the Nigerian capital market has made only a limited contribution to the economy due to illiquidity and heavy government regulation.

Ikechukwu and Okon (2019) reinforce this view, noting that market capitalization, new issues, traded shares, and listed equities influence Nigeria's GDP. Their findings show that many sectors lack long-term financing options and rely mostly on short-term funds, which are not ideal for major development projects. Demirguc-Kunt and Levine (1996) also maintain that firms seeking sustainable growth should reduce reliance on short-term capital.

Emmanuel and Elizabeth (2020) describe the CM as a catalyst for growth and identify liquidity as a major factor in economic expansion. Nigeria is often regarded as having one of the most structured capital markets in Africa (Sa'adu, 2014). Despite reforms intended to improve fund allocation and investment decisions, the market's contribution remains constrained. Adamu and Mustafa (2023) observe that Nigeria's capital market still performs below expectations when compared to similar developing economies.

Alguh (2013) notes that reforms in Nigeria have aimed at stabilizing growth and improving financial transactions, but the results have not met expectations. Weak performance persists, largely due to concerns about the reliability of the market environment and investors' lack of confidence (Olusegun and Ajao, 2014).

To address these concerns, several studies have assessed the capital market's role in economic growth. While works by Emeh and Chigbu (2014) and Kuna, Hassan, and Ibrahim (2019) explore the potential of the market, limited attention has been given to why Nigeria's market has had only modest effects in recent years. Ituma (2015) found a direct but weak association between CM performance and economic growth. Although higher transaction values contribute to growth, the effect has not been strong. Helen (2020) also found that market indicators such as capitalization and turnover shape economic expansion, and her findings point to a significant influence on the Nigerian economy.

Okoli and Itiveh (2020) noted that while the CM has helped drive growth between 1999 and 2021, operational inefficiencies have restricted its potential. Keji (2020) also reports a steady relationship between capital market performance and growth from 1980 to 2017. Kolapo and Ademola (2012) argue that although the market has strong potential, its impact remains limited because of issues like illiquidity, low trading volumes, and small size.

These problems have led successive governments to introduce several measures to improve market performance, but they have not fully addressed the challenges. This study aims to examine the factors shaping the performance of Nigeria's capital market and to determine how they affect economic growth. The remainder of the paper is divided into four parts. Section two reviews relevant literature, section three explains the methodology and models used, and section four discusses the findings, conclusion, and recommendations.

## LITERATURE REVIEW

Researchers have given the capital market considerable attention over the years. Concerns about the scope, causes, and effects of these connections have been voiced by academics. In fact, varied research on the CM in various nations has produced a variety of conclusions and suggestions. Osakwe, Ogbonna, and Obi-Nwosu (2020), for example,

examined the impact of stock market capitalization on economic growth in South Africa and Nigeria between 2000 and 2018. According to the study, there is a positive correlation between economic growth and the market capitalization ratio to GDP in South Africa but not in Nigeria. The size of both nations' capital markets is therefore positively connected with economic growth; nevertheless, South Africa's CM has outperformed Nigeria's in terms of economic growth.

Additionally, Odia and Dowa (2010) looked into the CM and the socioeconomic development of Nigeria between 1981 and 2008. The study found no correlation between CM variables and GDP using OLS regression. In another study, Kolapo and Adaramola (2012) used Granger causality analysis and ordinary least squares regression to assess how the CM affected economic development between 1990 and 2010. Their results demonstrated the beneficial effects of capital market operations on economic expansion. Briggs (2015) looked into the impact of the Nigerian CM on GDP. The study evaluated a few CM characteristics using GDP as a gauge of economic growth. Using Granger causality analysis and Johansen co-integration, the results showed that CM growth significantly and consistently boosted economic growth.

Adolphus and Dibiah (2021) applied multiple regression to assess whether capital market indicators significantly influenced gross domestic product. The study identified a direct link between CM activities and economic growth, recommending measures such as increasing foreign investment, implementing advanced trading technologies, streamlining electronic fund transfers, and restoring investor confidence.

Bello *et al.,* (2022) assessed the role of CM performance in economic growth among developing nations from 2012 to 2022. Their findings highlighted that bank recapitalization in Nigeria positively influenced both the CM and economic growth, though economic downturns had an adverse effect. Given the inconsistencies in the study’s results, it was suggested that businesses prioritize domestic capital formation and standardize research methodologies for more reliable outcomes.

Similarly, Umar (2022) conducted a systematic review across 51 countries between 2012 and 2021, establishing that CM performance significantly impacts economic growth. However, the extent of this influence varied across countries, depending on the level of capital market development.

Akinbola (2024) examined the interplay between CM performance and economic growth in Nigeria by constructing a multiple regression model. Grounded in multiple theoretical perspectives, including the neoclassical growth model, efficient market hypothesis, and modern portfolio theory, the study applied the OLS method for estimation. Findings showed that CM

indicators explained 97.9% of the variation in real GDP, with market capitalization and the all-share index being significant predictors at the 5% level.

Acha and Akpan (2019) evaluated the effect of CM on Nigeria's economic growth between 1987 and 2014. Their findings suggested that capital market indicators had a significant and positive impact on the economy.

Algaeed (2021) examined the effects of Saudi Arabia's CM development on per capita GDP growth, using annual data from 1985 to 2018. The study analysed share price index, market capitalization, liquidity, number of transactions, and shares traded through ARDL, Fully Modified OLS (FMOLS), and Johansen tests. Findings indicated that share price index, total shares traded, and transaction volume had a positive effect on per capita GDP growth. However, market capitalization and liquidity had a negative impact.

Onuora (2019) examined the CM effect on Nigeria's economic growth from 2001 to 2017, using time series data to analyse CM revenue. Applying OLS regression with data from the CBN and World Bank, the study found no nexus between some economic indices and CM performance.

Adolphus and Dibiah (2021) examine the connection between capital market progression and economic growth in Nigeria between 1981 and 2017 employing the vector Auto Regression (VAR) estimation technique. The research indicates that the stock proportion and baking system capitalization ratio are not significant in influencing Nigeria's GDP.

Summary of empirical review showed that numerous studies have been conducted on how the performance of capital market influences economic growth in Nigeria. Most of these studies were conducted to look at the nexus between CM and economic growth at different time frame, methodological approaches which has resulted into bias outcome, while further evidence revealed that previous studies measured CM using variables like market capitalization, total new issues, volume transaction, stock exchange and listed equities to determine the performance of CM while the growth of gross domestic product was consistently used as a measure for economic growth.

In spite of these diverse methodological approaches, no current identified study has used the ARDL method to examine the influence of capital market on economic growth in Nigeria. Based on the above summary of literatures, this study employed an ARDL econometric technique to analyze the factor associated with capital market on economic growth in Nigeria The approach is different and also the variables to be used quite differ from most previous studies.

## METHODOLOGY

### Theoretical Framework

This study adopts the endogenous growth theory as its theoretical framework. One of the earliest formulations of endogenous growth theory was the AK model, which did not distinctly separate capital accumulation from technological progress. Instead, it combined physical and human capital, typically analyzed in neoclassical models, with intellectual capital generated through innovation. Frankel (1962) contributed an early version of this model, suggesting that the aggregate production function could exhibit a constant or even increasing marginal return on capital. He argued that as firms invest in capital, a portion of this investment enhances intellectual capital, fostering technological progress that counteracts the diminishing marginal returns on capital accumulation. This is given as:

$$Y = AK \quad (1)$$

*Where:*

*Y = Aggregate output*

*A = positive constant*

*K = capital stock.*

### Model Specification

This study adapts the model of Itiveh and Okolie (2022). The functional form of their model is stated as:

*RGDP = f (MCAP, TNI, VLT)* (2)

Where:

RGDP = Real Gross Domestic Product;

TNI = Total New Issues;

MCAP = Market Capitalisation;

VLT = Value of Transactions.

However, as a result of the importance attached to all share index as a capital market indicators, this study add all share index and re-specify the model as follows:

*GDP = f (MCAP, ASI, VST, NLIST)* (3)

In linear term, equation 3 is specified as:

$$GDP = \alpha_0 + \alpha_1 MCAP + \alpha_2 ASI + \alpha_3 VST + \alpha_4 NLIST + \epsilon_t \quad (4)$$

Where:

GDP = Gross Domestic Product

ASI = All Share index

VST = Values of share traded

MCAP = Market Capitalization

NLIST = Number of listed companies

$\alpha_0 - \alpha_4$= Coefficients of the independent variables to be measured

$\epsilon_t$ = Error term

**Data Type and Sources**

The data used in this study were from secondary sources. Data for gross domestic product was sourced from the Central Bank of Nigeria statistical Bulletin (2024). In addition, the data for Market capitalization, All share index, number of listed companies and values of share traded were sourced from the Nigerian Exchange Group.

## ANALYSIS AND DISCUSSION

**Descriptive statistics**

Table 1. Descriptive Statistics

| | GDP | MCAP | VST | NLIST | ASI |
|---|---|---|---|---|---|
| **Mean** | 242092.2 | 9420.316 | 560334.8 | 242.0270 | 19331.49 |
| **Median** | 200850.0 | 1925.900 | 225820.5 | 260.0000 | 20730.60 |
| **Maximum** | 574180.0 | 51188.90 | 2379143. | 310.0000 | 57990.20 |
| **Minimum** | 44000.00 | 6.800000 | 136.2000 | 161.0000 | 163.8000 |
| **Std. Dev.** | 174693.9 | 13067.68 | 679281.1 | 45.63715 | 16391.04 |
| **Skewness** | 0.320683 | 1.615649 | 1.028530 | -0.702774 | 0.447870 |
| **Kurtosis** | 1.581523 | 5.060838 | 3.034537 | 2.089191 | 2.193425 |
| **Jarque-Bera** | 3.736120 | 22.64452 | 6.525397 | 4.324590 | 2.239911 |
| **Probability** | 0.154423 | 0.000012 | 0.038285 | 0.115061 | 0.326294 |
| **Observations** | 37 | 37 | 37 | 37 | 37 |

Table 1 examined the distribution and attributes of major economic and capital market variables: GDP, MCAP, ASI,VST, and NLIST. Every statistic emphasizes significant features of how these variables act over time, illuminating their central tendencies, variation, and distribution characteristics.

Beginning with the mean and median, both of which reflect the central tendency of each variable, GDP has an average figure of 242,092.2, and its median is marginally reduced at 200,850.0. This implies that GDP figures are typically elevated, though certain outliers are raising the average. Market Capitalization, in contrast, has an average of 9,420.316, which

notably exceeds its median of 1,925.9. This significant disparity shows a heavily distorted distribution, with a small number of exceptionally high figures raising the average. In the same way, the Value of Share Traded shows a comparable trend, averaging 560,334.8 but with a significantly lower median of 225,820.5, indicating that although there are times of very high trading activity, most values tend to be lower. The quantity of publicly traded companies seems to be quite steady, with an average of 242.03 and a median of 260.0, indicating that most data points group around this figure. At the same time, the ASI shows a mean of 19,331.49 and a median of 20,730.6, suggesting that capital market performance varies yet stays relatively stable around these figures.

The standard deviation, which assesses the degree of variation, further demonstrates how these variables function. The GDP has a standard deviation of 174,693.9, indicating significant variations in economic performance. MCAP, having a standard deviation of 13,067.68, also shows considerable fluctuation, consistent with its broad spectrum. Nevertheless, the greatest variation is observed in the VST, exhibiting a standard deviation of 679,281.1, validating its extremely volatile nature.

Conversely, the NLIST exhibits the smallest standard deviation, measured at 45.64, indicating that it stays fairly stable over time. The All Share Index, having a standard deviation of 16,391.04, indicates that market performance experiences moderate fluctuations. It was also revealed from the skewness that the GDP and the All Share Index possess values of 0.3207 and 0.4479, respectively, suggesting that their distributions are relatively symmetric, albeit with a slight skew toward higher values. Nevertheless, Market Capitalization and the values of shares traded exhibit a notable positive skew, showing values of 1.6156 and 1.0285, respectively, indicating that very high values are more frequently observed in these datasets. However, the number of listed Companies exhibits a negative skewness of -0.7028, indicating that lower values occur more often than higher values.

The kurtosis figures offer further understanding of the form of these distributions. A normal distribution features a kurtosis of 3, with values that are much higher or lower suggesting a departure from normality. The kurtosis values for GDP, NLIST, and the All Share Index are 1.5815, 2.0892, and 2.1934, respectively, indicating that their distributions are quite flat with less extreme values (platykurtic). Market Capitalization, on the other hand, has a kurtosis of 5.0608, indicating the existence of extreme values in its distribution (leptokurtic). The value of share traded exhibits a kurtosis value of 3.0345, indicating it is near normal.

Finally, the Jarque-Bera test evaluates if these variables conform to a normal distribution. The findings indicate that MCAP and VTS do not adhere to a normal distribution, since their probability values (0.000012 and 0.038285, respectively) fall below the standard

significance threshold of 0.05. This verifies that these variables possess extreme values and distorted distributions. Conversely, GDP, the Number of Listed Companies, and the All Share Index do not dismiss normality since their probability values (0.1544, 0.1151, and 0.3263, respectively) indicate their distributions are roughly normal.

**Stationarity Test**

The stationarity test employed for the study is the Augument Dickey Fuller test statistic and the result is presented in Table 2.

Table 2: Augument Dickey Fuller Unit Root Test

| Variable | ADF Test Statistic @ level | ADF @ First Difference | 5% Critical Value | Order of integration | S/NS |
|---|---|---|---|---|---|
| **ASI** | -5.9113 | - | -2.9484 | I(0) | S |
| **VST** | -1.5422 | -5.9440 | -2.9484 | I(1) | S |
| **TUR** | -2.9017 | -8.5567 | -2.9434 | I(1) | S |
| **NLIST** | -0.7463 | -6.5181 | -2.9484 | I(1) | S |
| **GDP** | -1.1056 | -6.3861 | -2.9458 | I(1) | S |

Table 2 showed that four of the variables employed were stationary at first difference, while only one was stationary at level. The outcome also reveals that while ASI was stationary at level at level in the series, VST, NLIST, and TUR were stationary at first difference. The outcome suggests that a short-term equilibrium relationship existed among the study's variables.

**Lag length Criteria**

After the stationarity of the data was confirmed, the investigation looked for appropriate lags for the model based on various criteria. Table 3 displays the lag length requirements.

Table 3: Lag Length Criteria for the Model (E-Views 9 output)

| **Endogenous variables: GDP MCAP ASI VST NLIST** | | | | | | |
|---|---|---|---|---|---|---|
| **Lag** | **LogL** | **LR** | **FPE** | **AIC** | **SC** | **HQ** |
| 0 | -484.255 | NA | 104919.0 | 25.750 | 25.965 | 25.826 |
| 1 | -303.960 | 303.654 | 29.988 | 17.576 | 18.869* | 18.036* |
| 2 | -273.907 | 42.706* | 24.698* | 17.310* | 19.681 | 18.154 |
| 3 | -260.094 | 15.994 | 54.028 | 17.899 | 21.347 | 19.126 |

Table 3 displayed the optimal lag length for the output model result. It is evident that an ideal lag of two was chosen by most criterion, including the LR, FPE, and AIC criteria. In this investigation, an ideal lag of two was employed, and the AIC criterion has the lowest value.

**Cointegration Test**

In order to determine whether the selected variables have a long-term relationship, the bound test was used. Table 4 below displays the outcome of the bound test with the associated critical values.

Table 4: ARDL Bound Test for Cointegration

| Test Statistic | Computed F-Stat | Lag | Significance Level | Bound Critical Values | |
|---|---|---|---|---|---|
| F-statistic | 4.66 | 2 | | Lower Bounds I(0) | Upper Bounds I(1) |
| | | | 10% | 2.45 | 3.52 |
| | | | 5% | 2.86 | 4.01 |
| | | | 2.5% | 3.25 | 4.49 |
| | | | 1% | 3.74 | 5.06 |

The bounds test results presented in Table 4 showed that the computed F statistic is 4.66. At the 5 percent significance level, this value exceeds both the lower and upper bound critical values of 2.86 and 4.01, respectively. Consequently, the study rejected the null hypothesis of no cointegration, indicating the existence of a long run relationship between Nigeria's capital market and economic growth.

Table 5: Short Run Result

| Dep Var: D(GDP) | | | | |
|---|---|---|---|---|
| | COEFF. | STD. ERROR | T-STAT. | PROB. |
| C | -56941.46 | 102889.8 | -0.553422 | 0.5849 |
| D(ASI) | 3.081289 | 1.433868 | 2.148934 | 0.0385 |
| D(ASI(-1)) | 4.358485 | 2.387477 | 1.825561 | 0.0799 |
| D(VST) | 0.222816 | 0.035670 | 6.246593 | 0.0182 |
| D(VST(-1)) | -0.065716 | 0.030485 | -2.155642 | 0.0409 |
| D(MCAP) | 0.205519 | 0.100325 | 2.048526 | 0.0393 |
| ASI(-1) | 1.271217 | 1.806827 | 0.703563 | 0.4882 |
| VST(-1) | 0.025817 | 0.052998 | 0.487135 | 0.6304 |
| D(NLIST) | 245.5462 | 383.0219 | 0.641076 | 0.5273 |

| | | | | |
|---|---|---|---|---|
| **GDP(-1)** | -0.125089 | 0.104263 | -1.199744 | 0.2415 |
| **CointEq(-1)** | -0.024430 | 0.009696 | -2.519742 | 0.0165 |
| **R-sq** 0.698400 | | | | |
| **Adj R-sq** 0.681823 | | | | |
| **Prob(F-stat)** 0.010405 | | | | |

Table 5…

The regression analysis examines the nexus between EG and key capital market indicators, including the ASI, MCAP, VTS, and the NLIST. The results indicate that changes in the ASI have a significant and direct influence on GDP growth. To be specific, a one unit increase in the ASI resulted in an approximate increase of 3.08 units in GDP. Additionally, the lagged ASI variable also exhibits a direct relationship with GDP, suggesting that past changes in the index might influence future GDP growth. Similarly, the VST plays a crucial role in shaping GDP growth. A rise in the value of traded shares leads to significant increase in GDP. However, its lagged value exhibits an inverse relationship with GDP growth, implying that while an immediate increase in the VTS boosts GDP, the effect reverses in the following period. This could suggest that fluctuations in trading activity might cause short-term boosts but do not sustain long-term growth.

Market Capitalization also emerges as an important determinant of GDP growth. The coefficient of 0.2055 suggests a positive and significant relationship, indicating that a higher Market Capitalization translates to increased economic performance. However, a change in the NLIST is not statistically significant in explaining GDP growth, despite a large coefficient of 245.5462. This suggests that increase in the number of listed companies may not directly contribute to economic expansion unless accompanied by other growth-driving factors.

The lagged GDP variable has negative coefficient, though it is not statistically significant, indicating that past GDP levels do not strongly influence current GDP changes. Similarly, the constant term in the model is also statistically insignificant, meaning that when all explanatory variables are held at zero, GDP growth does not have a meaningful standalone value. Overall, the performance of the model is relatively strong, with an R-squared value of 0.6984, indicating that approximately 69.8% of variation in GDP growth is explained by the independent variables. The adjusted R-squared value of 0.6818 confirms the model's robustness. Furthermore, the model's F-statistic is significant, suggesting that the independent variables collectively explain GDP growth. The DW statistic of 2.059 shows no strong evidence of autocorrelation in the residuals, further affirming the model's reliability. Finally, The error correction coefficient (CointEq(-1)) is negative and significant which implies that about 2% of the disequilibrium is corrected within a year.

**Long-Run Coefficient of the ARDL**

Table 6: Long Run Estimate of the Auto Regressive Distributed Lagged Model

| Variable | Coefficient | Std. Error | t-Stat | Prob. |
|---|---|---|---|---|
| **MCAP** | 3.373179 | 1.1106960 | 3.036995 | 0.0321 |
| **ASI** | 9.686901 | 4.1056232 | 2.359422 | 0.0423 |
| **VST** | 0.227010 | 0.1057846 | 2.145964 | 0.0447 |
| **NLIST** | 1177.84 | 3480.3659 | 0.338427 | 0.7379 |
| **C** | -249482.46 | 930639.22 | -0.268076 | 0.7908 |

The long-run estimated from the ARDL model, as presented in Table 6, indicate the long run relationship between capital market indicators and economic growth, measured by gross domestic product. The results indicate that MCAP has a substantial direct effect on economic growth, with a coefficient of 3.373179. This suggests that as the total market value of listed companies grows, economic output increases. The relatively large magnitude of this coefficient shows the importance of market capitalization in driving economic expansion.

A similar trend is observed with the all-share index, which has a coefficient of 9.686901. Table 6 shows that increase in the ASI is linked to higher gross domestic product, reinforcing the idea that overall stock market performance significantly influences economic growth. Since ASI reflects investor confidence and market trends, its strong positive relationship with gross domestic product shows the importance of a vibrant stock exchange.

The VST also contributes positively to gross domestic product, as indicated by its coefficient of 0.227010 in Table 6. Although its impact is smaller compared to MCAP and the ASI, the results suggest that increased trading activity supports economic growth. This finding highlights the effect of liquidity on market participation in ensuring an efficient capital market that contributes to the broader economy.

On the other hand, NLIST does not appear to have any meaningful impact on economic growth. With a coefficient of 1177.84 and a high standard error, Table 6 suggests that merely increasing the number of companies on the stock exchange does not necessarily translate to economic growth. This could indicate that other factors, such as the financial health, governance, and profitability of listed firms, play a more significant role than just their quantity.

## POLICY IMPLICATIONS AND CONCLUSIONS

The study investigated the factors associated with capital market on economic growth in Nigeria over the period of 1980 to 2024. From the bound test result, it was clear that a long run

relationship exist between the selected capital markets variables and economic growth in Nigeria in the period under study. The results of the auto regressive Distributed Lagged model revealed that the ASI, MCAP, and VST significantly impact economic growth, both in the short and long run. However, the number of listed companies was found to be statistically insignificant.

The study has shown that the Nigerian capital market played a significant role in driving economic growth. The positive and significant impact of the All Share Index, market capitalization, and value of shares traded on GDP highlights the importance of capital market efficiency, investor confidence, and liquidity in fostering economic expansion. However, the number of listed companies does not significantly contribute to growth, suggesting that the focus should be on improving the quality and performance of listed firms rather than merely increasing their number. These findings emphasize the need for policies that strengthen market depth, enhance corporate governance, and ensure stability in trading activities to maximize the capital market's contribution to economic development. Encouraging foreign participation, increasing financial transparency, and promoting investment-friendly regulations will be crucial in sustaining the capital market's positive impact on Nigeria's economic growth. It therefore means that a well-functioning capital market is essential for economic growth in Nigeria, but its effectiveness depends on market efficiency, investor confidence, and regulatory policies that promote sustainable development. It recommended that policymakers should implement reforms that improve the transparency and efficiency of the capital market to strengthen investor confidence.

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