

**Financial Market as Channel to Financial Intermediation in the Growth of the
Nigerian Economy**

Oyedele Ayobami, LIPEDE

LCU/PG/000394

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Ibadan, Oyo State, Nigeria**

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Science (M.Sc) in Finance**

Certification

This is to certify that **Oyedele Ayobami LIPEDE** with matriculation number **LCU/PG/000394** carried out this research work titled “**Financial Market as Channel to Financial Intermediation in the Growth of the Nigerian Economy**” in the Department of Management and Accounting, Faculty of Environment and Social Sciences, Lead City University Ibadan, Oyo State for the award of Master of Science (M.Sc.) Degree in Finance and that this has not been previously submitted.

Prof. Kabiru Aderemi Adeyemo
Supervisor

Date

Dr. T.M. Akinbo
Head of Department

Date

Dedication

This research work is dedicated to God Almighty

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Acknowledgement

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“Even though the above-mentioned institutions and persons have assisted in the process of this research work, I alone stand responsible for the errors, if any, found in the work”.

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Abstract

The financial market is one wherein people and establishments change monetary securities. The aims and objectives of this study is to ascertain the performance of the cash market and capital market in Nigeria; examine the effect of market capitalization as a financial intermediation channel on the real Gross Domestic Product (GDP) of Nigeria's economy; evaluate the money market's effect as a financial intermediation channel on the real Gross Domestic Product (GDP) of Nigeria's economy; and identify the nexus between money market, capital market as financial intermediation channels on real Gross Domestic Product (GDP) of Nigeria economy. The study adopted the ex-post facto research design. Data was collected through the secondary source from CBN Statistical Bulletin, the CBN Annual Report and statement for the relevant years (1990-2019), which was analyzed using the Ordinary Least Square (OLS) method with the help of E-views version 9. Findings found out that market capitalization is a significant financial intermediation channel on real Gross Domestic Product (GDP) of Nigeria economy. Descriptive statistics for the dependent and independent variables which are Certificate of Deposits (COD), Treasury Bill (TB), Treasury Certificate (TC) and Market Capitalization Rate (MCR), Gross Domestic Product, Interest rate (ITR) and Money Supply (M2) all have a positive mean value which ranges from 0.039667 to 4.167946 with 30 observations. It was recommended that the authorities have to each within the quick and long-run prioritize regulations geared closer to increasing/growing cash markets operations in Nigeria to make the economic system greater stable.

Keywords: Financial Market, Treasury Bill, Certificate of Deposits, Financial Intermediation, Gross Domestic Product (GDP), market capitalization

Word Count: 245

Chapter One

Introduction

1.1 Background to the Study

Money has been recognized as the hidden necessity for input factors in financial turn of events and is additionally viewed as a motor of development in any economy. In an economy like our own, which is in a rush to create notwithstanding extreme requirements, much consideration is consequently positioned on the monetary framework and its parts for the preparation of assets for financial development. The monetary specialists answerable for such exchanges are called monetary middle people, and the interaction through which it is done is called monetary intermediation. Monetary go-betweens have turned into a motor of development and improvement by the course of monetary intermediation. Diverting belongings from surplus to deficiency gadgets of the financial system will energize beneficial improvement in spite of the reality that it's far likewise unsafe. The monetary framework assumes a significant part in making savers' finances more fluid while putting a piece of the assets into illiquid long-haul ventures¹.

Moreover, it was clarified that monetary development is firmly connected to the liquidity arrangement capacity of the monetary framework. The connection emerges in light of the fact that some exceptional yield projects require a drawn-out capital responsibility; however savers don't prefer to give up control of their investment funds for significant stretches. As one of the observational proofs connecting liquidity arrangement and monetary development, it was likewise noticed that separating this liquidity paintings from the opposite financial capacities executed through banks has demonstrated restrictively troublesome². The financial area is the prevailing area in the

Nigerian monetary assistance industry. Additionally portrayed it as the liveliest part, and whatever hardships it goes through influences the whole economy essentially. For the most part, exercises of the store cash banks sway the adequacy and security of the monetary framework consequently the exceptional consideration agreed them by the administrative specialists³.

The significance of a lively monetary framework cannot be overemphasized because it will amplify skill ability with the aid of using forestalling the superfluous liquidation of aid, financing usage with premature liquidation of handing over aid and reduce surprise in pay. The monetary framework exists to channel assets from specialists with excesses to specialists with shortage, subsequently permitting reserve funds to be put resources into firms⁴. The monetary framework adds to financial execution through assembling investment funds and assigning them productively, subsequently moderating business sector flaw and advancing great corporate administration. Besides this, the monetary framework exists to share hazard, get and utilize accessible data to assign assets productively. This cycle is regularly alluded to as monetary intermediation while the specialists filling in as the go betweens are called monetary mediators. These middle people can be banks, insurance agencies and the financial exchange. The job of the monetary framework and foundations ought not be seen independently as the two of them intervene among the own circle of relatives and corporations and feature elevated intermediation among the own circle of relatives and market and corporations and market⁵.

Monetary intermediation is the cycle through which go-betweens deliver a linkage among surplus gadgets and shortfall gadgets within the economy. Surplus gadgets are firms/humans who have abundant property over their close by necessities whilst those who want this asset for positive hearthplace hypothesis applications are alluded to as

shortfall gadgets. It is the economic center humans that foster the places of work and gadgets which make this loaning and obtaining conceivable. Asset providers cannot advance cash straightforwardly to finance raisers, nor can finance raisers get cash straightforwardly from reserve providers. These exchanges must be done helpfully through monetary middle people. They work with the trading of assets between reserve overflow units and asset shortfall units⁶.

Monetary delegates help to overcome any barrier among borrowers and moneylenders by making a market in two kinds of safety, one for the bank and the other for the borrower. Monetary middle people, through monetary intermediation, permit assets to be directed from those that probably won't put them to use to those that would put them to useful use⁷. The overall name for the administrations provided by monetary delegates is monetary intermediation. This suggests that monetary delegates are center members in the trading of monetary resources. There are different kinds of monetary middle people. These comprise of safe middle people, legally binding delegates, and Venture mediators. Safe middle people comprise of business banks, frugalities, common reserve funds banks, reserve funds and advance affiliations, and credit association⁸. Speculation middle people are comprised of venture organizations and money organizations. They represent considerable authority in both cash and capital market reserves, which incorporate depository charges, business bank endorsements of store, long haul credits (debentures), and stocks. Authoritative mediators comprise of insurance agencies and annuity reserves. They make instruments that structure an authoritative relationship with the purchaser. These instruments comprise of protection plan, reserve funds, annuity, benefits, and credit advantages⁹.

Banks are the biggest monetary middle people that adequately finance modern extension in agricultural nations. Banks are the biggest monetary middle people in the

Nigerian economy. Bank monetary intermediation doesn't just involve production of a pool of investible assets, it additionally includes designating reserves successfully¹⁰.

The currency market is a basic piece of the Nigerian economy since it assumes an imperative part in the financial development cycle of the nation, and banks' liquidity the board just as the transmission of money related approaches by providing the appropriate mechanisms for liquidity exchange¹¹.

The currency market also allows for the renegotiating of limited and medium-term contracts in order to manage corporate liquidity and risk. The elite setting is addressed by the financial framework and the currency market where money related strategy works. A created, dynamic, and proficient currency market upgrades the productivity of the national bank's financial strategy as well as the economy's propagation of its driving forces¹².

Hence, the development of the currency market smoothens the economic intermediation development and lifts loaning to the economy and works at the nation's monetary and social authorities assistance. The currency market is a business opportunity for momentary investible assets where transient monetary instruments or fluid resources are exchanged. Its significant importance is that it is the apparatus for activating Nigeria's monetary assets for financial development¹³. A venture that advances liquidity and gives quick pay requires momentary subsidizing with a development of inside one year¹⁴.

The presence of a currency market works with exchanging momentary obligation instruments to meet transient requirements of huge clients of assets like legislatures, banks, and comparative foundations. The currency market assumes a pivotal part in a bank's liquidity the executives and the money related approach transmission¹⁵. By

giving the right gadgets and accomplices for liquidity exchanging, the foreign money market allows the renegotiating of short-and medium-time period positions and works with the moderation of commercial enterprise liquidity hazards. The monetary framework and the foreign money market deal with the selective setting wherein money related strategy works¹⁶. Created, dynamic, and powerful interbank and foreign money markets enhance the effectiveness of the countrywide bank's economic technique and ship it using forces into the economy. Consequently, the advancement of the currency market smoothens the advancement of the monetary intermediation and lifts loaning to the economy and works on the nation's financial and social government assistance¹⁷.

Be that as it may, Capital Market is a productive channel of monetary intermediation has been all around perceived by scientists, academicians, and policymakers as an essential determinant of the economic improvement of a country, each created and creating. Monetary development into cutting edge economy relies on a proficient monetary area that pools home grown reserve funds and assembles unfamiliar capital for useful ventures. Immature or inadequately working capital business sectors normally are illiquid and costly, which hinders unfamiliar financial backers. Moreover, illiquidity and high exchange costs additionally frustrate the capital-raising endeavors of bigger homegrown ventures and may push them to unfamiliar business sectors¹⁹.

The hypothetical writing on monetary turn of events and development distinguishes three key channels through which capital business sectors and financial development might be connected. To begin with, capital market improvement builds the extent of reserve funds that is channeled to speculations. Secondly, capital market development would possibly alternate the reserve price range fee and consequently, influence speculations. Third, capital market improvement builds the proficiency of capital designation²⁰.

The Nigerian capital market has seen an obvious change throughout the long term, clear by the expanded cooperation of the private and public financial backers on the stock trade floor and in different public proposals of cited organizations. The developing business sector has likewise drawn in and accepted the consideration and the premium of global financial backers, hence expanding capital inflow. For instance, the general market capitalization had ascended from ₦1.70 billion out of 1980 to ₦7.03trillion in 2009, along these lines implying an increment inside the period. Exchange at the NSE floor rose to ₦685.72billion in 2009 from a past worth of ₦16.6million recorded in 1970. The quantity of arrangements from all market members at the floor, which recorded a simple 634 arrangements in 1970, additionally saw a noteworthy increment to ₦1.74trillion in 2009. The all-out number of recorded organizations had likewise expanded from 91, as was recorded in 1980, to 213 recorded in 2008²¹.

The volume and worth of exchanged protections the Nigeria capital market if somewhere in the range of 2007 and 2010 became more than 6.3%and 3.9%, separately; recorded shares rose from 288 in 2005 to 294 in 2010 whilst general market capitalization for the duration declined through approximately 11.4%. The decline in market capitalization can be attributed to the fee losses and the world wide monetary crisis. Annually, the capital market grew through 74% in 2007, dipped through 45% and 33.7% in 2008 and 2009 respectively, grew once more through 18.9% in 2010, dropped once more in 2011 through 16.3% fore getting better through an anticipated 33% in 2012.¹⁸ The All Share Index additionally proven a decline of approximately 29.8% in the period.¹⁹ The Nigerian bourse grew via way of means of 42% in 2017, making the inventory market the third-fine acting capital market within side the international after Argentina and Turkey.²⁰ Following from this, therefore, effectively functioning capital

market impacts liquidity, acquisition of records approximately firms, threat diversification, financial savings mobilization, and company control²¹.

Nigeria's economic system entered a recession in 2020, reversing the country's recovery of recovery, because of fall in crude oil fees as a consequence of falling worldwide call for and containment measures to combat the unfold of COVID-19. The containment measures specifically affected aviation, tourism, hospitality, restaurants, manufacturing, and trade. Contraction in those sectors offset call for pushed enlargement in economic and facts and communications generation sectors. Overall, actual GDP is anticipated via way of means of the Bank to have shriveled via way of means of 3% in 2020, despite the fact that mitigating measures within the Economic Sustainability Programme (ESP) averted the decline from being plenty worse. Inflation rose to 12.8% in 2020 from 11.4% in 2019, fueled via way of means of better meals fees because of constraints on home resources and the pass-through outcomes of a changed price top rate that widened to approximately 24%. The elimination of gasoline subsidies and a boom in strength price lists brought in addition to inflationary pressures. The Central Bank of Nigeria reduce the coverage price via way of means of one hundred foundation factors to 11.5% to shore up a flagging economic system. The economic deficit, financed generally via way of means of home and overseas borrowing, widened to 5.2% in 2020 from 4.3% in 2019, reflecting pandemic-associated spending pressures and sales shortfalls. Total public debt stood at \$85.90 billion (25% of GDP) on 30 June 2020, 2.4% better than the 12 months earlier. Domestic debt represented 63% of general debt, and outside debt, 37%. High debt provider payments, anticipated at greater than 1/2 of of federally amassed revenues, pose a primary economic chance to Nigeria. The modern-day account role became anticipated to stay in deficit at 3.7% of

GDP, weighed down via way of means of the autumn in oil receipts and susceptible outside economic flows²².

Hence, through changing the high-satisfactory of those services, stock markets' functioning can change the price of monetary growth.²³ While the cash market offers short-time period funds, the capital market offers long-phrases loanable funds. The difference between the cash and capital market lies within the diploma of liquidity of contraptions offered and offered in every of the markets. It is with this backdrop that this study takes a look at the connection among the cash market and the capital market as a channel to financial intermediation in the growth of Nigeria's economy²⁴.

1.2 Statement of the Problem

The Nigerian financial system comprises of various institutions, markets and operations that are in the business of providing financial services. These institutions can be broadly categorized into money and capital markets while the money market is a market in which short-term financial instrument are traded; the capital market on the other hand deals with long term transactions. The major players in the money market are the financial institutions. The intermediation role of financial institutions such as banks ensures the mobilization of idle funds from the surplus units to the deficit sector. Just like the money market, the capital market is a major channel for mobilizing long-term funds. The main institutions are the Securities and Exchange Commission (SEC) which is the apex regulatory body, the Nigerian Stock Exchange (NSE), the issues houses, stock broking firms and the registrars²⁵.

However, the capital market is not void of problems: the limited numbers of available instruments traded in the market were discriminated in favour of large firms; the problems of unclaimed dividends among others have been able to hinder or draw back

the swift/function of the capital market in Nigeria. Also, considering the underdeveloped state of the Nigerian Stock Exchange, what could be done to position it strongly as its western counter parts. Based on the above-identified problems, this study will therefore fill the large gaps regarding the financial market as channel to financial intermediation in the growth of the Nigerian economy.

1.3 Aim and Objectives of the Study

The main objective of this study is to examine the financial market as channel to financial intermediation in the growth of Nigerian economy.

The specific objectives are to;

- i. ascertain the performance of the money market and capital market in Nigeria
- ii. examine the effect of market capitalization as a financial intermediation channel on the real Gross Domestic Product (GDP) of Nigeria's economy.
- iii. evaluate the money market's effect as a financial intermediation channel on the real Gross Domestic Product (GDP) of Nigeria's economy.
- iv. identify the nexus between money market, capital market as financial intermediation channels on real Gross Domestic Product (GDP) of Nigeria economy

1.4 Research Questions

In light of the study objectives stated above, the following are the research questions that were answered.

- i. To what extent is the trend analysis/performance of the money market and capital market in Nigeria?
- ii. What is the effect of market capitalization as a financial intermediation channel on the real Gross Domestic Product (GDP) of Nigeria's economy?

- iii. How does the money market as a financial intermediation channel affect the real Gross Domestic Product (GDP) of Nigeria's economy?
- iv. What is the nexus between the money market, capital market as a financial intermediation channel on the real Gross Domestic Product (GDP) of Nigeria's economy?

1.5 Hypotheses

To achieve the above-stated objectives, the following research hypotheses were formulated:

H₀₁: Market capitalization as a financial intermediation channel does not have significant effect on the real Gross Domestic Product (GDP) of Nigeria economy

H₀₂: There is no significant effect of the money market as a financial intermediation channel on the Gross Domestic Product (GDP) of Nigeria's economy

H₀₃: There is no significant nexus between the money market, capital market as financial intermediation channels on the real Gross Domestic Product (GDP) of Nigeria's economy.

1.6 Significance of the Study

This study will be of immense benefit to the Nigerian economy. It will enable them to fashion good and effective policies that could help move the financial market forward. It will also be of assistance to private and corporate investors. It will enable them to understand the dynamic surrounding the operations of the market. This study will offer to other researchers an ample opportunity to critique the work and, thus expand on the existing body of knowledge on subject matter. Lastly, this study could also help to educate the general public on the important role capital and money markets can play in the economic growth of the nation.

1.7 Scope of the Study

The Nigerian economic system is a big aspect with quite a few various and occasionally complicated elements. In this regard, the observation seems at a specific part of the economic system through focusing in particular on the monetary sector. Even then, the observe does now no longer cowl all the elements of the monetary sector, however, it focuses on the monetary market as channel to monetary intermediation withinside the increase of the Nigerian economic system. This is knowledgeable through the significance of the capital market to the monetary improvement of the country as it offers long time budget wished for funding for the increase of the economic system.

1.8 Limitation of the Study

In this research, funds are the significant limitations that might face researchers during the research survey. This research work might be limited by the essence for which the data to be used for this study's context will be initially gathered.

1.9 Operational Definition of Terms

Banks: Bank is a financial institution whose main activities are borrowing and lending money. Banks borrow by accepting deposits from the general public or other financial institutions.

Capital Market: The capital market is a network of specialized financial institutions, series of mechanisms, processes, and infrastructure that, in various ways, facilitate the bringing together of suppliers and users of medium to long term capital for investment in socio-economic developmental projects

Commercial Banks: They are institutions in Nigeria that provide financial services, such as accepting deposits, giving business loans, mortgage lending, and essential investment products like savings accounts.

Economic Growth: This is the increase of per capital gross domestic product (GDP) or other measures of aggregate income.

Financial Intermediation: Financial Intermediation is the process of mobilizing funds from the surplus economic unit to the deficit economic unit. In other words, financial intermediation is the process of mobilizing financial resources from the ultimate saver to the ultimate user.

Microfinance Bank: Microfinance banking provides a broad range of financial services such as deposits, loans, money transfers, and insurance to the poor and low-income household and their micro-enterprises at an affordable cost.

Monetary Policy: Monetary policy are those policies and measures designed to regulate and control the volume, cost availability and direction of money and credit with a view to achieving some specified macroeconomic objectives growth.

Money Market: The cash market is the market in which securities of short-time period nature of now no longer multiplayer are offered and sold. It has no valuable location; agencies are generally transacted at the telephone, fax, telex, and so on.

Money Supply: This is the total volume of money stock held by banks and other financial institutions as well as those in circulation.

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Chapter Two

Literature Review

This chapter addresses a review of literature pointing out areas of agreement and disagreement of the scholars. Hence, a gap in knowledge is created where this study is interesting to fill. This chapter will be classified into the following headings:

- Conceptual Review
- Theoretical Framework
- Review of Empirical Studies
- Conceptual Framework/Model
- Summary of Literature Gaps in Literature Reviewed

2.1 Conceptual Framework

2.1.1 Financial Market

The financial market is segmented into two-the cash market which offers in short-time period price range and the capital market for longer-time period dealings in loanable price range¹. Financial Markets encompass any area or machine that gives consumers and dealers the method to change monetary devices, together with bonds, equities, the numerous worldwide currencies, and derivatives. Financial markets facilitate the interplay between folks who want capital with the ones who have capital to invest. The financial market plays a monetary characteristic through facilitating the switch of actual monetary assets from the creditors to the borrowers². By the motivation of hobby income, the market allows the transference of buying strength from the lender to the investor who needs to workout call for over actual assets. As actual assets waft from the

creditors to the borrowers, the manufacturing of products and offerings is better and therefore the welfare of the human beings is improved. When the monetary market is efficient, price range wafts freely and unexpectedly amongst its numerous reassets and uses. As lengthy as monetary devices stay substitutable for every other, adjustments in the delivery and call for with inside the cash market have a rapid-over impact into the capital market. Because of the near hyperlink among the exceptional sectors of the monetary market, hobby quotes flow up and down collectively the complete spectrum of the market, deliver and call for situations change. Financial markets are specialised markets accountable for channeling monetary assets from the excess devices to the deficit devices to carry out a few types of monetary activities.

Capital Market

The capital market is an organization of monetary establishments, series of instruments, cycles, and framework that, in different ways, work with the uniting of providers and clients of medium to long haul capital for interest in financial formative undertakings³. The capital market is isolated into the essential and the auxiliary market. The essential market or the new issues market gives the road through which government and corporate bodies raise new assets through the issuance of protections, which is preferred by the overall population or a chose gathering of financial backers⁴. Capital market is a fundamental piece of the monetary framework that gives a productive conveyance system to preparation and designation, the executives and circulation of long-haul assets for venture project⁵.

Capital market is the medium via which properties are assembled and directed productively from savers to customers of property. Aside from affordable meeting of inactive reserve funds into useful use, the capital market makes a road for unfamiliar speculation and the deluge of unfamiliar capital for creating projects that will build the

government assistance of residents. A capital market is a business opportunity for protections (debt holder value), where business ventures (organizations) and government can raise long haul reserves⁶. It is characterized as a market where cash is accommodated for periods longer than a year, as the raising of momentary assets happens at other markets, which for this situation is the currency market. The capital market incorporates financial exchange like value protections and the security market which is about obligation. The economic controllers of the capital market just like the Central Bank of Nigeria, Securities and Trade Commission (SEC) administer the capital enterprise sectors of their assigned purview to assure that financial backers are ensured in opposition to extortion⁷.

Thus, the capital market is one wherein people and establishments alternate financial securities. Also, agencies or establishments within the public and personal sectors additionally regularly promote securities at the capital market so one can boost funds. Thus, this kind of market consists of each the number one and secondary market⁸.

The primary market is a market for new securities. It is a platform where the company or government can raise money for investment or where already quoted companies can raise fresh funds for expansion⁹. Both the Securities and Exchange Commission (SEC) and the Nigerian Stock Exchange (NSE) are involved in primary market activities. The secondary market provides an avenue for the sale and purchase of existing securities. It is a type of market where existing securities of a market are traded on a daily and continuous basis. It is the market for existing securities, which consists of exchanges and over-the-counter markets where securities are bought and sold after their issuance in the primary market¹⁰. Money market is a discussion board wherein short-time period capital is sourced. Therefore, the company frame that calls for such finances creates gadgets with which to supply such finances. The lifestyles span of such finances

generally levels from some hours to approximately twenty-4 months or years¹¹. The cash market is in which the cash is invested for durations of as much as one-12 months maturity. The tool or securities traded within side the markets are known as cash market devices. Thus, the cash market is the market for buying and selling in short-time period monetary devices with maturities much less than one 12 months. The important contributors within side the cash markets encompass individuals, companies, banks, bargain houses, and governments¹². The inventory market is the market for monetary claims of much less than 12 months to possibly 5 years or much less for maturity. The cash market is accordingly basically a framework for buying and selling short-time period monetary instruments¹³.

The capital market as the driver of any economy to growth and development because it is essential for long-term capital formation growth. It is crucial in the mobilization of savings and channeling of such savings to profitable self-liquidating investment¹⁴. The capital market is defined as the market where medium to long-term finance can be raised¹⁵. The capital market is the market for dealings (i.e., lending and borrowing) in longer-term loanable funds¹⁶. A forum through which long-term funds are made available by the surplus to the deficit economic units¹⁷. The inventory market as a complicated organization imbued with an inherent mechanism thru which long-time period finances of the primary sectors of the economic system comprising households, firms, and authorities are mobilized, harnessed, and made to be had to diverse sectors of the economy¹⁸.

The Capital market has also been defined as the market where medium or long-term finance can be raised. The capital market is the market for dealings in terms of Lending and borrowing in long-term loan able funds. A discussion board via which long-time period budget are made to be had through the excess financial unit to the deficit

financial devices. It must, however, be stated that even though all of the surplus financial devices have gotten admission to the capital market, now no longer all of the deficit financial devices have the identical smooth get admission to it. The restriction on a part of the debtors is supposed to put into effect the safety of the budget furnished through the creditors. To make sure that creditors aren't subjected to undue risks, debtors within side the capital market want to meet positives impel necessities consisting of the capital base of the organization, economic worthiness and a bunch of others¹⁹.

The strength of a country's capital market determines the diploma of a firm's funding overall performance irrespective of how intently managers' and owners' match. The Capital market gives get entry to a lot of economic gadgets that allow financial dealers to pool, charge and alternate risks. Through property with appealing yields, liquidity and danger characteristics, it encourages financial savings in economic form. This could be very crucial for authorities and different establishments in want of long-time period budget and for providers of long-time period funds²⁰. Based on its significance in accelerating monetary boom and development, the governments of maximum countries generally tend to have eager hobby within side the overall performance of its capital market. The challenge is for sustained self belief that the market and for a sturdy investor safety arrangement.

The capital market is relied upon to support reserve funds by giving people an extra monetary instrument that might better meet their danger inclinations and liquidity needs. Better reserve funds activation might build the reserve funds rate. Capital business sectors likewise give a road to developing organizations to raise capital at lower cost. Also, organizations in nations with created securities exchanges are less subject to bank financing, which can decrease the danger of a credit crunch. Securities exchanges hence

can decidedly impact monetary development through empowering investment funds among people and giving roads to firm financing²¹.

The capital market contributes to monetary increase through the unique offerings it carries out that once or indirectly. Notable some of the capabilities of the inventory market are mobilization of savings, introduction of liquidity, hazard diversification, progressed dissemination and acquisition of information, and more advantageous incentive for company control. Improving the performance and effectiveness of those capabilities, through set off transporting their offerings can increase the price of monetary increase. At any degree of a nation's development, each the authorities and the personal sectors could require long-time period capital that is supplied through a nicely functioning inventory market²².

Therefore, the capital market is the market which offers in long-time period price range. In different words, it's far a community of economic establishments and infrastructure that engage to mobilize and allocate long-time period price range in the economy. The market gives commercial enterprise companies and the authorities the possibility to promote shares and bonds and to elevate the long-time period price range from the financial savings of different financial agents. The sourcing of long-time period budget via the capital market is vital for self-sustained financial increase that is steady with speedy financial increase. A lively capital market aids the mobilization of financial savings for financial increase and development²³.

The capital market may also affect economic activities through the creation of liquidity. Liquid equity market makes available savings for profitable investment that requires long-term commitment of capital. Without liquid capital market there would be no industrial revolution. This is because savers would be less willing to invest in large,

long-term projects that characterized the early phase of industrial revolution. Closely related to liquidity is the function of risk diversification.

Using the liquidity argument, the extent of financial sports is suffering from the capital market through its liquidity growing ability. The common sense of this reasoning is that worthwhile funding calls for long-time period capital commitment; frequently buyers aren't inclined or are reluctant to exchange their financial savings for an extended gestation period. With liquid fairness markets, dangers related to funding are reduced, making it more appealing to buyers. Thus, the smooth switch of capital possession allows firms' everlasting admission to capital raised thru fairness issues. Therefore, as liquid market improves the allocation of capital, the possibility for long-time period financial increase is enhanced. Also, financial savings and funding are elevated because of discount within side the riskiness of funding facilitated via way of means of inventory market liquidity²⁴.

In any case, an elective view on capital market and long-haul monetary development that there are a few channels through which liquidity can discourage development: First and foremost, reserve funds rate might be diminished, this happens when there is expanding profits from speculation through pay and replacement impact. As funding finances charge falls and with the presence of externality related to capital collection, more noteworthy financial exchange liquidity could dial back monetary development. Also, decreasing vulnerability related to speculation might affect reserve funds rate, however, the degree and the course stay equivocal. This is on the grounds that it is a component of the level of hazard averseness of financial specialists. Thirdly, powerful corporate administration frequently promoted as a benefit of liquidity of securities exchange might be antagonistically impacted. The straightforwardness with which value can be arranged off may debilitate financial backers' responsibility and fills in as a

disincentive to corporate control and carefulness with respect to financial backers consequently discrediting their job of observing company's presentation. This regularly comes full circle in slowing down monetary development²⁵.

There are four purposes behind the significance of capital market on monetary foundations in any event, when value issuance is a generally minor wellspring of assets. Initial, a value market furnishes financial backers and businesspeople with a potential leave instrument. As indicated by them, funding speculations would be more alluring in nations where a value market exists than one without a satisfactorily working public value market. Besides, capital inflows and Portfolio streams will in general be bigger to nations with coordinated and fluid business sectors. In this way, the presence of value markets works with capital inflow and the capacity to back current record shortfalls. Thirdly, the arrangement of liquidity through coordinated trades empowers both global and homegrown financial backers to move their excesses from transient resources for the drawn-out capital market, where the assets can give admittance to super durable cash-flow to firms to fund enormous, inseparable ventures that appreciate considerable scale economies. Subsequently, provided this situation with the significance of homegrown asset preparation can't be belittled. At last, the presence of a securities exchange gives significant data that works on the productivity of monetary intermediation by and large²⁶.

The connections between capital markets and by and large financial advancement to be dubious, nonexistent or maybe destructive. The African countries now no longer to provide similarly scant property and endeavors to advancing inventory trade, because there are various weightier troubles to deal with in Africa: excessive destitution levels, missing social administrations and lacking framework. Regardless of whether the assets were accessible, financial exchanges could uncover currently delicate creating

economies to the settling impacts of present moment, theoretical capital inflows. The connection between capital market acquiring and monetary development, they discovered that there is a positive relationship yet not an exceptionally solid one²⁷.

There is a sturdy empirical affiliation among capital market improvement and long-run financial boom. The conglomerating measures along with inventory market size, liquidity, and integration with global markets, into index of inventory market improvement. The boom charge of Gross Domestic Product (GDP) according to capita changed into regressed on plenty of variables designed to manipulate for preliminary conditions, political stability, funding in human capital, and macroeconomic conditions; after which encompass the conglomerated index of inventory market improvement. The location changed into that a sturdy correlation between normal inventory market improvement and long-run financial boom exist. This approach that the result is regular with the theories that suggest a fantastic dating among inventory market improvement and financial boom. Cross-united states of America time collection regression of forty seven international locations from 1976 to 1993 to assess whether or not inventory market liquidity is associated with boom, capital accumulation and productiveness and observed the slope coefficients of the explanatory variables to be positive²⁸.

The capital market is the driver of any economy to growth and development because it is essential for long-term capital formation growth. It is crucial in the mobilization of savings and channeling of such savings to profitable self-liquidating investment²⁹. The Nigerian capital market provides the necessary lubricant that keeps turning the wheel of the economy. It not only provides the funds required for investment but also efficiently allocates these funds to projects of best returns to fund owners. This allocative function is critical in determining the overall growth of the economy. The functioning of the capital market affects liquidity, acquisition of information about firms, risk

diversification, savings mobilization, and corporate control.³⁰ Therefore, by altering the quality of these services, the functioning of stock markets can change economic growth.³¹

The cheap source of funds from the capital market remains a critical element in the sustainable development of the economy. She enumerated the advantages of capital market financing to include no short repayment period as funds are held for medium- and long-term period or in perpetuity, funds to state and local government without pressures and ample time to repay loans³².

An combination index of capital market improvement and used it to decide its dating with long-run monetary boom in Nigeria³³. The study employed time-series data from 1970 to 1994. For measures of capital market improvement, the ratio of market capitalization to GDP (in percentage), the ratio of the overall cost of transactions on the primary inventory change to GDP (in percentage), the cost of equities transaction relative to GDP, and listings had been used. The 4 measures had been blended into one general composite index of capital market improvement the usage of important aspect analysis. A degree of monetary market depth (that is the ratio of extensive cash to the inventory of cash to GDP) changed into additionally blanketed as a control. The end result of the observe changed into that capital market improvement is negatively and extensively correlated with long-run boom in Nigeria³⁴.

The correlation among capital market improvement and monetary boom in Romania the use of a regression feature and VAR³⁵. It changed into proven that the capital market is definitely correlated with monetary boom, with a comments effect. Moreover, they found out that the maximum essential hyperlink is from monetary improvement to the capital market. The effect of the capital market performance at the monetary boom of Nigeria the usage of time collection records from 1961 to 2004. They located that the

capital market in Nigeria has the ability of boom-inducing. Still, it has now no longer contributed meaningfully to the monetary boom of Nigeria due to low market capitalization, low absorptive capitalization, illiquidity, misappropriation of funds, amongst others. The take a look at concluded that the capital market stays one of the mainstreams in each financial system that could have an impact on monetary boom; consequently the prepared on-public area is endorsed to invest³⁶.

The Nigerian capital market has grown tremendously, particularly during the indigenization decrees of 1972 and 1977. The securities expanded from eight in 1961 to approximately 301 in 2008. Over the years, the Nigerian capital market has witnessed noticeably balance and additionally recorded brilliant growth, which has placed it to effect the financial system positively. There is obvious proof that the capital market remained an vital supply of capital for the nation's monetary improvement in financing infrastructural projects, the privatization programme of the government, and the banking region recapitalization in Nigeria³⁷.

The capital market has been a possible supply of financing kingdom and neighborhoodauthorities infrastructural tasks and developmental strides with fewer pressures and lean on resources . Nigerian Capital Market performed a paramount function in privatizing the State-Owned Enterprises (SOEs) with the aid of using giving creditability and transparency to the exercise³⁸.

The effect of the Nigerian capital market on her socio-financial improvement from 1981 to 2008. Using the regular least square, it turned out to be discovered that the capital market indices have now no longer impacted considerably on the GDP. To function the market for growth, the recommendations that the authorities is consequently suggested to place up measures to stem up investors' self belief and sports withinside the market

in order that it may make contributions considerably to the Nigerian socio-financial development³⁹.

The effect of capital market performance on monetary boom in India the use of the time collection records on market capitalization, overall market turnover, and inventory charge index over the duration spanning from the primary area of 1991 to the primary area of 2010. The utility of the a couple of regression version suggests that the capital market in India has the capability of contributing to the monetary boom of the United States of America. Specifically, its examine exhibits is a linkage among capital market performance and monetary improvement in India. This linkage, in step with the examine, is installed through an excessive charge of market capitalization and overall market turnover. Thus, the studies indicates that the market corporations and guidelines ought to be such that amassiverange of homein addition tooverseasbuyers enters the market with significant listings, investments, and buying and sellingin order that the very goal of top of the line allocation of monetarysources for the sustainable boom of the United States of Americamay be ensured⁴⁰.

A combination index of capital marketimprovement and used it to decide its courting with long-run monetaryboom in Nigeria. The observehired time-collectionrecords from 1970 to 1994. The end result of the observechanged into that capital marketimprovement is negatively and substantially correlated with long-run boom in Nigeria. The consequencesadditionallyconfirmed that there exists bidirectional causality among capital marketimprovement and economic growth⁴¹. The Capital market is critical to growth, improvement, and poweras ithelpsauthorities and company initiatives, price range the exploitation of recent ideas, and allowseconomichazard management.

Market Capitalization

Market capitalization, normally called market cap, is the market worth of a public company's extraordinary offers. Market capitalization is equivalent to the offer cost duplicated by the quantity of offers extraordinary. Since exceptional stock is purchased and sold openly advertises, capitalization could be utilized as a pointer of general assessment of a company's total assets and is a deciding variable in certain types of stock valuation⁴².

Market capitalization, usually called market cap, is the market worth of a public company's exceptional offers. Market capitalization is equivalent to the offer cost increased by the quantity of offers exceptional. Since remarkable stock is purchased and sold in broad daylight markets, capitalization could be utilized as a marker of popular assessment of a company's total assets and is a deciding element in certain types of stock valuation⁴³.

Market capitalization, regularly called market cap, is the market worth of a public company's remarkable offers. Market capitalization is equivalent to the offer cost duplicated by the quantity of offers extraordinary . Since remarkable stock is purchased and sold openly showcases, capitalization could be utilized as a marker of popular assessment of a company's total assets and is a deciding variable in certain types of stock valuation⁴⁴. Market capitalization is one of the fundamental measures of the really well worth of a publicly-traded company; it's miles a manner of figuring out the real fee of a company. Also the funding network makes use of this discern to decide a company's length or (really well worth), in preference to income or overall assets figures⁴⁵. Generally speaking, a better market capitalization shows a greater treasured organisation. Consequently, it's far the sum of the modern-day market cost of all securities traded on an economic market. The new problems market is the market wherein organizations can

enhance budget with the aid of using issuing stocks or with the aid of using floatation of securities. In different words, it's far while an organisation tries to elevate finances with the aid of using issuing extra stocks or preliminary public provide to the overall public who want to make investments that the stocks of the organisation. An preliminary public imparting (IPO) is a first-time imparting of stocks with the aid of using a particular corporation to the public⁴⁶.

The complete capitalization of securities exchanges or monetary districts might be contrasted and other financial pointers (for example the Buffett marker). The complete market capitalization of all public corporations on the planet was US\$51.2 trillion in January 2007 and ascended as high as US\$57.5 trillion in May 2008 preceding dipping under US\$50 trillion in August 2008 and somewhat above US\$40 trillion in September 2008. In 2014 and 2015, worldwide market capitalization was US\$68 trillion and US\$67 trillion, individually⁴⁷. It is likewise allude to the all out worth of an organization's portion of stock. It is determined by duplicating the cost of a stock by its all out number of extraordinary offers. Market capitalization permits financial backers to comprehend the overall size of one organization versus another. Market capitalization estimates what an organization is worth on the open market just as the market view of its future possibilities, since it reflects what financial backers will pay for its stock. Any activity of warrants on an organization's stock will expand the quantity of remarkable offers, in this way weakening its current worth⁴⁸.

Volume of transaction refers to the full quantity of securities traded within the capital market no matter what form of safety instrument. The extent of transaction frequently determines the extent of transactional sports or the overall performance of the capital market as a way because the enterprise transaction of the market is involved and this in flip ought to have an impact at the increase of the economic system as both fine

or bad final results of the transaction volume⁴⁹. Equity is the possession of an agency in shape of not unusual place inventory or favored inventory. Equity funding typically refers back to the shopping for and maintaining of the stocks of inventory from an inventory market with the aid of using people and corporations in anticipation of capital appreciation because the price of the inventory rises. Therefore, the extra the numbers of indexed equities are to be had within the capital market the higher for the financial boom of the nation⁵⁰.

Economic increase is a high quality extra within the stage of manufacturing of products and offerings via way of means of a rustic. Economic increase is typically introduced approximately via way of means of growth in sports of the inventory market, development in generation and development within the excellent and stage of the capital market's performance. All those are taken into consideration to be the fundamental reasons for financial increase. For the functions of this observe the Nigerian financial increase is represented via way of means of the Gross Domestic Product (GDP). The gross home product is the market fee of all items and offerings produced in a rustic at a particular time period along with three hundred and sixty five days as an example⁵¹. However, this take a look at perceives the capital market to be that which offers with long-time period securities whose adulthood length is over and above years. Furthermore, it's far considered as a road where finances are raised and made to be had to the deficit monetary unit.

The Role of Capital Market

The secondary market activities have impacted Nigeria's per capita income by tending to grow stock market earnings through wealth than the primary market⁵². The roles of the capital market within side the improvement of the financial system include:

- i. It presents possibilities for corporations to borrow budget wished for long-time period funding purposes.
- ii. It presents a street for the advertising and marketing of stocks and different securities to elevate clean budget for enlargement of operations main to an boom in output/production.
- iii. It presents a way of allocating the nation's herbal and economic assets among diverse industries and corporations. Through the capital formation and allocation mechanism, the capital market guarantees a green and powerful distribution of scarce assets for the highest quality gain to the financial system.
- iv. It reduces the over-reliance of the company region on brief time period financing for long-term tasks. Also, it presents possibilities for authorities to finance tasks aimed toward offering important facilities for neighborhood buyers.
- v. The capital market can use the authorities resources in its privatization software through providing stocks within the public companies to public individuals via the inventory exchange.
- vi. The capital market additionally encourages the influx of overseas capital while overseas corporations or buyers spend money on home securities, presents wished seed cash for innovative capital improvement, and acts as a dependable medium for broadening the possession base of family-owned and ruled firms⁵³.

The Nigerian Capital Market

The inventory market is regarded as a complicated group imbued with an inherent mechanism via which long-time period price range of the principal sectors of the economic system comprising households, firms, and authorities are mobilized,

harnessed, and made to be had to diverse sectors of the economic system.⁵⁴The improvement of the capital market, and the inventory market, gives possibilities for more price range mobilization, stepped forward aid allocation, and provision of applicable facts for appraisal⁵⁵.

The sports and buying and selling on this market are controlled through the Nigerian Stock Exchange (NSE), which advanced in 1977 from the Lagos Stock Exchange, installed on June 5, 1961. As of the give up of 2009, there have been ten buying and selling flooring of the NSE. The Lagos department serves as the top workplace of the exchange; Enugu, Ibadan, Onitsha, Kaduna, Kano, Port Harcourt, Yola, Benin, and Abuja have been the alternative branches of the exchange.⁵⁶ Each department has a buying and selling floor, which creates possibilities for the shopping for and promoting of securities. Other than those, there are establishments consisting of the Securities and Exchange Commission (SEC), that's the regulatory authority and became installed in 1979, issuing houses, Investment Advisers, Portfolio Managers, Investment and Securities Tribunal (IST), the inventory broker firms, registrars and different operators. The interactions amongst those gamers have an effect on the width and intensity of the market. Before the 1980s, buying and selling within the market became weak, as a consequence of a low stage of facts dissemination and awareness⁵⁷.

However, with the computerization and availability of company facts, the market will become extra efficient, with tremendous signs reflecting extremely good growth. Since the 1980s, maximum market signs, such as all proportion fee index, variety of deals, market capitalization, the full fee of stocks traded, and turnover ratio, have significantly increased.⁵⁸ The improvements could be attributed to the establishment of the Second-tier Securities Market (SSM) in 1985; the deregulation of interest rates in 1987, the privatization programme of government-owned companies, enhancement in market

infrastructure and requirements, innovations; as well as the banking sector reform. These developments have culminated in an unprecedented growth of both the primary and secondary markets.⁵⁹ Some of the major securities traded on the exchange during the period under review included government development stocks, industrial loans/preference shares, and equities. From 100.00 in 1984, the all share value index on the exchange rose to 57,990.22 in 2007 but declined by 64.1 percent to 20.827.17 in 2009 as a few quoted banks have been worried in merger/acquisitions within the recapitalization exercising within the banking sector, at the same time as people who have been unsuccessful have been delisted from the exchange⁶⁰.

The growth and development of the capital market in Nigeria can be traced to 1946, with the floating of ₦600,000 (more than 300,000 pounds sterling) really well worth of presidency shares. However, a prepared market for the secondary buying and selling of issued shares turned into lacking. The Federal authorities of Nigeria's improvement mortgage inventory turned into issued consistent with its function of fostering financial and economic improvement. The inventory market has helped authorities and company entities to elevate long time capital for financing new initiatives and increasing and modernizing industrial/commercial concerns⁶¹.

The Nigerian capital market might be assessed as having executed moderately properly regardless of the severe demanding situations and issues, a number of which encompass the purchase and maintain mind-set of Nigerians, big lack of understanding of a big populace of the Nigerian public, the character and blessings of the capital market, few funding stores within the market, lack capital market-pleasant financial guidelines and political instability, personal sector-led financial system and much less than the whole operation of latest traits just like the Automated Trading System (ATS), Central Securities Clearing System (CSC), On-line and Remote Trading,

Trade Alerts and Capital Trade Points of the Nigerian Stock Exchange. The Nigerian capital market, like every other countrywide financial system, has been confronted with many demanding situations and issues, each endogenous and exogenous.

Some of those issues are:

- i. Small Size of the Market;
- ii. Problem of Illiquidity of the Market;
- iii. Slow boom of Securities Market;
- iv. Delay in Delivery of Share Certificates;
- v. Problem of Manual Call-over;
- vi. Double Taxation;
- vii. Lack of Effective Underwriting;
- viii. Problem of Macro-Economic Instability⁶².

Money Market

The cash market is the market wherein securities of short-time period nature of now no longer multiple yr are offered and sold. It has no crucial location; corporations are generally transacted at the telephone, fax, telex, etc.⁶³ Prices of securities treated are generally decided with the aid of using the influence of the Federal Government of Nigeria's economic rules being issued yearly and monitored with the aid of using the Central Bank. They are of excessive quality, unsecured however especially low danger economic property consisting of financial savings of diverse forms, negotiable and non-negotiable Certificate of Deposits, Bankers' Acceptances, Commercial Papers, Call Money, Treasury Bills, and Treasury Certificate. The cash market is a vital group in a contemporary-day economy.⁶⁴ The market is of terrific assist within the financing enterprise and commerce. In evolved economies, it allows businesses to impart their

operating capital necessities through the gadget of finance bills, industrial paper, amongst others. Conditions within the cash market and the short-time period fees of hobby influence the long-time period capital market and the long-time period hobby fees. The life of a capital market relies upon the life of a well-prepared cash market, and the two markets collectively play an crucial position within the financial improvement of the country.

In advanced economies, the money market constitutes the most institution for creating liquidity for government, companies, and individuals.⁶⁵ Many basic requisites are pertinent to the evolution of a developed money market. They are a fantastically prepared business banking system, valuable financial institution presence, availability of right credit score units, numerous sub-markets, enough resources, strong political condition, and a big extent of worldwide trade. These elements could decorate the extent of transactions of cash market units within the bargain market and the overall financial system in general. The Nigerian cash market current is likewise insufficient and restricted via way of means of the absence of sub-markets and the provision of ok credit score units required for the easy operations of the market⁶⁶.

Money market is a discussion board wherein short-time period capital is sourced. Therefore, the company frame that calls for such price range creates units with which to supply such price range. The lifespan of such price range levels from some hours to approximately twenty-4 months or two years⁶⁷. The cash market is wherein the cash is invested for durations of as much as one-12 months maturity. The device or securities traded within the market is referred to as cash market units. Thus, the cut price cash market is the market for buying and selling in short-time period monetary units with maturities much less than 12 months. The main gamers within the cash markets consist of individuals, companies, banks, bargain houses, and the government⁶⁸. The

money market is the market for financial claims of less than one year to perhaps five years or less for maturity. To him, the money market is thus essentially a framework for trading short-term financial instruments. The global economic meltdown is already causing a considerable slowdown in most countries. Governments worldwide are trying to manage the crisis, but many suggest the worst is not yet over. For example, stock markets are down more than 40% from their recent highs. Investment banks have also collapsed⁶⁹.

The money market is a wholesale market for low risk, highly liquid, short-term debt instruments. Short-term refers to a tenor of less than one. In Nigeria, the instruments traded in the main are Treasury Bills, Bankers Acceptances, and Commercial Papers. The heart of activity in the money market occurs in the dealing rooms of discount houses and banks. Each day, billions of Naira are traded between operators in the money markets.⁷⁰One of the gears used to govern the cash delivery within the open market operations (OMO). It is an oblique economic coverage technique. It entails the sale/purchases of cash market devices within the open market. In Nigeria, the cash market tool used for OMO auctions is held each week. Presently, the awareness is positioned out on Wednesday. Banks and different members ahead their bids to the bargain homes on Thursday whilst the consequences are launched the subsequent day, Friday. The Discount House submits proposals from legal dealers, which includes its desires for OMO devices, to the Central financial institution and enables the bills and agreement of the transaction⁷¹.

Roles of Money Market in the Economy

Currency markets anticipate a key component in banks' liquidity, the executives and the transmission of monetary arrangement. In normal occasions, forex markets are most of the maximum fluid within the financial area. By giving the best devices and

accomplices for liquidity exchanging, the forexmarketallows the renegotiating of quick and medium-time periodpositions and works with the moderation of your business' liquidity hazard hazard.⁷²

The banking machine and the cashmarketconstitute the distinctplacingeconomiccoverage operates in. A developed, active, and green interbank marketcomplements the performance of the imperative bank's economiccoverage, transmitting its impulses into the economic system best. Thus, the cashmarketimprovement smoothers the development of economic intermediation and boosts lending to the economic system, thereforeenhancing the country's monetary and social welfare. Therefore, the cashmarketimprovement is in all stakeholders' interests: the banking machine elf, the Central Bank, and the economic systemoverall⁷³.

Producing Information and Allocating Capital: The recordsmanufacturingfunction of economicstructures is explored^{74,75,76}. They expandfashionswhereineconomic intermediaries stand upto supplyrecords and promotethese records to savers. Financial intermediaries can enhance the ex-ante evaluation of fundingpossibilities with fantastic ramifications on useful resource allocation with the aid of using economizing on records acquisition costs. Financial structures can beautifyincreasewith the aid of using spurring technological innovation with the aid of usingfiguring out and investmentmarketers with the first-ratethreat of efficientlyimposingrevolutionary procedures⁷⁷. For sustained increaseon the frontier of technology, obtainingrecords and strengthening incentives to enhanceuseful resource allocation turn out to be vital issues.

Risk Sharing: One of the maximumcrucialcapabilities of a monetarygadget is to gain an ideal allocation of threat.These theoretical analyses make clear the situationsbeneathneath which monetaryimprovement that allowsthreat-sharing promotes financialboom and welfare. Quite often, in thoseresearch, however, authors recognizeon

both markets or intermediaries or a contrast of the 2 severe instances in which both markets or intermediaries behave each financing. The intermediate case wherein markets, and establishments co-exist is not often analyzed within the context of boom models. The addition of markets can wreck the threat-sharing possibilities furnished via way of means of intermediaries⁷⁸. Also, research recognition at the function of monetary structures that face diversifiable dangers. The implications for monetary improvement and monetary shape on financial boom are probably extraordinary while markets cannot diversify away all the dangers inherent within the financial environment. One significance of threat-sharing on financial boom is that whilst averse normally do now no longer like threat, high-go back tasks tend to be riskier than low go back tasks. Thus, monetary markets that ease threat diversification tend to set off a portfolio shift onwards tasks with better anticipated returns^{79,80,81} and⁸². It suggests that cross-sectional threat diversification ought to stimulate modern threat interest for sufficiently threat-averse agents. The capacity to preserve a diverse portfolio of innovative tasks reduces threat and promotes funding in boom-improving modern activities.

Liquidity: Money market budget offer precious liquidity through making an investment in business paper, municipal securities and repurchase agreements: Money market budget are enormous contributors within the business paper, municipal securities and repurchase agreement (or repo) markets⁸³. Money market budget maintain nearly 40% of all top-notch business paper, that's now the number one supply for short-time period investment for corporations, which difficulty business paper as a lower-fee opportunity to short-time period financial institution loans. The repo market is a critical way through which the Federal Reserve conducts financial coverage and offer everyday liquidity to international economic institutions⁸⁴. Quantum of liquidity

within the banking system is of paramount importance, as it is an essential determinant of the inflation charge and the advent of credit through the banks within the economy. Market forces usually suggest the want for borrowing or liquidity, and the cash market adjusts itself to such calls. RBI allows such changes with financial coverage equipment to be had with it⁸⁵. Heavy call for for budget in a single day suggests that the banks require short-time period budget, and in case of liquidity crunch, the hobby prices could move up⁸⁶.

Diversification: For each person and institutional buyers, cash market mutual finances offer a commercially appealing opportunity to financial institution deposits. Money market finances provide more funding diversification, are much less prone to fall apart than banks, and provide buyers with more disclosure on the character in their investments and the underlying property than conventional financial institution deposits. For the economic gadget generally, cash market mutual finances lessen stress at the FDI, mitigate systemic chance and offer critical liquidity to capital markets due to the finances' investments in business paper, municipal securities, and repurchase agreements⁸⁷.

Encouragements to Saving and Investment: The cash market has endorsed buyers to save, which leads to an incentive to make investments within the economy. The financial savings and funding equilibrium of call for and deliver of loanable finances allow within the allocation of resources⁸⁸.

Controls the Price Line in Economy: Inflation is one of the excessive monetary troubles that everyone in the growing economies ought to face now and then. Cyclical fluctuations affect the charge degree in a different way relying upon the call for and deliver the situation on the given factor in time. Money market prices play a main position in controlling the charge line. Higher prices within

the cash markets lower the liquidity within the financial system and decrease the monetary base within the system. Reduced prices, on the opposite hand, boost the liquidity within the market and produce down the value of capital considerably, thereby elevating the investment. This characteristic additionally assists the CBN to govern the overall cash delivery within the system⁸⁹.

Helps in Correcting the Imbalances in Economy: Financial coverage, on the opposite hand, has a long-time attitude and ambitions at correcting the imbalances within the financial system. Credit coverage and the economic coverage each stability every different to attain the long-time period desires strong-minded with the aid of using the government. It now no longer best to continue to generally manage the credit score with the introduction of the aid of using the banks, however, it additionally maintains a near watch over it. The economic coverage device counting the repo fee, coins reserve ratio, and financial institution fee are utilized by the Central Bank of the US to offer the essential path to the financial coverage or policy⁹⁰.

Regulates the Flow of Credit and Credit Rates: Money markets are some of the only mechanisms of any growing economic device. In its location of simply make certain that the cash market in India regulates the float of credit score and credit score rates, this device has emerged as one of the powerful coverage gears with the authorities and the RBI to govern the economic coverage, cash supply, credit score creation, and manipulate, inflation price and average monetary coverage of the State. Therefore, the primary and main characteristic of the cash market mechanism is regulatory. While figuring out the overall quantity of credit score plan for the six-month-to-month periods, the credit score coverage additionally ambitions at directing the float of credit score as consistent with the priorities constant with the aid of using the authorities consistent with

the necessities of the economy. Credit coverage as a device is critical to make certain credit score availability in enough volumes; it additionally caters to the credit score wishes of numerous sectors of the economy. The CBN assists the authorities to understand its regulations associated with the credit score plans for the duration of its statutory manipulate over the banking device of the ⁹¹.

Transmission of Monetary Policy: The cash market paperwork the primary and important hyperlink within the transmission of financial coverage impulses to the actual economy. Policy interventions with the aid of using the crucial financial institution, alongside its market operations, impact the selections of families and corporations via the financial coverage transmission mechanism. The key to this mechanism is the overall declaration of the crucial financial institution's economy, typically referred to as the financial base or high-powered cash within the economy. Among the elements of the financial base, the maximum critical additives are financial institution reserves, i.e., the claims that banks preserve within the shape of deposits with the crucial financial institution. The banks' desire for those reserves relies upon the general stage of monetary activity. Several elements govern this:

- i. Banks preserve such reserves in percentage to the extent of deposits in lots of countries, referred to as reserve requirements, which affect their capacity to increase credit score and create deposits, thereby restricting the extent of transactions to be dealt with via way of means of the financial institution;
- ii. Bank's ability to make loans (asset of the financial institution) relies upon on its ability to mobilize deposits (legal responsibility of the financial institution) as overall belongings and liabilities of the financial institution want to fit and expand/settlement together; and

iii. Banks want to preserve balances on the crucial financial institution to settle claims inside the banking gadget as those transactions are settled through the bills of banks maintained with the crucial financial institution. Therefore, the day-by-day functioning of a cutting-edge financial system and its economic gadget creates a call for crucial financial institution reserves, which will increase at the side of an enlargement in ordinary financial activity.⁹²

Characteristics of Money Market Instruments

Money market contraptions channel cash from traders to debtors who want cash for a funding to qualify as a cash market instrument, creditors need to be capable of get their cash returned in a 12 months or less, deciding on among brief-phrases securities issued via way of means of banks or governments. Investors make their purchases via brokers, at an auction, or from different institutions. The extraordinary sorts of cash market contraptions percentage important characteristics, however additionally they have sizeable differences. Variety of Money market contraptions consists of brief phrases and Certificates of Deposit (CDs), Municipal Bonds, Treasury Bills, and different Government Securities. More state-of-the-art examples consist of industrial paper, repurchase agreements, and bankers acceptances. Individual trader typically put money into cash market deposit debts and cash market mutual funds. A cash market mutual fund isn't always a financial institution account although a financial institution sells it. It is a mutual fund making an investment in cash market contraptions. The following as the characteristics of money market instruments: liquidity, return, safety, risk, and disadvantages.

Liquidity: Liquidity of a funding refers to how fast and without difficulty traders can get admission to their cash. Money market contraptions are especially liquid through definition due to the fact the cash is to be had in a year or less. Fixed phrases variety

from sooner or later to 1 year. Money market deposit bills and cash market mutual budget have excessive liquidity, as depositors might also additionally get admission to cash through test after they want it. Some cash market contraptions additionally allow resale to secondary consumers if the investor wishes the fundamental earlier than maturity. Treasury Bills and a few unique CDs fall into this category⁹³.

Return: Money market contraptions pay hobby to the lender. Bank cash market bills, for example, upload hobby on every month-to-month statement. Other contraptions, which include Treasury Bills, pay hobby simplest at maturity. A few forms of cash market investments pay hobby exempt from federal earnings tax. Short-time period exempt payments issued through municipal and country governments fail into this category⁹⁴.

Safety: Money market investments are more secure than maximum because of their liquidity. Their liquidity minimizes lengthy-time period uncertainties approximately agencies and governments and allows guard towards hobby fee will increase. Instruments consisting of Treasury Bills benefit extra protection from their federal authorities backing. Government-insured cash market deposit bills additionally have safety towards financial institution failure if their balances fall within coverage guidelines. As of the date of publication, man or woman bills are federally insured for up to \$250,000. Money market mutual budget do now no longer bring authorities coverage, so depositors can lose cash if the percentage fee falls below \$1.00⁹⁵.

Risks and Disadvantages: The numerous cash market contraptions have a few disadvantages. The maximum severe risk for any funding is default. If the commercial enterprise or authorities issuing the tool fails, the investor can lose component or all his cash. Locking up cash for a especially lengthy period, consisting of one yr, additionally will increase the chance of growing hobby rates. Usually, traders sought to pay the penalty to coins out a CD beforehand of time. Banks additionally fee expenses

for exceeding the allowed range of exams in a cashmarket deposit account; Money market mutual budgetusuallyfee a controlcharge of 1 percent⁹⁶.

Functions of Money Market

A well –evolvedcashmarket is crucial for a cutting-edge economy. Though historically, the cashmarket has evolvedbecause ofcommercial and business progress, it additionally has a essentialfunction to play withinside theprocedure of industrialization and monetaryimprovement of a country. The significance of a evolvedcashmarket and its diversecapabilities are discussed below⁹⁷:

Financing Trade: Money Market performs a essentialfunction in financing eachinnerin addition toglobal trade. Commercial finance is made to be handed to the buyersviapayments of exchange, that are discounted with the aid of using the invoicemarket. The attractiveness of residence and bargain markets assist in financing foreign trade⁹⁸.

Financing Industry: The cashmarket contributes to the increase of industries in many ways.

- a. The cashmarketenables the industries stable short-time period loans to fulfill their operating capital necessitiesvia the device of finance payments, Commercial Papers, etc.
- b. Industries usuallywant long-time period loans, that arefurnishedwithinside the capital market. However, the capital marketrelies upon the character of and the situationswithinside thecashmarket. The short-time periodhobbyprices of the cashmarketimpact the long-time periodhobbyprices of the capital market. Thus, the cashmarketcircuitouslyenables the industries via its hyperlink with and effect on long-time period capital market⁹⁹.

Profitable Investment: The cash market allows business banks to apply their extra reserves in profitable investments. In the cash market, the economic banks' extra reserves are invested in near-cash assets (e.g., short-time period payments of exchange), which might be particularly liquid and without difficulty transformed into cash. Thus, business banks earn income without dropping liquidity¹⁰⁰.

Self-Sufficiency of Commercial Bank: Developed cash market allows the economic banks to grow to be self. In a scenario of emergency, while the economic banks have an absence of funds, they now no longer require the principal financial institution and borrow at a better rate. On the alternative hand, they can meet their necessities via way of means of recalling their antique short-run loans from the cash market¹⁰¹.

Help to Central Bank: Though the principal financial institution can feature and have an impact on the banking machine within the absence of a cash market, the lifestyle of a advanced cash market smoothens the functioning and will increase the principal financial institution's efficiency. The cash market allows the principal financial institution in ways:

- a. The short-run hobby fees of the cash market function a trademark of the economic and banking situations within the United States of America and, on this way, manual the principal financial institution to undertake the proper banking policy;
- b. The touchy and incorporated cash market allows his principal financial institution to stable short and sizable have an impact on at the sub-markets, and as a result achieve effectively¹⁰².

Reform of the Money Market in Nigeria

The significance of the cash market to the boom and improvement of the Nigerian economy, in general, can't be over-emphasized, that is due to the fact the market acts as

intermediation to channel price range from the excess aspect to the deficit aspect of the Nigerian populace for brief period of investments especially in alternate and commerce. Thus, the improvement of the cash markets smoothens the economic intermediation development and boosts lending to the economy¹⁰³.

Money markets play an important position in banks' liquidity management, and the transmission of economic policy, manipulate of cash deliver and demand-pull inflation, dedication of brief-run hobby rate¹⁰⁴. Nigeria's cash market is highly shallow and oligopolistic in comparison with its friends in rising market economies. Although the cash market has witnessed a few enlargement within the evaluation period, there are realistic troubles that the market must contend with. The universal overall performance of the market for the reason that inception has been mixed. As a propeller of financial boom and improvement, the cash market in Nigeria has carried out under its potential¹⁰⁵.

Before establishing the CBN in 1959, there has been no formal or prepared home cash market in Nigeria; what existed then became a vital part of the London Money Market. The market operated via way of means of transferring price range from the London cash market to Nigeria for financing export produce. With the status quo of the CBN and the following attainment of political independence in 1960, the CBN have become worried within the energetic improvement of Nigeria's cash market. The Nigerian cash market now constitutes an important section of Nigeria's economic device and has assumed an extradistinguished position in economic policy. The market contains the inter-financial institution price range market and brief-time period securities market. The number one characteristic of the Nigerian cash market is to facilitate the elevating of brief-time period price range from the excess area to the deficit area of the economy. The money market allows money available for short periods to be directed to those who can use it¹⁰⁶.

In addition to facilitating the liquidity management of the economic actors, money markets fulfill several additional economic functions; Facilitates the conduct of monetary policy through market-based instruments; Provides anchor for the short end of the yield curve; Support the development of the foreign exchange market; Provide the authorities with better signals of market expectations.; Allows banks and their customers to manage their liquidity better; Strengthens competition in financial intermediation; Help to promote private issuance of negotiable certificates of deposits, promissory notes and Commercial Papers and short term instruments and support the development of long term corporate bonds markets; Allows institutions to hold a proportion of their funds in liquid assets that will enable them to realize cash quickly should the need arise; and the money market is used to take care of imbalances in the supply of money between the financial system as a whole and the government¹⁰⁷.

The performance of Nigeria's money market and its impact on economic growth is the resultant effect of the level of development of the market itself, and a lot of crucial issues are facing the Nigerian money market which hinders its development. These challenges include; the dearth of gadgets and absence of market breadth and intensity; inadequately professional workforce; the oligopolistic shape of the market; dependence on authorities and gradual boom of the secondary market; factshole and asymmetry; insufficient chance control and company governance framework; regulatory challenges; absence of green and cost-powerful structures for shifting possession of the securities traded within the secondary market, etc. Compared with the cash markets of advanced economies, the intensity of the Nigerian cash market nonetheless desires restructuring. There are not sufficient funding retailers within the market¹⁰⁸. The activities in the money market to have been encouraged through the financial situations and the numerous coverages move through the CBN, inclusive of the adjustment of its

coverage and prudential rates. Except for the Negotiable Treasury Certificates segment, sports multiplied in all different segments, evidenced through the better price and quantity of transactions and an growth within the splendid assets. Open Market Operations (OMO) are carried out each day to control liquidity within the gadget effectively. The gadgets used for the behavior of OMOs had been the Negotiable Treasury Bonds (NTBs), Treasury Bonds, CBN bills, and these days authorized non-discountable unique NTBs, which helped to bridge the deliver shortages that had been skilled following the absence of NTBs¹⁰⁹.

The Structural Adjustment Programme turned into released in July 1986 through the federal authorities to regulate and restructure the intake and manufacturing styles of the financial system from excessive import dependency and over-reliance at the export of crude oil and dispose of rate distortions that emanate from the over-valued naira trade price. The pace of sports within the cash market has elevated markedly in view that 1986 inside economic deregulation. The cash market operated in an environment of relative freedom beneath progressed institutional surroundings as much as 1993. The market hobby costs remain undecided through the market forces of call for and supply. Ceilings have been, however, located on hobby price in 1994 to induce the recovery of the productive sectors of the economy, as observed by the authors¹¹⁰.

The capital market crash that occurred in 2008 which made some of the quoted shares illiquid as their holders have been not able to transform them to coin to fulfill their home and different funding needs, and this affected the cash market as new buyers have been fearful of leaping right into a automobile that appears now no longer to have a brake have to they want to disembark¹¹¹. Other troubles like misery borrowing through banks that use the cash market, great monetary deficits financed through the banking system, and growing inflation and hobby costs. Owing to the many problems observed

after the global financial crisis that also affected the money market, the CBN embarked on another round of reform to make the markets more efficient and stand the test of time. To this effect, there was a positive side to the Central Bank of Nigeria (CBN) reforms going by applause from some experts. The experts said the reforms had sparked interest in money market instruments: "the reforms, they said, had not only brought about safer, healthier and a more conducive investment climate, but have buoyed confidence in the industry. They said firms that could not wait to recover the capital market are looking at money market instruments for growth. They do this by approaching banks for Bankers' Acceptance (BAs), Commercial Papers (CP) and fixed deposits, among others"¹¹².

Analysis of the Nigerian Capital Market Performance

The Nigerian capital market can be assessed as having achieved pretty properly no matter the several demanding situations and troubles a number of which consist of the purchase and preserve mind-set of Nigerians, huge lack of awareness of a massive populace of the Nigerian public, the character and blessings of the capital market, few fundingshops within the market, loss of capital market pleasant financial regulations and political instability, personal region led financial system and much less than complete operation of new tendencies just like the Automated Trading System (ATS), Central Securities Clearing System (CSC), On-line and Remote Trading, Trade Alerts and Capital Trade Points of the Nigerian Stock Exchange¹¹³.

Challenges of the Nigerian Capital Market

The Nigerian capital market, like another country wide financial system has been confronted with many demanding situations and troubles each endogenous and exogenous. Some of those troubles are indexed below:

- i. Small Size of the Market
- ii. Problem of Illiquidity of the Market
- iii. Slow increase of Securities Market
- iv. Delay in Delivery of Share Certificates
- v. Problem of Manual Call-over
- vi. Double Taxation
- vii. Lack of Effective Underwriting
- viii. Problem of Macro Economic Instability

2.1.2 Financial Intermediation

Finance is needed for one-of-a-kind functions via way of means of one-of-a-kind organizations, individuals, and different financial agents. To offer the wanted finance, there are types of establishments rendering monetary services. Such establishments are referred to as monetary establishments. Commercial banks are amongst such establishments that render monetary services. They are specifically concerned in monetary intermediation, which includes channeling price range from the excess unit to the deficit unit of the economic system, as a result reworking financial institution deposits into loans or credits. In the primitive range earlier than evolution for monetary intermediation, all of us who wishes to spend greater than he may want to himself offer might need to search for a rich character or humans from whom he may want to

borrow, that is called a gadget of direct or un-intermediated finance¹¹⁴. Crude on this gadget become, it probably glad they want of that point due to the fact monetary necessities have been constrained to private makes use of like marriages, burial ceremonies, and minor industrial sports like farming. He in addition argued that at that point, intermediation become neither essential nor enough for capital formation to take place¹¹⁵. Financial intermediation will as a result, now no longer be required, for instance, if the lender and the borrower can come into direct touch and might, in fact, now no longer be essential if there may be no deficit or surplus zone.

However, cutting-edge financial transactions may be difficult, if now no longer impossible, with un-intermediated finance because the commercial enterprise international these days is a lot more complicated and monetary necessities are too large. Even without thinking about the complexity of cutting-edge times, un-intermediated finance has its inherent troubles consisting of excessive tendency for subjectivity, unattractive hobby rates, approach of safety become too crude¹¹⁶.

In the absence of banks, i.e., monetary intermediation, an excessive amount of funding is self-financed. Long delays exist between funding expenditure and receipts of income from capital invested. They in addition argued that the absence of a middleman zone outcomes in a composition of adverse financial savings to capital formation. Thus, an intermediation enterprise lets in an economic system to lessen the fraction of the financial savings held within the shape of unproductive liquid property and to save you misallocations of invested capital because of liquidity wishes or needs¹¹⁷.

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Requirements of Financial Intermediation

It become posited that for economic intermediation to succeed, 3 traits are essential. These are normally referred to as the 3C's of intermediation: cost, convenience, and confidence¹²⁰.

Cost: Costs confer with the transaction value that the saver or borrower is made to undergo in managing the middleman. Thus, charges like financial institution prices, commission, and hobby payable should be appreciably low. For instance, the neighborhood cash creditors regularly price immoderate hobby; subsequently most effective hard-pressed human beings, who aren't probable to be credit-worthy to the financial institution, do patronize them. If there may be a considerable value of transacting commercial enterprise with an middleman, many human beings will favor to by-pass skip them¹²¹.

Convenience: Convenience on its very own has to do with the benefit with which human beings transact commercial enterprise with the middleman, and this may consist of the formalities involved – how rigorous? Thus, simplicity of operation should be

ensured such that it does now no longer require expert understanding or a selected degree of schooling to cope with a middleman¹²².

The ease with which paperwork will be completed and phrases understood are crucial considerations. Some changes should be made with comfort. If, for example, the middleman is just too long way away, the patron will incur extra shipping charges and inconvenience every time he desires to transact commercial enterprise. However, online banking has gone a long way in decreasing this problem. It is consequently vital that intermediation centers be very close to the human beings for powerful fund mobilization like rural banking schemes because the microfinance banks aren't most effective socially appropriate however an monetary necessity to decrease the extent of finances within the otherwise "unbanked" areas¹²³.

Confidence: Confidence is any other crucial requirement of economic intermediation. People should trust within the economic middleman.¹²⁴ As a saver, you should have the self assurance that your cash may be repaid to you as consistent with the phrases of the account you maintain. Thus, in case you preserve a modern-day account, your cash should be handed to you on-demand. If you preserve a time period deposit account, you should withdraw at the expiration of the time period or expiration of the observe, if observe of withdrawal is needed like in name deposit account and so on¹²⁵.

Perhaps, self assurance is the maximum pillar upon which economic intermediation rotates. Savers will now no longer maintain cash with a day-by-day collector who's referred to as a swindler, nor will they keep cash in a financial institution in the event that they have a few worries that the financial institution can also additionally fail. Worst still, if a saver has misplaced cash in a financial institution failure within the past, he'll hesitate to patronize any other financial institution within the future. Hence, he will, as much as possible, maintain cash far from any middleman. It is,

consequently, crucial that during an try to use economic intermediaries as automobiles for mobilizing financial savings, a failure-evidencedeviceshould be designed and sustained. If a financial institution fails, it isn't alwaysmost effective the financial institutionclientsso that it will suffer; the financial system as an entiremay be affected due to the fact a risky signal, which can also additionallyhave an effect onhuman beings'self-assurancewithinside theeconomicdevice generally, has been sent¹²⁶.

History has it that the indigenous banks in Nigeria had troubles of self assurancewithinside theFortiesdue to the failure of a lot of them withinside thepreceding decade. Again, the lack of ability of maximum finance homes and a few banks withinside the mid-Nineties affected the self assurance of depositors.

Cost, Convenience, and Confidence are associated with depositors, and they areadditionallyabout debtors. It becomesaidthat a high-hobbyprice or financial institutionpricescould deter debtors and the processing time and situationsshould be very favorable to drawworth investors. Also, the borrower should have the self assurance that if he has an amazingassignment and is in all different respects credit-worth, he'llnow no longer be discriminated towards fund-wise; subsequently, will now no longer be fearful offunding. It is consequentlyessential that the financialgovernmentmanagethose3 variables, specially in a highly uncompetitive economicdevice¹²⁷. However, as soon as the devicebecomesaggressive, maximumof those variables will deal with themselves, and manage will should be relaxed. For instance, in anaggressive environment, the valuemay be low, performance and comfortcould, consequently, be high. The performanceof everycorporation will encourageself assurance, and intermediation will tend togrow to beclean and friction-loose for higherfinancial savings mobilization and funding generation.

2.1.3 Economic Growth

Economic growth can be described as the rise in the inflation-adjusted market value of the goods and services produced by an economy over time. Economic growth creates more profit for businesses. As a result, the stock price rise gives companies capital to invest and more employees. As more jobs are created, income rises¹²⁸. Consumers have more money to buy additional products and services, and purchases drive higher economic growth. It is conventionally measured as the share of growth within the charge of actual gross home product or actual GDP; of more importance is the GDP ratio's growth to population (GDP per capita), which is also called per capita income. The Nigerian economy stood for 2.55% 12 months-on-12 months within the fourth sector of 2019 compared to an upwardly revised 2.28% upward thrust within the preceding length. It turned into the maximum energetic growth because the 0.33 sector of 2015, specifically dried via way of means of the oil quarter (6.36% vs. 6.49%) and better crude oil production (2.00 million barrels according today), 1.91 Mbpd within the identical length a 12 months in advance and greater favorable prices¹²⁹. The non-oil quarter expanded 2.26%, quickening from a downwardly revised 1.84, the previous length, boosted via way of means of telecommunications and records service (10.26% vs. 12.6% in Q3), crop production (2.5% vs. 2.41%), economic service (22.33% vs. 0.61%) and manufacturing (1.24% vs. 1.10%) each sector, the GDP grew 5.59% following a 9.23% growth within the preceding length. In 2019, the economic system increased 2.27%, the maximum considering 2015 and in comparison, to 1.98% in 2018¹³⁰.

The channels for growth through the capital market opine that it provides opportunities for companies to borrow funds needed for long-term investment purposes. It also provides an avenue for the marketing of shares and other securities to raise fresh funds

for expansion of operations leading to increase in output/production. It creates a means of allocating the nations real and financial resources between various industries and companies¹³¹. The capital formation and allocation mechanism the capital market ensures an efficient and effective distribution of the scarce resources for the optimal benefit to the economy, and it reduces the over reliance of the corporate sector on short term financing for long term projects and also provides opportunities for government to finance projects aimed at providing essential amenities for socioeconomic development¹³².

Stock markets can affect economic growth when they are internationally integrated. This enables greater economic risk sharing. Because high return projects also tend to be comparatively risky, stock markets that facilitate risk diversification encourages a shift to higher-return projects and the resultant effect is a boost in the economy leading to growth through the shifting of society's savings to higher-return investments¹³³.

The nature and economic significance of the relationship between capital market development and growth vary according to country's level of economic development with a larger impact in less developed economies. The proponents of high-quality relationships among inventory market improvement and monetary increase base their argument at the truth that the inventory market aids monetary increase and improvement thru the mobilization and allocation of savings, chance diversification, liquidity growing capital potential and company governance development among others¹³⁴.

Economic growth has been linked to the sophistication of the financial market and capital market efficiency. Both markets facilitate the mobilization and channeling of funds into productive constituents and ensuring that the funds are used for the pursuit of socio-economic growth and development without being idle¹³⁵.

Benefits of Economic Growth

Economic growth is an increment of actual GDP – a growth of the level of country wide output, earnings and expenditure. Essentially the gain of financial increase is better residing standards – better actual earnings and the capacity potential to dedicate extra resources to regions like fitness care and education.

1. **Higher Average Incomes.** Economic growth enables consumers to consume more goods and services and enjoy better standards of living. Economic growth during the Twentieth Century was a major factor in reducing absolute levels of poverty and enabling a rise in life expectancy.
2. **Lower Unemployment.** With higher output and positive economic growth, firms tend to employ more workers, creating more employment.
3. **Lower Government Borrowing.** Economic growth creates higher tax revenues, and there is less needed to spend money on benefits such as unemployment benefit. Therefore, economic growth helps to reduce government borrowing. Economic growth also plays a role in reducing debt to GDP ratios.
4. **Improved Public Services.** Higher economic growth leads to higher tax revenues, and this enables the government can spend more on public services, such as health care and education e.t.c. This can enable higher living standards, such as increased life expectancy, higher rates of literacy and a greater understanding of civic and political issues.
5. **Money can be spent on Protecting the Environment.** With higher economic growth a society can devote more resources to promoting recycling and the use of renewable resources. The Kuznets curve suggests that initially economic growth worsens the environment, but after a certain point of growth, the damage

to the environment will fall. This theory is controversial, but, it is possible for higher growth to be consistent with improved environmental outcomes.

6. **Investment.** Economic growth encourages firms to invest, to meet future demand. Higher investment increases the scope for future economic growth – creating a virtuous cycle of economic growth/investment.
7. **Increased Research and Development.** High economic growth leads to increased profitability for firms, enabling more spending on research and development. This can lead to technological breakthroughs, such as improved medicine and greener technology. Also, sustained economic growth increases confidence and encourages firms to take risks and innovate.
8. **Economic Development.** The biggest factor for promoting economic development is sustained economic growth. Economic growth in south-east Asia over the past few decades has played a major role in reducing levels of poverty, increasing life expectancy and enabling more economic prosperity.
9. **More Choice.** In less developed economies, a large proportion of the population work in agriculture/subsistence farming, economic growth enables a more diverse economy with people able to work in the service sector, manufacturing and having a greater choice of lifestyles.
10. **Decline in absolute poverty.** Economic growth has played a crucial role in reducing absolute poverty (people with insufficient income to meet basic needs)

Evaluation of Economic Growth

- For developing economies in Sub-Saharan Africa, economic growth enables countries to escape the worst levels of poverty. Even a small level of economic

growth can facilitate higher living standards and an improvement in life expectancy. In the developed world, economic growth is less essential.

- It depends on the nature of economic growth. For example, if economic growth leads to more pollution and congestion, then living standards can fall.
- It also depends on the distribution of economic growth – who benefits from economic growth? If growth benefits primarily the richest in society, growth may do little to overcome poverty.
- Economic growth can be very damaging to the environment. If it leads to greater use of non-renewable resources and Carbon emissions, then it will contribute to potentially very severe environmental problems which will increasingly impact future generations.
- When countries have low GDP, economic growth brings a high marginal benefit. But, for developed countries with high GDP, the marginal benefit of economic growth is lower. There is a diminishing marginal utility of extra income and at higher levels, the problems of growth may outweigh the benefits.

Impact of Stock Market on Economic Growth

There is a study of empirical affiliation among stock market improvement and long-run economic growth. The study examines the used pooled cross-country time-series regression of forty-one countries from 1976 to 1993 to evaluate this association. This examined displays the road via way of means of conglomerating measures inclusive of inventory marketplace size, liquidity, and integration with international markets, into index of inventory market improvement. The increase price of Gross Domestic Product (GDP) consistent with capita changed into regressed on a whole lot of variables designed to manipulate for preliminary conditions, political stability, funding in human

capital, and macroeconomic conditions; after which consist of the conglomerated index of stock market improvement. The location changed into that, a correlation between universal economic growth improvement and long-run monetary increase exist. This manner that the result is regular with the theories that mean a wonderful courting among stock market improvement and economic growth.

The growing inventory expenses have major consequences for the economic system; first, it increases wealth within the economic system. This growth in wealth increases the quantity of customer spending and thereby will increase the wealth of the nation. Secondly, growing inventory expenses can growth funding spending. We see that one manner an organization can finance funding spending is to difficulty inventory. If inventory expenses thrust upward, it could boost extra money consistent with percentage of the inventory issued. He similarly delivered that the principal mechanism through which the stock market impact economic growth is the so referred to as wealth impact. A standard "rule of thumb" is that every \$1 growth in stock market wealth boosts customer spending via way of means of three to 7 cents consistent with year, with a not unusual place factor estimate being four cents. According to him, this occurs due to the fact a upward thrust in inventory marketplace wealth encourages customers to scale back on financial savings or growth their debt, and growth their spending on intake goods. Conversely, a fall within the marketplace reasons them to scale back on intake via way of means of a comparable magnitude". The courting among inventory marketplace improvement and monetary increase through quarterly time-collection facts for 5 evolved economies at the same time as controlling for the impact of banking device and marketplace volatility. These nations are the USA, the UK, France, Germany, and Japan. The length included 1968-1998 even though the facts span is distinct for distinct nations within the sample. The effects screen that

during Germany, there may be proof of bidirectional causality among banking device improvement and monetary increase. The inventory marketplace alternatively is weakly exogenous to the extent of output. In the USA, monetary improvement no longer motivates actual GDP within the long run. Japan reveals bidirectional causality among each banking and inventory marketplace variables and the actual GDP, at the same time as within the UK the effects simply proof of unidirectional causality from banking device to inventory marketplace improvement within the long-run, however the causality among monetary improvement and monetary increase within the long-run may be very weak. The proof in France shows that within the long run each the inventory marketplace and banking device make contributions to actual GDP however the contribution of the banking device is lots stronger. A long-run courting among the inventory marketplace and several macroeconomic indicators. The result indicates that simplest commercial manufacturing and degree of hobby rates, as represented via way of means of the three-month business financial institution deposit price have a long-run courting with the inventory marketplace. He additionally determined that the Nigeria marketplace responds greater to its beyond expenses than adjustments within the macroeconomic variables within the brief run. The courting among inventory expenses and commercial manufacturing, cash deliver, customer charge index, and trade price in Malaysia. Stock expenses are determined to percentage wonderful long-time period relationships with commercial manufacturing and CPI. On the contrary, he determined that inventory expenses have a terrible affiliation with cash delivery and (Ringgit) trade price. The hyperlinks among inventory exchanges and universal socio-monetary improvement to be tenuous, nonexistent, or may be dangerous and cautioned African nations now no longer to commit similarly scarce sources and efforts to selling inventory trade, because there are numerous

weightier issues to deal with in Africa: excessive poverty levels, insufficient social offerings and undeveloped infrastructure. Even if the sources had been available, inventory markets may want to disclose already fragile growing economies to the stabilizing consequences of brief-time period, speculative capital inflows.

The function of stock market in Nigeria's economic growth the use of Granger-Causality check and regression analysis. The authors located a one-manner causality among GDP increase and marketplace capitalization and a -manner causality among GDP increase and marketplace turnover. They additionally discovered a wonderful and big courting among GDP increase turnover ratios. The authors cautioned that authorities must inspire the improvement of the capital marketplace because it has a wonderful courting with monetary increase.

2.2 Theoretical Framework

The theoretical framework of the study is anchored by the various theories discussed in this section.

2.2.1 Theory of Financial Intermediation

The establishments that take deposits or difficulty coverageregulations and channel price range to firms¹³⁶. The principle states that the improvement of intermediaries tends to result in the improvement of the monetary markets; the monetary sector's improvement tends in the economy's growth. Banks have existed on the grounds that historical times, taking deposits from families and making loans to financial dealers requiring capital. The financial dealers make investments in the price range in efficient financial sports that yield returns and improve financial growth. To provide an explanation for arguments for the monetary intermediaries' existence, the principle of

monetary intermediation provides unique frictions to fashions of useful resource allocation primarily based totally on the ideal market. Namely, if there may be the precise market, all the investors are rate takers, there may be no personal information, and allocation of sources is Pareto optimal. Thus, in a natural neoclassical framework, there may be no function of monetary intermediation to feature value. According to the conventional monetary intermediation principle, the real-international market is characterised via a means of frictions that encompass transaction prices and uneven information. The discount in transaction prices, because the number one feature of monetary intermediaries, turned into first delivered via way of means of Gurley and Shaw in 1960.

Financial intermediaries have a bonus over direct financing in economies of scale that result from prices shared. Additionally, a huge quantity of price range permits monetary intermediaries to be extra without difficulty assorted than character monetary units. An opportunity argument for monetary intermediaries' life is data asymmetry¹³⁷. According to their idea, monetary intermediaries are data creditors of borrowers' monetary potentialities ex-ante for fixing the hassle of negative selection. Financial intermediaries can sign their knowledgeable reputation with the aid of using making an investment their wealth in property they've unique knowledge. Financial intermediaries act as delegated video display units to triumph over ex-published uneven data and, in that way, lessen the hassle of ethical threat due to the modifications within the monetary surroundings associated with deregulation, advanced provision of data via technological progress, and monetary innovation, that have been resulted within the discount of transaction and data frictions, at the same time as on the identical time monetary intermediation has been growing. Improvements within the conventional idea of monetary intermediation. In their view, the idea has

to additionally remember the chance controls sports of monetary intermediaries and the discount of participation prices or costs¹³⁸. To embody each conventional monetary intermediation idea and the modifications within the monetary surroundings, and to apprehend the position of coverage agencies within the monetary machine and their contribution to monetary growth, we can use the useful technique to the monetary system¹³⁹. They emphasize six center features: the availability of way for clearing and settling bills to facilitate the trade of goods, services, and property, the availability of a mechanism for the pooling of assets and the subdivision of stocks in diverse enterprises, aid allocation, provision of way of chance handling, imparting charged data to assist coordinate decentralized decision-making in diverse sectors of the economy, imparting way to cope with the inducement issues created while one birthday celebration to a monetary transaction has data that the opposite birthday celebration does not, or while one birthday celebration acts as an agent of the opposite. To investigate monetary agencies within the context in their contribution to monetary growth, those features can be expressed as coverage, assets accumulation, and their allocation with handling diverse monetary dangers and facilitation of trade. By recognition of those features, monetary agencies may want to contribute to monetary growth¹⁴⁰.

2.2.2 Endogenous Growth Theory

Linking financial intermediaries' functions with monetary boom became enabled with the aid of using growing endogenous boom ideas to expose the channels via which monetary improvement influences monetary boom.¹⁴¹ According to the endogenous boom "AK" version economic system produces a unmarried well, and combination output Y in duration t is a feature of the combination capital inventory K : The version suggests 3 channels from monetary improvement to monetary boom: the marginal productiveness of

capital, the share of saving funneled to investment, and the financial savings price. The different view of endogenous boom ideas, particularly the Schumpeterian boom models, is targeted on technological improvements as a channel via which the boom might be affected. Therefore, we ought to add to the channels referred to above that join monetary intermediation to monetary boom, some other one, the price of technological innovation. Since the coverage organizations act as monetary intermediaries, the equal channels join their capabilities with monetary growth¹⁴².

2.2.3 Modern Growth Theory

Modern growth theory identifies two specific channels through which the financial sector might affect long-term growth: its impact on capital accumulation (including human and physical capital) and the rate of technological progress. These effects, nevertheless, occur from the intermediation role of the financial institutions, which enable the financial sector to mobilize savings for investment, facilitate and promote inflows of foreign capital such as foreign direct investment (FDI), portfolio investment and bonds, and remittances, and optimize the allocation of capital between contending issues by ensuring that capital goes to its most productive use¹⁴³.

The current rekindling of interest in the nexus among monetary intermediation and monetary boom is the offshoot of recent improvement in the theory of growth, especially the new endogenous growth theory. Growth was characterized to be autonomous and amply influenced by initial conditions. Thus, the market is said to have both level and rate effects¹⁴⁴. However, theoretical literature offers conflicting predictions about the role of financial markets, and by extension the money market in promoting economic growth. Policymakers are also divided as to whether the Nigerian money market contributes to or hinders economic growth and development in the country. Advocates of cash market-brought about monetary boom consider that the cash market promotes

monetary boom with the aid of using facilitating buying and selling in quick-time period debt devices to fulfill quick period wishes of huge customers of price range which include governments, banks, and similar institutions¹⁴⁵. The author states that the development of the financial institution is a necessary precondition for economic development¹⁴⁶. He argues that for an economy to develop, both the financial institutions and entrepreneurs must be available in sufficient numbers. This view was corroborated when they asserted that the banking sector enhances economic activities and promotes economic growth by providing a reliable payments system, mobilization of savings, allocating credit, and diversifying risks¹⁴⁷.

Similar conclusions have been reached that financial deregulation can be associated with increased deposit or higher credit availability and economic growth, which is because increased credit availability results in more credit allocations, which lead more increased investment and development¹⁴⁸. Other proponents of the money market promote economic growth, argues that cash market performs a critical position within the bank's liquidity control and the transmission of economic coverage policy¹⁴⁹. By offering an appropriate contraptions and companions for liquidity trading, the cash market permits the refinancing of short- and medium-time period positions and helps the mitigation of enterprise liquidity risks¹⁵⁰. The banking gadget and the cash market constitute the unique placing where economic coverage operates¹⁵¹. The advocates went further to assert that a developed, active, and green interbank market and the cash market beautify the performance of the significant bank's economic coverage and the transmission of its impulses into the economy¹⁵². Thus, the improvement of the cash market smoothens the development of the monetary intermediation and boosts lending to the economy, and improves the country's monetary and social welfare¹⁵³. However, combatants of the above deposition declare

that the Nigerian cashmarket is confronted with myriads of demanding situations that might avert monetary boom instead of selling it. An oblique dating among monetary markets and monetary boom through home credit score to the economy¹⁵⁴. They found out that the financial structure's impact, which captures both capital market-based and bank-based financial development indicators, shows an indirect effect on aggregate domestic investment and economic growth. Other studies also show that the Nigerian cashmarket is shallow whilst in comparison with the cash markets in a few superior and emerging countries¹⁵⁵.

They asserted that several challenges confront the Nigerian Money market, which prevents it from contributing to the growth and development of the country. Also, as a principal component of the index of economic freedom, open markets influence economic growth, an increase in economic freedom drives growth. A transparent and open financial system ensures fairness in access to financing and promotes entrepreneurship, enhancing economic growth¹⁵⁶.

2.2.4 Theory of Delegated Monitoring and Financial Intermediation

A middleman consisting of an industrial financial institution has delegated the assignment of price tracking of mortgage contracts carved with companies who borrow from it. It has an obse value gain in accumulating the records due to the fact the opportunity is both duplication of attempt if every lender video display unit immediately or a free-rider hassle wherein case no lender video display units. As a result, economic intermediation theories are normally grounded on a few values gain for the intermediary¹⁵⁷.

2.3 Review of Empirical Studies

Empirically examine the nexus of cashmarket operations on monetaryincrease in Nigeria¹⁵⁸. The used secondary data, which have beenreceived from the Central financial institution of Nigeria Statistical Bulletin (2013). The data were collected for a period of thirty-three years (1980-2013). The descriptive statistical equipmentand complex econometric equipment of the vector auto-regressions (VAR), Johansen Co-integration, and Granger causality examshave beenhiredto investigate the data. It changed into found, amongstdifferent things, that there are a vasthigh-qualitybrief-run and long-run courtingamongcashmarket operations and monetaryincrease in Nigeria. The resultsuggests that causality flows from monetaryincrease proxy via way of means of GDP to cashmarket operations howeversnow no longer vice versa. Based on the empirical analysis, it is concluded that money market operations deliver short term growth tendencies and can help to ensure long-run impressive and steady growth rates in Nigeria as it is animportantissue of the economic system, a fulcrum of economic operations performedvia way of means of the significantfinancial institution in its pursuit of economiccoverage objectives. It is suggested that the authoritiesneed toeachwithinside thebrief and long-run prioritized guidelines geared closer to increasing/growingcash markets operations in Nigeria to make the economic systemgreater stable.

The impact of the money market on Nigerian economic development¹⁵⁹. The study examines the contribution of the money market to the growth of small and medium scale enterprises during 1987-2007 with particular emphasis on the stock market's performance appraisal. The empirical analysis carried out using the ordinary least squares estimation technique reveals that the Nigeria inventorychange has contributed to a point in financing small and medium scale enterprises. However, the market prospect appears to be bright, considering the current position of the government and

players in the industry in the area of formulation and implementation of favorable policies.

The interactions among bargain homes, cash market instruments, and monetary boom in Nigeria¹⁶⁰. The look at captured their overall performances signs and hired time-collection records acquired from the Central Bank of Nigeria. Employing co-integration and vector mistakes correction strategies, it changed into established, amongst others, that a long-run dating exists among bargain homes operations and monetary boom on one hand and cash market instruments, at the other, which means that bargain homes can function a veritable stimulant in Nigeria particularly in this period of world wide monetary melt-down this is biting difficult at the Nigerian inventory market

The effect of the cash market on monetary boom in Nigeria the usage of records for the duration 1980 – 2012. Econometrics strategies which include the Ordinary Least Squares Method, Johanson's Co-integration Test, and Vector Error Correction Model have been used to look at each the long-run and short-run dating relationship¹⁶¹. Evidence from the look at indicates that a long-run dating exists among the cash market and monetary boom, the existing kingdom of the Nigerian cash market is appreciably and negatively associated with monetary boom. The hyperlink among the cash market and the actual zone of the financial system stays very weak, which means that the market isn't but evolved sufficient to supply the wished boom to propel the Nigerian financial system due to numerous challenges. It changed into consequently encouraged that the authorities must create the right macroeconomic policies, criminal framework and maintain the existing reforms to broaden the market to sell effective activities, investments, and in the end monetary growth¹⁶².

Investigate both the long-run and short-run relationships between financial structure and economic growth using time series data¹⁶³. A unit root in the time series data was tested

using Augmented Dickey-Fuller and Philips–Perron tests. The long-run relationship among the variables is estimated using maximum likelihood procedure. At the same time, the vector error correction model is used to estimate short-run dynamic coefficients. The main results reveal that financial market structure has a negative and significant effect on economic growth based on Nigeria data, which suggests a low level of development of the country's financial sector. The study, therefore, recommends that there is a need to put appropriate financial policies in place that will encourage the growth per capita GDP¹⁶⁴.

The Examines the effect of the Nigerian cash, marketdevicesat the liquidity of ten decided on quoted banks from 2005 to 2014¹⁶⁵. Finance is a chief key detail in fostering the boom and improvement of a company, and economic managers appearanceparticularly to the cash and capital market for numerousperiodfinances. The Nigerian cashmarket has lagged in acting its intermediation position in presenting much-wantedfinances to the companies, restricting their operations. Secondary factshad been used, and more than one regression econometric methodchanged into used to research the facts. Since the cashmarketcould be veryimportant for economic managers to elevate short-time periodfinances, among others, the have a look at recommends that to enhance the cashmarket, and there ought to be oktracking and surveillance of the sports of the marketmembers and additionally the creationof latest and bendyeconomic instruments¹⁶⁶.

The long-run and short-run dynamics amongeconomic intermediation improvement and financialboom in Nigeria the use of annual time collectionfacts spanning the length 1970-2015 with the aid of usingusing the VAR trying out approach, Johansen co integration trying outmethod, and Engle and granger causality test¹⁶⁷. The consequencessuggest that there's a presence of a long-run equilibrium amongeconomic

intermediation improvements and financial boom, which means that each sign influence Nigeria's economic system within the long-run. In contrast, the VAR end result indicates that each sign of economic intermediation improvements show off effective and poor symptoms and symptoms while lagged as soon as or twice, and this relation is low and insignificant, specifically within the case of credit score to the non-public quarter to GDP; this coefficient did now no longer display the anticipated sign. A feasible reason for that is that credit to the non-public quarter is not channeled to efficiently make use of, however, they are diverted to different private services. The result of causality indicates a unidirectional causality going for walks from the economic intermediation improvements to actual GDP and now no longer vice versa. The have a look at concludes that M2 to GDP exert extra impact at the Nigerian economic system than the credit score to non-public to GDP. As such, it changed into advocated that coverage on economic improvement ought to be emphasised in different to propel and fire up financial boom in Nigeria¹⁶⁸.

Studied that one of the sports of monetary institutions (Banks) entails intermediating among the excess and deficit sectors of the economic system¹⁶⁹. In Nigeria, banks dominate the monetary enterprise, and there's specific statistics approximately Nigerian banking history. Still, little statistics are to be held at the monetary enterprise's sports and the way they influence the economic system in which they function. Therefore, this has a look at seeks to discover within the mild of beyond trends, the volume to which monetary intermediation affects the monetary boom of Nigeria among the duration of 1992 – 2011. They have a look at followed the ex-publish facto studies design. Time collection statistics for the two decades 1992 – 2011 had been collated from secondary sources, and the Ordinary Least Squares (OLS) regression approach become used to estimate the hypotheses formulated consistent with the targets of the have a look at.

Real Gross Domestic Product, a proxy for monetary boom, became followed because the based variable even as the impartial variables blanketed general financial institution deposit and general financial institution credit score. The empirical outcomes of this have a look at display that each general financial institution deposit and general financial institution credit score exert a advantageous and substantial effect at the monetary boom of Nigeria for the duration 1992 – 2011. The have a look at, therefore, encouraged among others that banks ought to boom the hobby paid to clients at the exceptional financial institution bills they function to inspire extra patronage from them and as nicely make sure that a substantial part of their credit score is channeled to the effective sectors of the economic system together with agriculture, enterprise, and power¹⁷⁰.

The courting among coverage groups and monetary intermediation in Nigeria¹⁷¹. The coverage enterprise is an important part of the whole monetary system. Apart from industrial banks, coverage groups contribute considerably to the monetary intermediation of the economic system. Even though coverage groups are an important part of the Nigerian monetary system, Nigerian coverage groups were suffering to decorate sound monetary intermediation performance. The goal of this has a look at is to study the connection among Total coverage claims and Total coverage Income, Total coverage expenditure to decide the effect of coverage groups on monetary intermediation performance within the Nigerian coverage sector. This has a look at relied essentially on secondary statistics received from the Central Bank of Nigeria statistical bulletin (CBN) and the National Insurance Commission (NAICOM) annual report. The approach of statistic evaluation hired to gain the said goal is a couple of regression analyses¹⁷². It became discovered that there exists an advantageous or robust correlation between the based variable and the impartial variable within the coverage performance equation. Independent variables were observed as

agrowingcharacteristic of the based variable; which meansaboomwithinside thestage at which coveragegroups fulfills their customer's claims. It wasadditionallyfound that the parameter of generalcoverageearnings and differentcoverage expenditure in courting with the wholecoveragedeclare is statistically substantial. The have a look at, therefore, recommends that guidelinesought to be formulated to deal with firm-specifics and macroeconomic basicsso as topressure down the excessive wedge amonggeneralcoverage claims and generalcoverageearningsto reinforcein addition the performance of monetary intermediation, with a purpose toeffectundoubtedly on monetaryboom. The have a look atadditionally recommends a wantto reinforce the supervisory framework to reducedispositions for hirein search ofconduct of coverage company's management¹⁷³.

The study examined that the Nigerian capital market has witnessed an apparent transformation over the years, evident by the increased participation of the private and public investors on the stock exchange floor and various public offers of quoted companies¹⁷⁴. The emerging market has also attracted and embraced the attention and the interest of international investors, thus increasing capital inflow. The overall market capitalization had risen from 1,698.1 million naira in 1980 to 7030.8 billion naira in 2009, thus signifying an increase within the period. Transaction at the NSE floor rose to 685716.2 million naira in 2009 from a precedingcost of 16.6m recorded in 1970. From the end result obtained, the capital market has a fantastic and vasteffect on monetaryboom in Nigeria. The capital market variables captured withinside the model, consisting ofmarket capitalization, range of deals, and the cost of transactions, have been all fantastic and vast in sellingmonetaryboom in Nigeria. The authoritiesought toput in forceruleswith a purpose to make the marketextragreen and re-role it for improvementwithinside the Nigerian economy¹⁷⁵.

However, the study takes a look at investigating the effect of economic intermediaries on capital market improvement in Nigeria using co-integration¹⁷⁶. To seize the effects of economic intermediaries, 5 proxies have been used to give an explanation for economic intermediaries, which consist of credit score to the personal region to GDP, large cash deliver, and general financial institution financial savings. On the alternative hand, market capitalization changed into used to seize capital market improvement protecting 1981 to 2016. The end result discovered that within the lengthy run, credit score to the personal region and cash deliver will cause a boom in capital market improvement even as banks general financial savings and authorities expenditure effects in a lower in capital market improvement within the lengthy run. The study recommends that the Central Bank of Nigeria have to make sure that the home credits supplied with the aid of using the banking region are directed into their suitable uses, and authorities' expenditure is directed to efficient industries, and recurrent expenditure be decreased with the aid of using the authorities. Credit centers have to additionally now no longer be constrained to the large-scale production industries only, however, it has to additionally be prolonged to small and medium scale enterprises¹⁷⁷.

The relationship among economic intermediation and monetary boom in Nigeria the usage of facts spanning (1988-2013)¹⁷⁸. Secondary facts gathered from the CBN statistical bulletin and country wide bureau of Statistics. Hypotheses have been formulated and examined the usage of the vector blunders correction model. The stationarity test proves that the variables are included into the order, which means that unit-roots do now no longer exist the various variables. There is likewise a lengthy-run equilibrium dating among monetary boom and economic intermediation, and the result additionally confirms approximately 96% short-run adjustment velocity from

lengthy-run disequilibrium. The coefficient of willpowersuggests that approximately 89% of the monetaryboomversions are definedwith the aid of usingadjustments in economic intermediation variables in Nigeria¹⁷⁹. The look at, therefore, recommends that the financialgovernmenthave tocorrectlymanipulate and adjust the sports of the intermediations to gain a valideconomicgadgetwithinside the country, and finally, efforts have to be made with the aid of usingfinancialgovernment to checkmate banks from owningextra liquidity that would ensure the prevention of inflation in the economy¹⁸⁰.

The impact of capital market reforms on the Nigerian economic growth between 1981 and 2010¹⁸¹. The prevailing challenges in the world financial markets, especially the capital market, justifies the various forms of reforms going on around the World. The ordinary least square method of regression and the Johansen co-integration analysis were employed to analyze the secondary data sourced from the Central Bank of Nigeria statistical bulletin, the Nigeria Stock Exchange Factbook, and the Nigeria Security and Exchange Commission Reports. The results showed that capital reforms positively impacted economic growth. The study recommends, among others, that government should objectively evaluate enacted laws and reform agenda in a manner that will enhance economic growth rather than considering political issues before embarking on reforms¹⁸².

Impactof monetary intermediation at theimprovement of the financial system of Nigeria the use ofinformation spanning 1986 to 2017¹⁸³. The informationhad beenreceived from the Central Bank of Nigeria Statistical Bulletin, World Bank (World Development Indicators), and International Monetary Fund (World Economic Outlook). The look attaken into consideration a credit score to the non-publicarea, lending fee, and cashdelivers as impartial variables. In contrast, the actual GDP increasefee and the unemployment feehad been used as structured variables. Auto-regressive allotted Lag

(ARDL) approach turned into employed, and E-perspectives nine had been used for the analyses. To attain the goal of the look at, a chain of assessments had been conducted, inclusive of normality test, stationarity test, cointegration test, ARDL estimation, and blunders correction. The assessments furnished the idea for the belief that credit score to the non-public area does now no longer make contribution to the financial system's improvement, which may be because of the excessive lending fee (hobby fee). An excessive lending fee is damaging to the improvement of the financial system. Thus, the take a look at recommends, amongst others, that the economic authority ought to make regulations to compel banks to decrease their lending prices to inspire the efficient sectors of the financial system to perform better¹⁸⁴.

The impact of monetary intermediation on financial boom in Nigeria¹⁸⁵. The take a look at made use of everyday least rectangular regression evaluation. The take a look at suggests that hobby fee margin has notably impacted financial improvement in Nigeria, that credit score to the personal area has dramatically impacted undoubtedly at the improvement of the Nigerian economic system and that the extent of lending fee through the years has impacted negatively on financial boom in Nigeria. The coverage implication is that wrong control of monetary intermediation will assist the economic system to develop, this means that that there may be a good sized and superb impact of monetary intermediation on financial boom in Nigeria. The take a look at advocated that the Nigerian authorities ought to make certain that an aspect evaluation of the actual area of the Nigerian economic system is executed to have a higher knowledge of the inverse courting among the loans to the personal area and the overall performance of the Nigerian economic system through monetary intermediation¹⁸⁶.

The effect of the capital market on monetary boom in Nigeria¹⁸⁷. The examine adopts a time-collection studies layout depending appreciably on secondary information masking

1985 -2012. The examination makes use of regression evaluation because the information evaluation approach incorporating multivariate co-integration and blunders correction to observe traits of time collection information adopting disaggregate the capital market indices approach. Observation throughout research in this concern is the heterogeneity in empirical findings over what can be termed a significantly uniform theoretical framework, as a minimum concerning causality. Our location indicates that well-known show high-quality at the same time as showcase inverse and statistically good-sized dating with monetary boom, that may stimulate talk at the implication for coverage simulation. The advice is the one applicable regulatory corporations need to awareness on improving the performance and transparency of the market to enhance investor's confidence. Therefore, the want for powerful and favorable macroeconomic surroundings to facilitate monetary boom and make sure that channels of capital market triggered boom is constructed around powerful systems. Policy establishments are energetic in making systemic exams and suitable coverage improvements to make sure capital market-led monetary growth¹⁸⁸.

Financial intermediation indicators on the economic growth and the Nigerian perspective from 1990 – 2018¹⁸⁹. The data for this work was sourced from CBN statistical bulletin. This study considered credit to the private sector, broad money supply, interest rate, and lending rate as the independent variables while Real Gross Domestic Product (RDGP) as the dependent variable. The results of the analysis show that there is a significant relationship between financial intermediation indicators and economic growth. Based on the result, the following recommendations were made that the federal government, together with monetary authorities, should enforce a policy that will mandate financial institutions to lower their lending and interest rates to encourage the most productive sectors of the economy to do better; the floating of money supply

into the economy should be strictly monitored to avoid inflation, which will endanger economic growth and accessible credit facilities should be granted to viable and susceptible sectors that drive economic growth¹⁹⁰.

The nexus among the cashmarket and Nigerian financialboom: A time collectionevaluation from 1985-2014¹⁹¹. The take a look atfollowed the ex-post-facto studies design. The data used withinside thetake a look atbecome sourced from CBN annual statistical bulletin for applicable years. Descriptive records and the normal least square (OLS) more than one regression strategyhave been the principle statistical equipment used to investigatefacts. Additionally, the T-checkrecordshave been used to check the null hypotheses of the take a look at at 5% stage of importance for a two-tailed check. The take a look atobserved that the Treasury Bill, Treasury Certificate, Commercial paper does now no longer have any largeimpactat the gross home product (GDP) of Nigeria. In contrast, Certificate of Deposits becomeobservedto seriouslyeffect the gross home product (GDP) of Nigeria. The take a look at recommends, among others, the want Government to create suitable macroeconomic policies, prison frameworks and consolidate and enhance on reforms with a holistic view to growing and deepening the market to selleffective activities, investments, and in the endfinancialboom.

The responsiveness of financialboom to capital marketimprovement in Nigeria¹⁹². Specifically, the take a look at sought to decide the effect of market capitalization on Real Gross Domestic Product (RGDP); confirm the consequences of the price of stocks traded withinside the capital market on Real GDP and discoverwhetherthe overallquantity of problemswithinside the capital marketeffect on RGDP in Nigeria. The researchers followed time-collectionfacts from 1995 to 2016, drawn from Central Bank of Nigeria Statistical bulletin and inventorytradeoverview reports. The evaluation

of facts is performed by the usage of descriptive records and the normal least square (OLS) regression technique. The result of the take a look at indicates that market capitalization become observed to have a terrible dating with the Real Gross Domestic Product (GDP) in Nigeria. The take a look at additionally famous a confined contribution to the capital market to the improvement of the economic sector. The take a look at encouraged that there have to be a development at the declining market capitalization via way of means of encouraging traders to make investments within the industry.

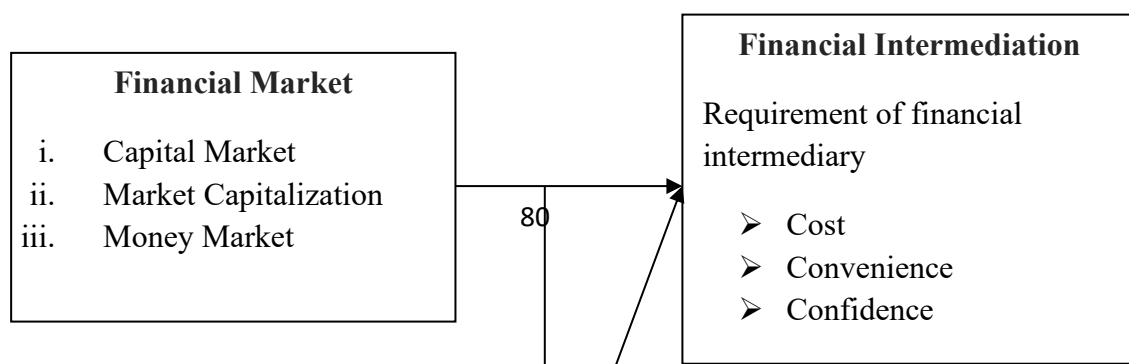
The challenges of the cash market improvement and its effect on monetary boom in Nigeria¹⁹³. The observe adopts the Ordinary Least Square method, and proof indicates that the Nigerian cash market is notably however negatively associated with monetary boom because of numerous challenges. Focused on the interactions among bargain homes, cash market instruments, and monetary improvement in Nigeria¹⁹⁴. Employing cointegration and vector error correction techniques on time series data obtained from the Central Bank of Nigeria established that a long-run dating exists among bargain homes operations and monetary boom on one hand and cash market instruments, at the other.

The study examined the effect of cash market on monetary boom in Nigeria the usage of records for the duration 1980-2012¹⁹⁵. Econometrics strategies together with Ordinary Least Squares Method, Johanson's Co-integration Test, and Vector Error Correction Model have been used to observe each the long-run and short-run dating. Evidence from the observe indicates that a long-run dating exists among the cash market and monetary boom, however the gift country of the Nigerian cash market is notably and negatively associated with monetary boom. The hyperlink among the cash market and the actual zone of the financial system stays very weak, which means that the market isn't

always but evolved sufficient to provide the wished boom so one can propel the Nigerian financial system due to numerous challenges.

Impact of money market operation on the economic growth of Nigeria¹⁹⁶. Using data was collected from the CBN statistical Bulletin for the period between 1981 – 2013 and the ordinary least square techniques with the aid of SPSS 16.0 software package, their findings indicate that money market interest rate and the ratio of loan to deposit in Nigeria within the period under study have a negative relationship with the GDP. Assessed the role of discount houses in the development of the Nigerian money market¹⁹⁷. It revealed that discount houses were financial institutions devoted to trading in money market securities in the secondary market established to serve as financial intermediaries between the Central bank of Nigeria (CBN), licensed banks, and other financial institutions. DHs mobilize funds for investments in securities by providing discounting/rediscounting facilities in short-term government securities. The emergence of discount houses as significant operators in the money markets of some economies was a result of the need for institutional support to foster the growth of an active money market, deepen money market transactions and promote active trading in private-sector financial instruments. A review carried out shows that despite the short period of their establishment, they have performed creditably in the money market but were faced with numerous challenges, including high liquidity in the hands of the commercial banks and fiscal indiscipline in the government's activities¹⁹⁸.

2.4 Conceptual Framework/Model



Financial Markets encompass any area or machine that gives consumers and dealers the method to change monetary devices, together with bonds, equities, the numerous worldwide currencies, and derivatives. Financial markets facilitate the interplay between folks who want capital with the ones who've capital to invest. The Capital market in any country is one of the major pillars of long-term economic growth and development. The market serves a broad range of clientele, including different levels of government, corporate bodies, and individuals within and outside the country. The capital market not only provides the funds required for investment but may also efficiently assist in managing the fund. Okereke-Onyiuke (2000) posits that the cheap source of funds from the capital market remains a critical element in the sustainable development of the economy. She enumerated the advantages of capital market financing to include the fact that funds are held for medium- and long-term period or in perpetuity, and funding of state and federal government projects without pressures and ample time to repay loans. It is against this backdrop that this study examines the impact of financial intermediaries on Nigeria capital market development.

Finance is needed for one-of-a-kind functions via the means of one-of-a-kind organizations, individuals, and different financial agents. To offer the wanted finance, there are types of establishments rendering monetary services. The role of financial intermediation has been exemplified in numerous literatures of finance. Besides the performance of specialized tasks, several theoretical models posit that they mitigate the costs associated with information acquisition and the conduct of financial transactions

Economic growth can be described as the rise in the inflation-adjusted market value of the goods and services produced by an economy over time. Economic growth creates more profit for businesses. As a result, the stock price rise gives companies capital to invest and more employees. As more jobs are created, income rises

2.5 Summary of Gaps in Literature Reviewed

In view of issues discussed earlier, the study did not examine the capital market which is also a channel to financial intermediation which will be filled in the research study. Econometric strategies aren't appropriate for small pattern length and do now no longer have excessive predicting power, as such there exists an understanding hole which wants to be bridged. The study examines financial intermediation on Nigeria's monetary increase the usage of variables together with deposit mobilization, financial institution credit score however did not use variables from cash market and capital market

The study solely examines overall financial intermediation performance of insurance companies in Nigeria; hence, all financial institution is not used which are DBMS in Nigeria. The study did not discuss variables of money market in its methodology. The study focused mainly on capital market development; therefore, money market variables are not used in the study.

The study on financial intermediation failed to specify using money and capital market as a channel. The study was limited to Nigeria and spans for a period from 1981 to 2009. Hence, recency in scope is needed. This examine makes a speciality of inspecting the impact of economic intermediation on monetary improvement in Nigeria for this reason different variables of cash and capital markets are missing. This examine seeks to make a contribution to the frame of literature through inspecting the impact of economic intermediation on monetary improvement in Nigeria. This means that the traditional method in regression has now no longer continually yielded dependable results. Consequently, this look at addresses this hole with the aid of using using the Cointegration approach and Vector Error Correction Model (VECM) to decide the lengthy and brief run dynamics among capital market overall performance and monetary boom in Nigeria.

The overall financial intermediation performance of insurance companies in Nigeria is not adequately worthwhile except for some companies which accomplished some revenues. Despite the sizeable effect green operating capital control has on commercial enterprise boom, now no longer a great deal has been accomplished withinside the location of the availability of empirical proof in guide of the claims of cash market on operating capital and profitability overall performance of Nigeria companies. performance of Nigeria companies. The study used/adopted qualitative research design which isn't robust enough to capture the study. This is the query which preceding research has now no longer completely answered. It is consequently the crux of this look at to reply to this query with the aid of using analyzing the nexus among cash market operations and monetary boom in Nigeria. performance of Nigeria companies. However, despite the lifestyles of a huge international pool of empirical paintings in

this subject, only a few research had been performed at the effect of monetary intermediation and monetary boom in Nigeria.

The positive affiliation embraces a theoretical viewpoint that devaluation boosts economic growth in developed and developing economies but failed to fill the gap in small enterprises in Nigeria. This study offers an empirical approach to the nascent resurgence in discussions about Currency Devaluations and Depreciations with bearing on the performance of businesses. Business is considered as the underlying indicator of an economy from whatever prism it may be viewed. Despite the existence of studies on SMEs, little exist on devaluation and SMEs development in Nigeria. However, the study failed to address if Nigeria SMEs not been able to attain to a substantial extent all or a few of the above listed advantages.

The study established the efficacy of price increase as a tool for increasing outputs of export crops but failed to study SMEs and their contribution to both industrial and economic growth and development. Research did not reveal that the manufacturing sub sector operates in a risky and uncertain business environment. Bank development, which is measured as credit to private sector as percentage of GDP was also found to be more effective in reducing exchange rate effect on output growth. This is because, due to volatility exchange rate, illiquid firm can easily acquire fund through banks compared to stock market. The study discovered that currency devaluation engenders hyperinflation but failed to check its effect on performance of MSEs. It was also discovered that most small business owners are so bitter and discouraged by the numerous levies they are asked to pay by some government agencies (i.e., the local governments where the businesses are located). Such levies include signboard fees, environmental sanitation fees, commodities fess etc, even after they have paid rents for such stores. They also complained of increase in rents by the landlords.

This finding is contrary to the generally perceived belief and notion that access to funding represents the main problem of SMEs in Nigeria. The study found that equally, interest rate has negative impacts and the co-efficient is statistically significant but failed to address the exchange rate in naira devaluation. Economic growth and exchange rate volatility are inversely related. High volatility can diminish or dwarf economic growth; however, growth comes with volatility. Exchange rate volatility feeds on macroeconomic instability. Nigeria has suffered high inflation and unemployment rates which are transmitted bypass through effect of exchange rate volatility caused by global oil price fluctuations. The indicators of monetary policy from literature reviewed are to the effect that monetary policies (exchange rate and interest rate) affect monetary behaviour in any economy. There is inconsistency in the application of government policies for SMEs development - i.e., the lack of information on the real needs and operational difficulties of SMEs by the government agencies responsible for the design and implementation of SME development programmes – most of which were often designed without putting into consideration the peculiar nature and level of education of supposed beneficiaries.

EXR may be useful in predicting EXP, the current level of EXP in the Nigerian context, serves no predictive purpose for the international value of the local currency. This shows that forex substitution is continual in Nigeria and might portend. Hence the look at did not cope with the terrible implications for the steadiness of the cash call for feature in addition to the effectiveness of financial coverage. A unidirectional causality from alternate fee to forex substitution at some point of the period. The look at failed to signify that alternate fee anchoring became extra appropriate to a excessive forex substitution environment, and extra powerful in decreasing the fee of substitution.

Importantly, XR exposures are spread evenly across the USD, the EUR and an index of residual currencies. When we distinguish between “good” exposures, those that increase returns, and “bad” exposures, those that reduce returns, we find that “bad” exposures dominate across all currencies and that the dominance is statistically significant. The volume of forex substitution withinside the financial system has now no longer reached an irreversible threshold, implying that financial coverage ought to nevertheless affect the portfolio choices of the personal sector. The study did not discuss on variables of money market in its methodology

The study focused mainly on capital market development; therefore, money market variables are not used in the study. The gap in literature on the effect of money market on economic growth of Nigeria has necessitated this study using current data as sourced from CBN Statistical Bulletin from 1990-2017.

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Chapter Three

Methodology

This chapter describes the techniques and procedures adopted by the researcher in conducting the study and accumulating the data for the study. It looks at the problem encountered in the course of collecting the data. It comprises the description of the research design, sources of data, sample size and sampling techniques, an instrument for data collection, and data analysis method. Research is an organized inquiry that aims at providing information for solving identified problems¹. Research can also be defined as the process of arriving at dependable solutions to problems through the planned and systematic collection, analysis, and interpretation of data. Research is also a process of steps used to collect and analyze information to increase our understanding of a topic or issue. The method to be adopted in this research work is the collection of data, analysis and interpretation of the data for the study, which would give a lucid description of the research plans and necessary tests needed for the actualization of the objective of the study.

3.1 Research Design

Research design is a systematic plan to study a scientific problem. This is one of the most commonly used research methods in social sciences and is used to gather data from population sample at a particular time². This study adopts the abst. This research design is adopted for this study because of its strengths as the most appropriate design to use when it is impossible to select, control, and manipulate all or any independent variables or when laboratory control will be impracticable, costly, or ethically questionable³.

3.2 Population of the Study

The population of the study involves all deposit money banks in Nigeria. The data collection method adopted was secondary data. Secondary data was obtained from the CBN Statistical Bulletin, the CBN Annual Report, and the statement of accounts for the relevant years. This information covered the period of 1990 – 2019 (29 years). The population examined constitutes all of the agencies quoted at the Nigerian Stock Exchange, due to the fact that it has to do with the overall performance of the capital market at the Nigerian economy. Census sampling method is adopted, wherein case the contribution of all of the agencies in combination is taken into consideration.

3.3 Sample Size and Sampling Techniques

It is practically impossible to take a complete and comprehensive study of the entire population because of the nature and pattern of distribution or dispersion of the population's element⁴. The sampling method used for this study was a non-random sampling method upon a purposive sampling technique and 29 years financial data of deposit money banks in Nigeria under the study, to examine the Certificate of Deposits (COD), Treasury Bill (TB), Treasury Certificate (TC) and Market Capitalization Rate (MCR) on Gross Domestic Product. Selecting an appropriate sample size is a critical aspect in research according to this study. The sampling method used for this study was a non-random sampling method upon a purposive sampling technique.

3.4 Study Variables

Below is the dependent variable, independent variable, and their measurements;

3.4.1 Dependent Variables

The dependent variable in the study is the economic growth in Nigeria. However, the variable will be measured with the Gross Domestic Product (GDP).

3.4.2 Independent Variables

The independent variables are the cashmarket and capital market, which are also measured with Certificate of Deposits (COD), Treasury Bill (TB), Treasury Certificate (TC), and Market Capitalization Rate (MCR). Hence, Money Supply and Interest rate are the control variables which serve as a financial intermediary.

3.5 Method of Data Collection and Analysis

Descriptive statistics and multiple regression statistics will be used in the analysis of data. The multiple regression using the ordinary least squares (OLS) method will be adopted for the analysis. The OLS method is preferred because it minimizes the errors between the points on the line and the regression line's observed points by giving the best fit.

3.6 A-prior Expectation

The economic a-prior criteria refer to the sign and size of the parameters and the economic relationship between the variables. The a-prior expression of the regression model of this study is $\beta_1 > 0$, $\beta_2 > 0$, $\beta_3 > 0$, $\beta_4 > 0$.

3.7 Ethical Consideration

The conducting of research requires not only expertise and diligence but also honesty and integrity, which is done so as to recognize and protect the rights of human subjects. To render the study ethical, the right to self-determination, anonymity, confidentiality and informed consent was observed.

Endnotes

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Chapter Four

Result and Discussion of Findings

This chapter focuses on the presentation and discussion of results regarding the relationship among the cashmarket and capital market as a channel to financial intermediation in the growth of Nigeria's economy. The chapter comprised the trend analysis of the variables of interest, descriptive statistics, unit root test, and ordinary least square (OLS). The findings of the study were equally discussed in this chapter.

4.1 Trend Analysis

Trend analysis is a statistical technique that tries to determine future movements of a given variable by analyzing historical trends. In other words, it is a method that aims to predict future behavior by examining past ones.

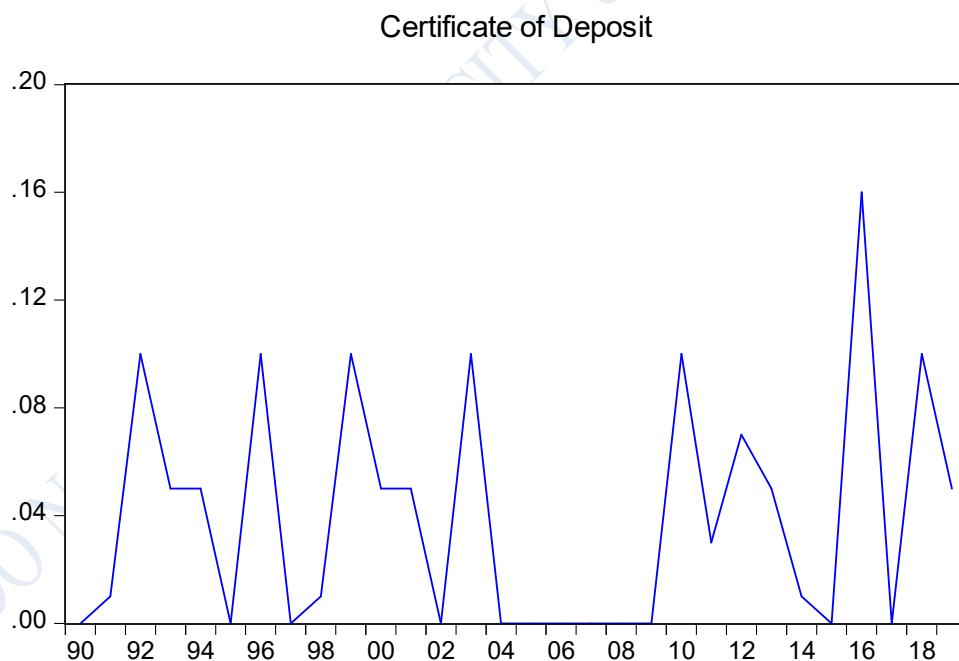


Figure 4.1: Trend in Certificate of Deposit (COD) in Nigeria (1990 – 2019)

Source: COD Calculations, based in Nigeria, 2021

Figure 4.1 presented the trend in certificate of deposit in Nigeria for a 29-year period ranging between 1990 and 2019. The growth rate was not stable in a 5-year interval; there was a fluctuating situation in the rates of certificate of deposit in Nigeria. However, there were minimal fluctuations, which were barely visible during this period. There was a little decline from 2004 till 2009. It climbed up again in 2010, maintained a steady growth till a bit of decline was encountered in 2013 with further decline till 2015. There was a sharp rise in 2016 with a sharp decline in 2017 fluctuating till 2019. COD is a line deposit with a time-honored bank. They endure a particular adulthood date from 3 – 12 months. COD gives a yield that is barely better than Treasury Bills due to the lifestyles of default risk. It is the subsequent in line to T-invoices so as of liquidity, and it's far assured via way of means of NDIC as much as a restriction of N200,000.

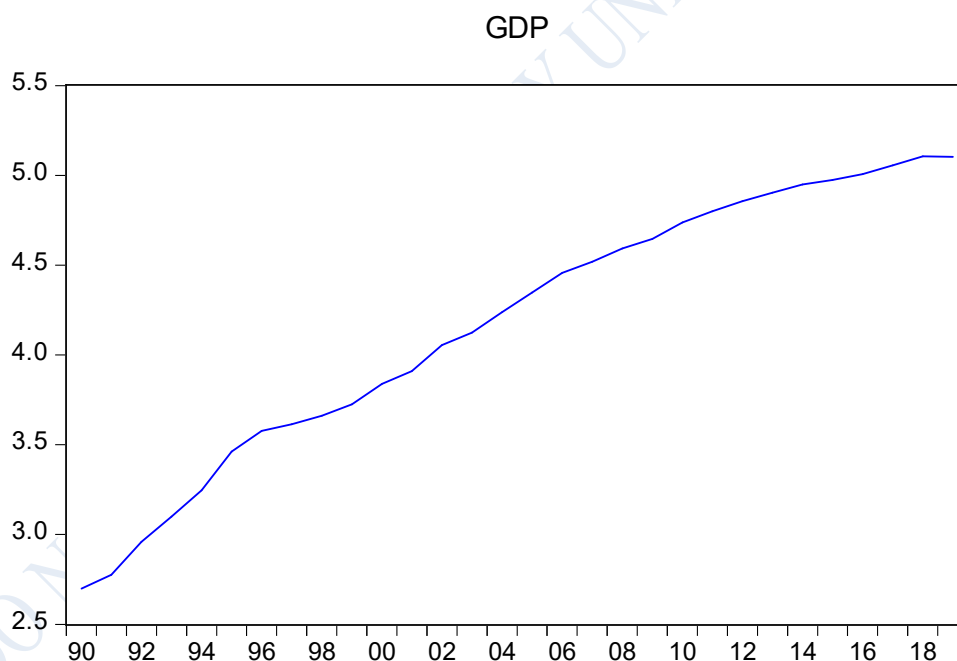


Figure 4.2: Trend in Gross Domestic Product (GDP)

Source: GDP Calculations, 2021

The trend of the Gross domestic product of Nigeria showed a consistent growth graphically. From 1990 there was steady growth. The rate of growth gradually remained

stable from 1990 to 2017. The fluctuations were minimal and hardly visible during that period. From 2017, it gradually dropped downwards in 2019 when it began to increase noticeably. In 2009 it declined and was accompanied by a lesser growth in 2010. From 2011, it moved upwards to a reasonable height and continued to grow higher until 2015, when a slight decline was noticed, which was accompanied by a smaller decline till 2019.

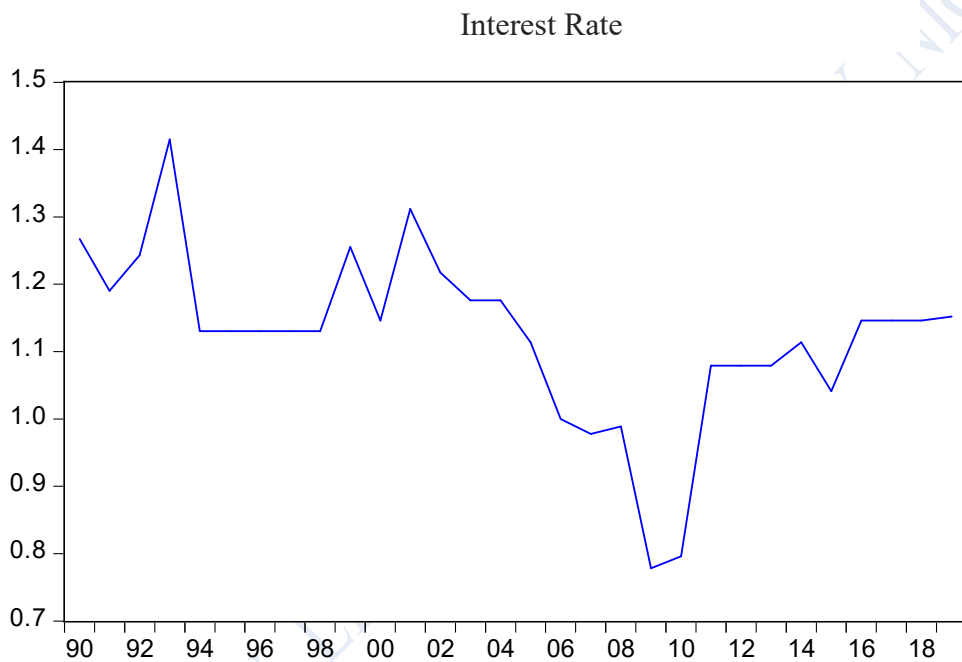


Figure 4.3: Trend in Interest Rate

Source: Field Survey on Interest Rate, 2021

Figure 4.3 showed the movement of the interest rate values over the period. For every sharp rise, came a sharp decline in the rate values. There was a major decline in 1990 and later rise in 1993 with a sharp decline. There was a stable interest rate from 1994 till 1998 with no reduction or rise accompanied by an increase in 1999 and then a sharp fall in 2002, which was noted to be the most significant negative decline encountered in this period. Sharp falls and rise in the values recorded from 2003 to 2004 and then a slight fall till 2008. However, the highest interest rate value in this period was recorded

in 1995. There was a rise again in 2010 and then a gradual increase and decrease till 2018.

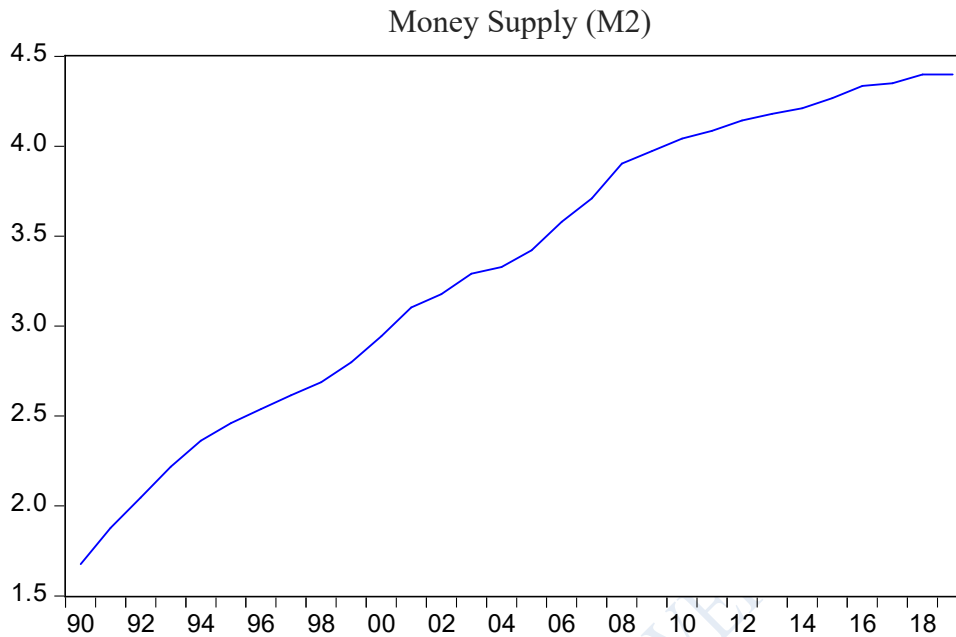


Figure 4.4: Trend in Bank Money Supply (M2)

Source: Field Survey on Bank Money Supply (M2), 2021

Figure 4.4 showed the rate of commercial Banks' money supply (m2) for the periods. There was a consistent rise in the money supply in Nigeria. From 1990 to 2019, there was an apparent rise, and barely noticeable falls within this period. The peak value of the money supply was recorded in 2019.

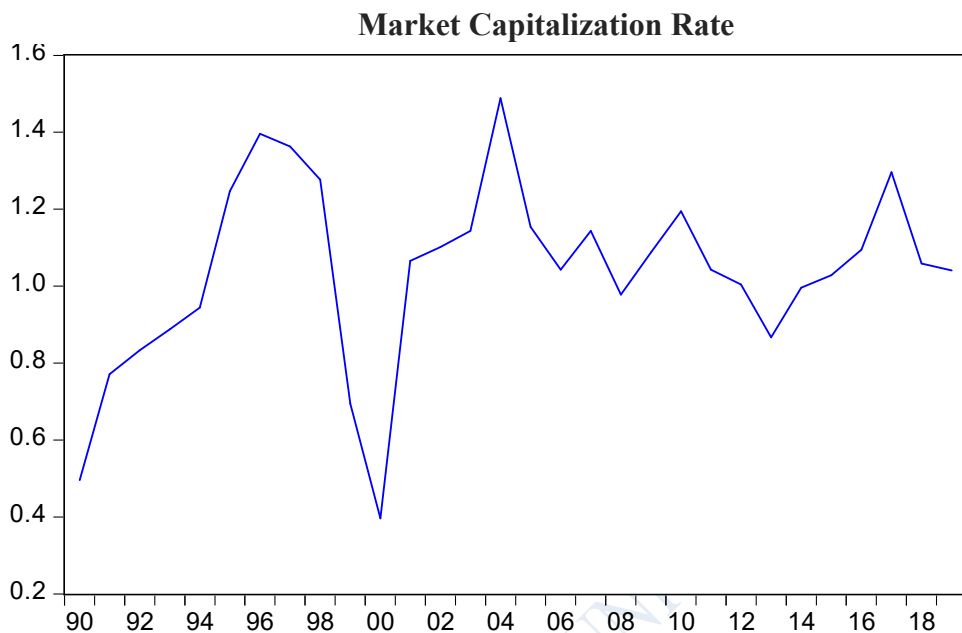


Figure 4.5: Trend in Market Capitalization Rate

Source: Field Survey on Market Capitalization Rate, 2021

Market capitalization is the value of all listed securities such as stocks, bonds, and exchange-traded funds (ETFs) on a stock market. A look at the graph showed market capitalization grew steadily to N5.1 trillion in 2006, and spiked to N13.1 trillion in 2007, which could be attributed to higher oil prices during that period. The market capitalization of the Nigerian equity market then declined to N9.6 trillion and N7 trillion in 2008 and 2009 as a end result of the worldwidemonetary crisis. Overall, within the sampled period, market capitalization grew at a constant annual rate of 25 percent, which signifies improvement of the Nigerian capital market and boosts investors' confidence in the country's financial system.

Treasury Bills

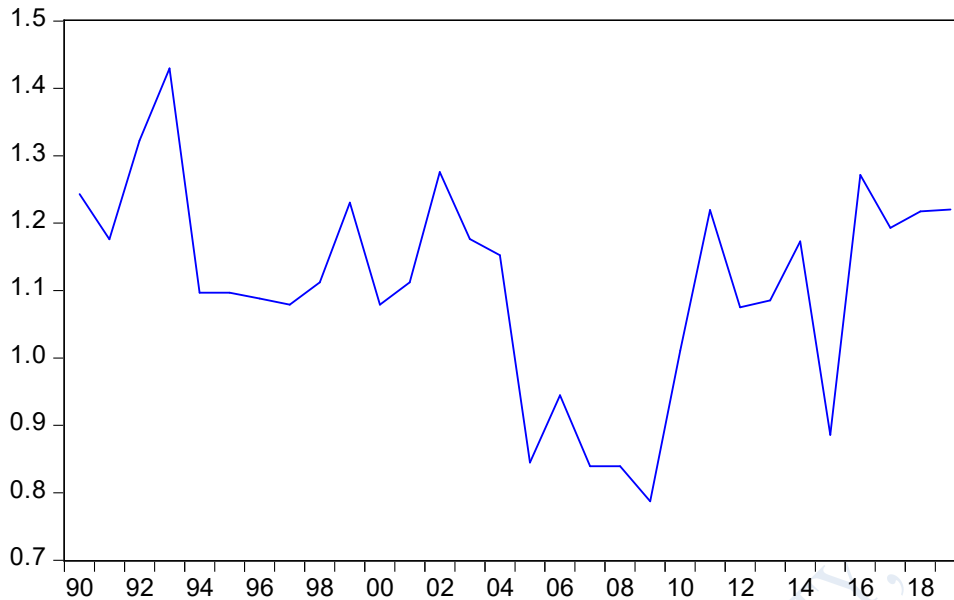


Figure 4.6: Trend in Treasury Bills

Source: Field Survey on Treasury Bills, 2021

Figure 4.6 shows government spending on Treasury Bill values over the period. For every sharp rise, came a sharp decline in the rate values. There was a significant rise in 1991 after various fluctuations from 1980 to 1990. A negative decline was recorded within that period. There was a fall again in 1992 accompanied by a rise in 1997 and a sharp rise in 2003, which was noted to be a tremendous increase encountered in this period. Sharp falls and rise in the values recorded from 2008 to 2016 and then a steady slow rise till 2019. Treasury Bills are short-time period securities that mature in twelve months or much less from the difficulty date, with a adulthoodshape of 3 months, six months, and twelve months. The payments are bought at a reduction and function as the risk-unfastened benchmark toolwithinside thecash market. Treasury Bills are issued viaanaggressive bid auction.

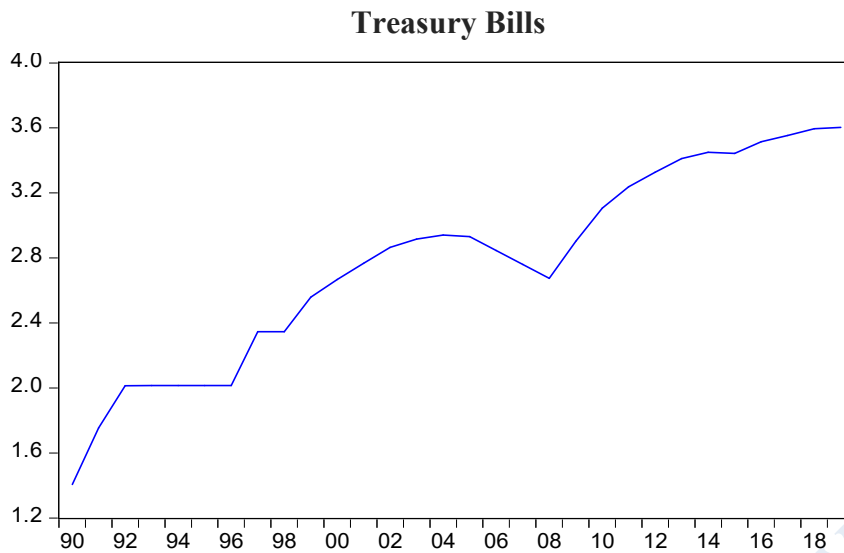


Figure 4.7 Trend in Treasury Certificate

Source: Field Survey on Treasury Certificate, 2019

From figure 4.7, it was observed that expenditure on Treasury Certificate steadily from 1990 to 1993 after which it was steady with no decrease or increase till 1996, it grew steadily from 1998 to 2004, then slow/steady till 2008. After the drop, it grew steadily till 2018, and the year 2019 recorded the highest expenditure on Treasury Certificates, which began to pick up with an upward trend.

4.2 Presentation of Data Analysis

This section of the analysis provides an overview of the data set, while an attempt is also made to describe the main features of the data. The study evaluates the relationship between the money market and the capital market as a channel to economic intermediation within the increase of Nigeria's economy. The description of the information collection is primarily based totally on mean, maximum, minimal and preferred deviation, skewness, kurtosis, etc. of the variables, which are Certificate of Deposits (COD), Treasury Bill (TB), Treasury Certificate (TC), and Market Capitalization Rate (MCR), Gross Domestic Product, Interest rate (ITR) and Money

Supply (M2). The summary statistics of pooled series of the money market and capital market as a channel to financial intermediation in the growth of Nigeria economy are shown in table 4.2.1

Table 4.1: Descriptive Statistics

	GDP	COD	TB	TC	MCR	M2	INTR
Mean	4.167946	0.039667	1.109304	2.766470	1.037760	3.337620	1.122936
Median	4.293150	0.020000	1.112284	2.855761	1.050887	3.375006	1.130334
Maximum	5.106404	0.160000	1.429752	3.603266	1.488551	4.399435	1.414973
Minimum	2.698689	0.000000	0.787460	1.406131	0.396199	1.675992	0.778151
Std. Dev.	0.748424	0.045295	0.155671	0.610120	0.240657	0.848673	0.129804
Skewness	-0.442209	0.855415	-0.433870	-0.393291	-0.706212	-0.342401	-0.703523
Kurtosis	1.990368	2.730048	2.713383	2.205419	3.803250	1.833944	4.552934
Jarque-Bera	2.251942	3.749769	1.043905	1.562588	3.300192	2.285800	5.489230
Probability	0.324337	0.153373	0.593361	0.457813	0.192031	0.318893	0.064273
Sum	125.0384	1.190000	33.27913	82.99409	31.13280	100.1286	33.68809
Sum Sq. Dev.	16.24401	0.059497	0.702775	10.79515	1.679564	20.88712	0.488623
Observations	30	30	30	30	30	30	30

Source: Author's Computation, 2021

The Mean of the study measures the average value of the series. It is obtained by adding up the series value in the current sample and dividing it by the number of observations.

Hence the result of the study showed that descriptive statistics for the dependent and independent variables which are Certificate of Deposits (COD), Treasury Bill (TB), Treasury Certificate (TC) and Market Capitalization Rate (MCR), Gross Domestic Product, Interest rate (ITR) and Money Supply (M2) all have a positive mean value which ranges from 0.039667 to 4.167946 with 30 observations.

The Max and Min are the maximum and minimum values of the series in the current sample, which showed that minimum and maximum value of Certificate of Deposits (0.000000 & 0.160000), Treasury Bill (0.787460 & 1.429752), Treasury Certificate (1.406131 & 3.603266), Market Capitalization Rate (0.396199 & 1.488551), Gross Domestic Product (2.698689 & 5.106404), Interest rate (0.778151 & 1.414973) and Money Supply (1.675992 & 4.399435).

The Standard Deviation (Std. Dev.) measures dispersion or spread in the series. Thus, the higher (lower) the value, the higher (lower) the deviation of the series from its mean. However, the highest standard deviation of 0.848673 is recorded by money supply (M2), while the least standard deviation is recorded by the certificate of deposit (COD) with 0.045295.

Jarque-Bera is a test statistic for normal distribution. The null hypothesis for the test is that the series is normal. Note that there are three conventional levels of statistical significance in econometrics namely 1% (0.01), 5% (0.05), and 10% (0.10). Therefore, if the computed probability value for the test is greater than 10% (0.10), we do not reject the null hypothesis; otherwise, we accept it. Hence the result from table 4.2.1 above showed that the probabilities of the Jarque-Bera test of normality for variables are all lesser than the 5% level of significance, which indicates that the data are normally distributed. Therefore, with all the positive results in the standard deviation, it suggests that there is a advantageous between among the cash market and capital market as a channel to financial intermediation in the growth of Nigeria economy from 1990 – 2019. Skewness measures the asymmetry of the distribution of the series around its mean. Positive skewness means that the distribution has a long right tail and negative skewness implies a long-left tail. The skewness of a normal distribution is zero.

In table 3 above, the skewness value for Treasury Bill (-0.433870), Treasury Certificate (-0.393291) and Market Capitalization Rate (-0.706212), Gross Domestic Product (-0.442209), Interest rate (-0.703523), and Money Supply (-0.342401) are showing negative skewness. The range of skewness can be mathematically expressed as $-1 < x < 1$. By implication, therefore, the output is negatively skewed, which means that the distribution has a long-left tail, while the skewness value for Certificate of Deposits (0.855415) is positively skewed is below the threshold of 1, and is showing positive skewness, which implies that the distribution has a long right tail.

Kurtosis measures the peakedness or flatness of the distribution of the series. For kurtosis, the normal distribution is 3, but if it exceeds this value, the distribution is assumed to be peaked (leptokurtic) relative to normal, but if it is less than 3, the distribution is flat (platykurtic) relative to the normal. In table 4.2.1 above, the kurtosis values of all the variables are below three except for return of capital employed (ROCE), which is the standard value. However, having positive kurtosis values across all the coefficients implies that the distribution is assumed to be peaked (leptokurtic) relative to normal.

4.2.2 Results of Stationarity Tests

Unit Root Tests

It is used to check for a unit root, i.e., no stationarity of the variables. This test is carried out using the Augmented Dickey-Fuller (ADF) test. The ADF is carried out using E-views software package, and the results from the test are tabulated below:

Table 4.2: Results of the Augmented Dickey Fuller Test at First Difference

Series	5% Critical value	ADF at first difference (prob.)	ADF at first difference	Equation Specification	Order of Integration
Certificate of Deposits (COD)	-2.967767	0.0000	-6.905166	Intercept	I(1)
Treasury Bill (TB)	-2.967767	0.0403	-3.069302	Intercept	I(1)
Treasury Certificate (TC)	-2.967767	0.1804	-2.294352	Intercept	I(1)
Market Capitalization Rate (MCR)	-2.981038	0.0003	-5.144372	Intercept	I(1)
Gross Domestic Product (GDP)	-2.981038	0.1056	-2.600641	Intercept	I(1)
Interest rate (ITR)	-2.967767	0.1076	-2.584189	Intercept	I(1)
Money Supply (M2)	-2.967767	0.0005	-4.900944	Intercept	I(1)

Source: Author's Computation, 2021.

Table 4.2.2 above indicated the results of all variables, Certificate of Deposits (COD), Treasury Bill (TB), Treasury Certificate (TC) and Market Capitalization Rate (MCR), Gross Domestic Product, Interest rate (ITR), and Money Supply (M2) were all stationary at first difference because their respective absolute test statistic was lower than their 5% critical values at intercept which made us reject the null hypothesis but to accept the alternative hypothesis. Also, to collaborate with the result, the probability values were examined, and each of the values was lower than the 5% level of significance.

4.3 Presentation of Test of Hypotheses

4.3.1 Hypothesis One

H₀₁: Market capitalization is not a significant financial intermediation channel on the real Gross Domestic Product (GDP) of Nigeria economy

H₀₁: Market capitalization is a significant financial intermediation channel on the real Gross Domestic Product (GDP) of Nigeria's economy.

Dependent Variable: GDP

Method: Least Squares

Date: 12/01/20 Time: 14:13

Sample: 1990 2019

Included observations: 30

Variable	Coefficient	Std. Error	t-Statistic	Prob.
M2	0.873284	0.014462	60.38480	0.0000
MCR	0.120663	0.044839	2.691058	0.0123
INTR	0.046277	0.094029	0.492155	0.6267
C	1.076072	0.146082	7.366193	0.0000
R-squared	0.995114	Mean dependent var		4.167946
Adjusted R-squared	0.994550	S.D. dependent var		0.748424
S.E. of regression	0.055252	Akaike info criterion		-2.830265
Sum squared resid	0.079372	Schwarz criterion		-2.643438
Log likelihood	46.45397	Hannan-Quinn criter.		-2.770497
F-statistic	1765.027	Durbin-Watson stat		1.071451
Prob(F-statistic)	0.000000			

Source: Author's Computation, 2021.

Hence the linear equation model will be used to evaluate the stated hypothesis above

$$\text{GDP} = \beta_0 + \beta_1 \text{M2} + \beta_2 \text{MCR} + \beta_3 \text{INTR} + e$$

$$\text{GDP} = \beta_0 + \beta_1 \text{M2} 0.87 + \beta_2 \text{MCR} 0.12 + \beta_3 \text{INTR} 0.04 + e$$

1.076072 – this is the constant of regression. It is the percentage Gross Domestic Product when all the independent variables are equal to zero. The result of the estimation shows a positive relationship between Market capitalization as a financial intermediation channel on actual Gross Domestic Product (GDP) of Nigeria economy.

The result of the estimation shows a fine relationship among the capital market and the actual Gross Domestic Product (GDP) of Nigeria's economy. The co-efficient 0.120663 of Market capitalization implies that about 12.06% increase in the real Gross Domestic Product (GDP) of Nigeria economy, other factors held constant.

The regression result also shows that there may be a fine dating among the capital market and actual Gross Domestic Product (GDP) of Nigeria economy with $R^2 = 0.995114$; this implies that the regression explains 99.5% of the total variation in the dependent variable, real Gross Domestic Product (GDP) of Nigeria economy. Adjusted $R^2 = 0.994550$, which implies that the model explains 99.4% of the total variation in real Gross Domestic Product (GDP) as more explanatory variables are included.

F-stat = 1765.027. The F-stat helps in determining the joint statistical significance of the model. P-value = 0.000000. This result suggests that the version is collectively extensive at a 5% degree of significance.

DW-stat = 1.071451. The D-stat helps to detect the presence of autocorrelation in the data. 1.071451 falls in the region of the rejection of the null speculation of the presence

of the first-degree autocorrelation. The result, therefore, shows that there is no autocorrelation.

Therefore, it is concluded that market capitalization is a significant financial intermediation channel on real Gross Domestic Product (GDP) of Nigeria economy. The regression result for market capitalization, interest rate, and money supply improves; there is also an improvement in GDP, which is a proxy for the economic growth of Nigeria. The R-squared proves that capital the market is responsible for a 99.5% change in the Real GDP.

4.3.2 Hypothesis Two

H₀: There is no significant effect of the money market as a financial intermediation channel on the Gross Domestic Product (GDP) of Nigeria economy

H₁: There is a significant effect of the money market as a financial intermediation channel on the Gross Domestic Product (GDP) of Nigeria economy

Hence the linear equation model will be used to evaluate the stated hypothesis above.

$$GDP = \beta_0 + \beta_1 COD + \beta_1 TB + \beta_1 TC + \mu \dots\dots\dots (2)$$

Dependent Variable: GDP

Method: Least Squares

Date: 12/01/20 Time: 14:13

Sample: 1990 2019

Included observations: 30

Variable	Coefficient	Std. Error	t-Statistic	Prob.
COD	0.106587	0.733451	0.145322	0.8856
TB	-0.901086	0.213496	-4.220629	0.0003
TC	1.144672	0.050043	22.87355	0.0000
C	1.996597	0.290731	6.867517	0.0000
R-squared	0.960138	Mean dependent var		4.167946
Adjusted R-squared	0.955539	S.D. dependent var		0.748424
S.E. of regression	0.157812	Akaike info criterion		-0.731262
Sum squared resid	0.647518	Schwarz criterion		-0.544436
Log likelihood	14.96893	Hannan-Quinn criter.		-0.671495
F-statistic	208.7502	Durbin-Watson stat		1.364172
Prob(F-statistic)	0.000000			

Source: Author's Computation, 2021.

The linear regression result shows that the coefficient of determination, R^2 (96%), indicates that almost all the variation that in the dependent variable is explained by the model. The significant value of the F-statistic is greater than 0.05, which means that the variation explained by the model is due to chance ($f=208.7502$, $P<0.05$), which also tests for the overall significance of the independent variables. The independent variable Certificate of Deposit (COD) and Treasury Certificate (TC) has a significant positive effect on Return on Equity (ROE), (Coefficient of COD= 0.106587, $t=0.145322$, $P=0.8856$; $P>0.05$) and (Coefficient of TC= 1.144672, $t=22.87355$, $P=0.0000$; $P<0.05$), which implies that a percentage increase in COD and TC will result into a 10.07% and 14.4%) increase in Real GDP. The Durbin-Watson (D.W), which tests for autocorrelation in the residuals from a statistical regression analysis is 1.36, indicating the absence of autocorrelation.

Decision: Since the money market's coefficient has a positive sign (0.106587), we accept the alternative hypothesis and reject the null hypothesis. The simple regression model becomes:

$GDP = 1.996597 + 0.106587COD + 1.144672 TC - -0.901086 TB$. We can then say that the cashmarket has a extensivehigh qualityimpact on actual GDP in Nigeria. Based on the result, which states that there is a significant effect of the money market as a financial intermediation channel on the Gross Domestic Product (GDP) of Nigeria's economy, the Null hypothesis is rejected, while the Alternative hypothesis is accepted.

4.3.3 Hypothesis Three

H_0 : There is no significant nexus between the money market, capital market as financial intermediation channels on real Gross Domestic Product (GDP) of Nigeria economy

H₁: There is a significant nexus between the money market, capital market as financial intermediation channels on the real Gross Domestic Product (GDP) of Nigeria economy.

Dependent Variable: GDP

Method: Least Squares

Date: 12/01/20 Time: 14:12

Sample: 1990 2019

Included observations: 30

Variable	Coefficient	Std. Error	t-Statistic	Prob.
COD	-0.096993	0.254903	-0.380511	0.7071
TB	-0.169559	0.112760	-1.503718	0.1463
TC	0.125167	0.080334	1.558089	0.1329
MCR	0.110627	0.043556	2.539906	0.0183
M2	0.782122	0.062982	12.41824	0.0000
INTR	0.094735	0.152571	0.620920	0.5408
C	1.182005	0.161502	7.318803	0.0000
R-squared	0.996010	Mean dependent var		4.167946
Adjusted R-squared	0.994969	S.D. dependent var		0.748424
S.E. of regression	0.053087	Akaike info criterion		-2.832824
Sum squared resid	0.064818	Schwarz criterion		-2.505878
Log likelihood	49.49236	Hannan-Quinn criter.		-2.728231
F-statistic	956.8348	Durbin-Watson stat		1.553475
Prob(F-statistic)	0.000000			

Source: Author's Computation, 2021.

Hence the linear equation model will be used to evaluate the stated hypothesis above

$$\text{GDP} = \beta_0 + \beta_1 \text{COD} + \beta_2 \text{TB} + \beta_3 \text{TC} + \beta_4 \text{MCR} + \beta_5 \text{M2} + \beta_6 \text{INTR} + \beta \dots\dots\dots(4)$$

$$\text{GDP} = \beta_0 - \beta_1 \text{COD} 0.096993 - \beta_2 \text{TB} 0.169559 + \beta_3 \text{TC} 0.125167 + \beta_4 \text{MCR} 0.110627 + \beta_5 \text{M2} 0.782122 + \beta_6 \text{INTR} 0.094735 + \beta \dots\dots\dots (4)$$

1.182005 – this is the constant of the regression. It is the percentage Gross Domestic Product when all the independent variables are equal to zero.

The result of the estimation shows a positive relationship between the money market, capital market as financial intermediation channels on the real Gross Domestic Product (GDP) of Nigeria economy. Other variables all have positive values showed a positive increase in the Gross Domestic Product; other factors indicating that GDP increases as these variables increases

Adjusted R² =0.994969. This implies that the model explains 99.4% of the total variation in GDP as more explanatory variables are included.

F-stat = 956.8348. The F-stat helps in determining the joint statistical significance of the model. P-value = 0.000000. This result indicates that the version is at the same time extensive at 5% stage of significance.

DW-stat = 1.553475. The D-stat helps to detect the presence of autocorrelation in the data. 1.553475 falls in the region of the rejection of the null hypothesis of the presence of first-degree autocorrelation. The result therefore shows that there is no autocorrelation.

Therefore, it is concluded that there is a significant nexus between the money market, capital market as financial intermediation channels on the real Gross Domestic Product (GDP) of Nigeria economy. The regression result for the money market and capital market, proves that as they improve, there is also an improvement in GDP, indicating improved economic growth in Nigeria. The R-squared proves that the money market and capital market is responsible for 99.4% change in the gross domestic product.

4.4 Discussion of Findings

The study focused on the relationship between the money market and the capital market as a channel to financial intermediation in Nigeria's economy. Hence the growth of Nigeria's economy was measured with Gross Domestic Product (GDP). In contrast, the money market and capital market were measured with Certificate of Deposits (COD), Treasury Bill (TB), Treasury Certificate (TC), and Market Capitalization Rate (MCR) while Interest rate (ITR) and Money Supply (M2) served as control variables. Findings showed that the Treasury Certificate (0.125167) and Market Capitalization Rate (0.110627) while Interest rate (0.094735) and Money Supply (0.782122) have positive coefficients to the Gross Domestic Product (GDP).

The coefficient value of money supply is 0.782122, which implies that a unit increase in money will lead to an increase in economic growth by 78%. Findings from this test reveal that Treasury Bills of the Nigerian money market do not significantly influence the gross domestic product of Nigeria. The result also showed a negative coefficient concerning the Treasury Bill indicating that a change in Treasury Bill's value will bring about an insignificant decrease in the gross domestic product of Nigeria.

Findings from this study reveal that Treasury Certificates significantly influence the gross domestic product of Nigeria. The result also showed a positive coefficient concerning the Treasury Certificates, which suggests that a change in Treasury Certificates of the Nigerian money market will lead to a significant increase in the gross domestic product of Nigeria.

Findings from this study reveal that the certificate of deposit significantly impacts the gross domestic product of Nigeria. However, the result also showed a negative coefficient in respect to the Certificate of Deposits, thus indicating that a change in the value of the Certificate of Deposits will lead to a significant downward trend in the gross domestic product of Nigeria.

It is revealed economic growth is the rise in the inflation-adjusted market value of the goods and services produced by an economy over time. Economic growth creates more profit for businesses. As a result, the stock price rise gives companies capital to invest and more employees. As more jobs are created, income rises¹. Consumers have more money to buy additional products and services, and purchases drive higher economic growth. It is conventionally measured as the share growth within the charge of actual gross home product or actual GDP; of greater significance is the GDP ratio's growth to population (GDP per capita), which is also called per capita income. The Nigerian economy stood for 2.55% yr-on-yr within the fourth zone of 2019 in comparison to an upwardly revised 2.28% upward push within the preceding duration. It became the maximum lively enlargement for the reason that 0.33 zone of 2015, in particular dries via way of means of the oil sector (6.36% vs. 6.49%) and better crude oil production (2.00 million barrels in keeping with day), 1.91 Mbpd within the identical duration a yr in advance and greater favorable prices².

Finance is needed for one-of-a-kind functions via the means of one-of-a-kind organizations, individuals, and different financial agents. To offer the wanted finance, there are styles of establishments rendering monetary services. Such establishments are referred to as monetary establishments. Commercial banks are amongst such establishments that render monetary services. They are specially concerned in monetary intermediation, which encompasses channeling finances from the excess unit to the

deficit unit of the financial system, as a result reworking financial institution deposits into loans or credits. In the primitive level earlier than evolution for monetary intermediation, absolutely everyone who desires to spend extra than he may want to himself offer could search for a rich man or woman or men and women from whom he may want to borrow, that's referred to as a machine of direct or un-intermediated finance³. Financial intermediation will as a result, now no longer be required, for instance, if the lender and the borrower can come into direct touch and could, in fact, now no longer be essential if there's no deficit or surplus quarter. However, cutting-edge financial transactions can be difficult, if now no longer impossible, with un-intermediated finance because the enterprise international these days is a great deal extra complicated and monetary necessities are too large. Even with out thinking about the complexity of cutting-edge times, un-intermediated finance has its inherent troubles which include excessive tendency for subjectivity, unattractive hobby rates, approach of safety changed into too crude⁴.

Financial intermediation, an excessive amount of offunding is self-financed. Long delays exist between funding expenditure and receipts of income from capital invested. They similarly argued that the absence of a middleman quarter consequences in a composition of unfavourable financial savings to capital formation. Thus, an intermediation enterprise allows an financial system to lessen the fraction of the financial savings held within the shape of unproductive liquid belongings and to save you misallocations of invested capital because of liquidity desires or needs⁵.

Endnotes

- ¹ S.O. Olofin, & J.A. Udoma, “**Financial Structure and Economic Growth in Nigeria: A Macro Econometric Approach**”. In Nigeria Journal of Securities and Finance Vol. 13(1). 2018
- ² S. Usman, “A Critical Overview of the Nigerian Financial Markets. *A Paper Delivered at the National Workshop on the Development of the Nigeria Financial Market* Held at Shehu Musa Ya’adua Centre, Abuja, June 24th (2017)
- ³ E. M. Chotaliya & P. Trivedi, **Financial Intermediaries in Securities Market: An Indian Perspective**. International Journal of Advance Research in Computer Science and Management Studies, 2(10), (2014).
- ⁴ E. O, Oluwatosin, T. Adekanya & S.A. Yusuf, **Empirical Analysis of the Impact of Capital Efficiency on Economic Growth and Development in Nigeria**. International Journal of Academic Research in Economics and Management Sciences. 2(6), 2013, 44----53.
- ⁵ V.R. Bencivenga, and B.D. Smith, “*Financial Intermediation and Endogenous Growth*”. Review of Economics Studies. Vol. 58,,, 195-209, 2019

Chapter Five

Conclusion

This chapter was focused on the summary, conclusions, and recommendations of the research study. The purpose of this research was to find out the relationship among the cashmarket and the capital market as a channel to financial intermediation in the growth of Nigeria's economy

5.1 Summary of Findings

This examine seeks to take a look atthe connectionamong the cashmarket and the capital market as a channel to financial intermediation in the growth of Nigeria's economy. The analyses are performed using data from CBN statistical bulletin for 29 years (1990 – 2019). The following are the summary of the major findings of this study arrived at through the test of the research hypotheses.

1. Market capitalization is a significant financial intermediation channel on real Gross Domestic Product (GDP) of Nigeria economy
2. There is a significant effect of the money market as a financial intermediation channel at the Gross Domestic Product (GDP) of Nigeria's economy; however, Treasury Bill and Treasury Certificate no longer have any extensiveeffectat the Gross Domestic Product (GDP) of Nigeria, whilst the Certificate of Deposits has a bigimpactat the Gross Domestic Product (GDP) of Nigeria.

5.2 Conclusion

The study examined empirically testedthe connectionamong the cashmarket and the capital market as a channel to financial intermediation in the growth of Nigeria's economy. Anincreaseversionchanged intobuiltthe use of the signs of the capital market and cashmarketbecause the explanatory variables and gross home product as a proxy for

monetary increase. The cash market signs used as explanatory variables within the look at include; Treasury Bills, Treasury Certificate, and Certificate of Deposit while capital market used market capitalization as a proxy for measurement while interest rate and money supply were used as financial intermediation variables. The look at hired the normal least squares approach to observe the effect of those variables on monetary increase. Time-series information for the look at protecting the length 1990 – 2019 have been sourced from the Central Bank of Nigeria Statistical Bulletins.

The study determined that the existing stagnation of the Nigerian cash market does no longer have a significant impact on economic growth. In contrast, it does have a substantial impact on the capital market and other financial intermediation variables. All the money variables used failed to show positive evidence and had a tremendous effect on the financial boom. It suggests that the Nigeria cash market is not advanced sufficient to provide the wished boom to propel the economic system.

5.3 Recommendations

In conformance with the findings of this study, the following recommendations become imperative.

1. Governments must create the proper macroeconomic guidelines, criminal framework, and preserve the prevailing reforms to expand the market to sell efficient activities, investments, and in the end financial growth.
2. The authorities have to each within the brief and long-run prioritized guidelines geared closer to increasing/growing cash market operations in Nigeria to make the financial system extra stable.
3. There have to be an development within the declining market capitalization by encouraging more foreign investors to participate in the market, maintain a

state of the art technology like automated trading and settlement practices, electronic fund clearance, and eliminate physical transfer of shares. There is also a need to restore confidence in the market by regulatory authorities through ensuring transparency and fair-trading transactions and dealings in the stock exchange.

4. The value of elevating finances within the Nigerian cash market is seemed to be very high. There have to be a downward overview of the value to decorate competitiveness and enhance elegance as a main supply of elevating finances.
5. Given the existing political dispensation, all degrees of presidency have to be encouraged to fund their realistic developmental programmes through the Nigerian money market, which will serve as a leeway to freeing the resources that may be used in other spheres of the economy.
6. The Federal Government, together with monetary authorities, should enforce policies that will mandate financial institutions to decrease their lending and hobby charges to inspire the maximum effective sectors of the financial system to do better.
7. The floating of the money supply to the economy should be monitored to avoid causing inflation and endangering economic growth.

5.4 Contribution to Knowledge

There is no doubt whatsoever that a plethora of empirical works exists in the area of financial deepening and economic growth, but most of the studies were based on financial measures that may not capture the mechanism through which financial deepening can cause economic growth. They merely analyzed the causality and/or the

impact of financial deepening on Nigerian growth. None of them differentiated between the size of the financial sector and the level of activity in this sector as alternative sources of growth.

5.5 Areas of Further Research

More research should be done on:

- i. Investigating the impact of financial intermediation on economic growth in Nigeria.
- ii. Effect of financial intermediation on economic development in Nigeria
- iii. Effect of bank intermediation activities on economic growth in Nigeria.
- iv. Causal relationship between financial development and economic growth

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Appendix

YEAR	GDP	TB	TC	M2	INTR (%)	COD	MCR
1990	499.68	17.50000	25.47600	47.42	18.50	0.00	3.13
1991	596.04	15.00000	56.72830	75.40	15.50	0.01	5.90
1992	909.80	21.00000	103.3175	111.11	17.50	0.10	6.81
1993	1,259.07	26.90000	103.3265	165.34	26.00	0.05	7.72
1994	1,762.81	12.50000	103.3265	230.29	13.50	0.05	8.80
1995	2,895.20	12.50000	103.3265	289.09	13.50	0.00	17.65
1996	3,779.13	12.25000	103.3265	345.85	13.50	0.10	24.89
1997	4,111.64	12.00000	221.8005	413.28	13.50	0.00	23.06
1998	4,588.99	12.95083	221.8015	488.15	13.50	0.01	18.90
1999	5,307.36	17.00000	361.7584	628.95	18.00	0.10	4.95
2000	6,897.48	12.00000	465.5358	878.46	14.00	0.05	2.49
2001	8,134.14	12.95000	584.5358	1,269.32	20.50	0.05	11.63
2002	11,332.25	18.88000	733.7620	1,505.96	16.50	0.00	12.63
2003	13,301.56	15.02000	825.0545	1,952.92	15.00	0.10	13.91
2004	17,321.30	14.21000	871.5770	2,131.82	15.00	0.00	30.80
2005	22,269.98	7.000000	854.8280	2,637.91	13.00	0.00	14.26

2006	28,662.47	8.800000	701.3998	3,797.91	10.00	0.00	11.04
2007	32,995.38	6.910000	574.9294	5,127.40	9.50	0.00	13.91
2008	39,157.88	6.910000	471.9295	8,008.20	9.75	0.00	9.51
2009	44,285.56	6.130000	797.4825	9,411.11	6.00	0.00	12.24
2010	54,612.26	10.250000	1277.100	11,034.94	6.25	0.10	15.65
2011	62,980.40	16.570000	1727.910	12,172.49	12.00	0.03	11.04
2012	71,713.94	11.890000	2122.927	13,893.22	12.00	0.07	10.10
2013	80,092.56	12.170000	2581.551	15,154.64	12.00	0.05	7.36
2014	89,043.62	14.890000	2815.520	16,238.52	13.00	0.01	9.91
2015	94,144.96	7.690000	2772.867	18,525.22	11.00	0.00	10.67
2016	101,489.49	18.680000	3277.279	21,624.63	14.00	0.16	12.43
2017	113,711.63	15.600000	3579.799	22,363.43	14.00	0.00	19.78
2018	127,762.55	16.500000	3934.912	25,079.72	14.00	0.10	11.45
2019	131,432.78	16.600000	4011.122	26,978.91	14.00	0.05	10.98

Source: CBN Statistical Bulletin, 2019

YEAR	GDP	TB	TC	M2	INTR	COD	MCR
1990	2.698689	1.243038	1.406131	1.675992	1.267172	0.00	0.495544
1991	2.775279	1.176091	1.7538	1.877378	1.190332	0.01	0.770852
1992	2.958948	1.322219	2.014174	2.045762	1.243038	0.10	0.833147
1993	3.10005	1.429752	2.014212	2.218375	1.414973	0.05	0.887617
1994	3.246206	1.09691	2.014212	2.36228	1.130334	0.05	0.944483
1995	3.461679	1.09691	2.014212	2.461035	1.130334	0.00	1.246745
1996	3.577392	1.088136	2.014212	2.538893	1.130334	0.10	1.396025

1997	3.614015	1.079181	2.345963	2.616245	1.130334	0.00	1.362859
1998	3.661717	1.112298	2.345964	2.68855	1.130334	0.01	1.276462
1999	3.724879	1.230449	2.558419	2.798618	1.255273	0.10	0.694605
2000	3.83869	1.079181	2.667953	2.943722	1.146128	0.05	0.396199
2001	3.910312	1.11227	2.766811	3.103571	1.311754	0.05	1.06558
2002	4.054316	1.276002	2.865555	3.177813	1.217484	0.00	1.101403
2003	4.123903	1.17667	2.916483	3.290684	1.176091	0.10	1.143327
2004	4.23858	1.152594	2.940306	3.328751	1.176091	0.00	1.488551
2005	4.34772	0.845098	2.931879	3.42126	1.113943	0.00	1.15412
2006	4.457314	0.944483	2.845966	3.579545	1	0.00	1.042969
2007	4.518453	0.839478	2.759615	3.709897	0.977724	0.00	1.143327
2008	4.592819	0.839478	2.673877	3.903535	0.989005	0.00	0.978181
2009	4.646262	0.78746	2.901721	3.973641	0.778151	0.00	1.087781
2010	4.73729	1.010724	3.106225	4.04277	0.79588	0.10	1.194514
2011	4.799205	1.219323	3.237521	4.085379	1.079181	0.03	1.042969
2012	4.855604	1.075182	3.326935	4.142803	1.079181	0.07	1.004321
2013	4.903592	1.085291	3.411881	4.180546	1.079181	0.05	0.866878
2014	4.949603	1.172895	3.449559	4.210546	1.113943	0.01	0.996074
2015	4.973797	0.885926	3.442929	4.267763	1.041393	0.00	1.028164
2016	5.006421	1.271377	3.515513	4.334949	1.146128	0.16	1.094471
2017	5.055805	1.193125	3.553859	4.349538	1.146128	0.00	1.296226
2018	5.106404	1.217484	3.594935	4.399323	1.146128	0.10	1.058805
2019	5.103445	1.220108	3.603266	4.399435	1.152122	0.05	1.040602

Source: Author's computation (log transformation).

Dependent Variable: GDP

Method: Least Squares

Date: 12/01/20 Time: 14:12

Sample: 1990 2019

Included observations: 30

Variable	Coefficient	Std. Error	t-Statistic	Prob.
COD	-0.096993	0.254903	-0.380511	0.7071
TB	-0.169559	0.112760	-1.503718	0.1463
TC	0.125167	0.080334	1.558089	0.1329
MCR	0.110627	0.043556	2.539906	0.0183
M2	0.782122	0.062982	12.41824	0.0000
INTR	0.094735	0.152571	0.620920	0.5408
C	1.182005	0.161502	7.318803	0.0000
R-squared	0.996010	Mean dependent var		4.167946
Adjusted R-squared	0.994969	S.D. dependent var		0.748424
S.E. of regression	0.053087	Akaike info criterion		-2.832824
Sum squared resid	0.064818	Schwarz criterion		-2.505878

Log likelihood	49.49236	Hannan-Quinn criter.	-2.728231
F-statistic	956.8348	Durbin-Watson stat	1.553475
Prob(F-statistic)	0.000000		

Dependent Variable: GDP

Method: Least Squares

Date: 12/01/20 Time: 14:13

Sample: 1990 2019

Included observations: 30

Variable	Coefficient	Std. Error	t-Statistic	Prob.
COD	0.106587	0.733451	0.145322	0.8856
TB	-0.901086	0.213496	-4.220629	0.0003
TC	1.144672	0.050043	22.87355	0.0000
C	1.996597	0.290731	6.867517	0.0000
R-squared	0.960138	Mean dependent var		4.167946
Adjusted R-squared	0.955539	S.D. dependent var		0.748424
S.E. of regression	0.157812	Akaike info criterion		-0.731262
Sum squared resid	0.647518	Schwarz criterion		-0.544436
Log likelihood	14.96893	Hannan-Quinn criter.		-0.671495
F-statistic	208.7502	Durbin-Watson stat		1.364172
Prob(F-statistic)	0.000000			

Dependent Variable: GDP

Method: Least Squares

Date: 12/01/20 Time: 14:13

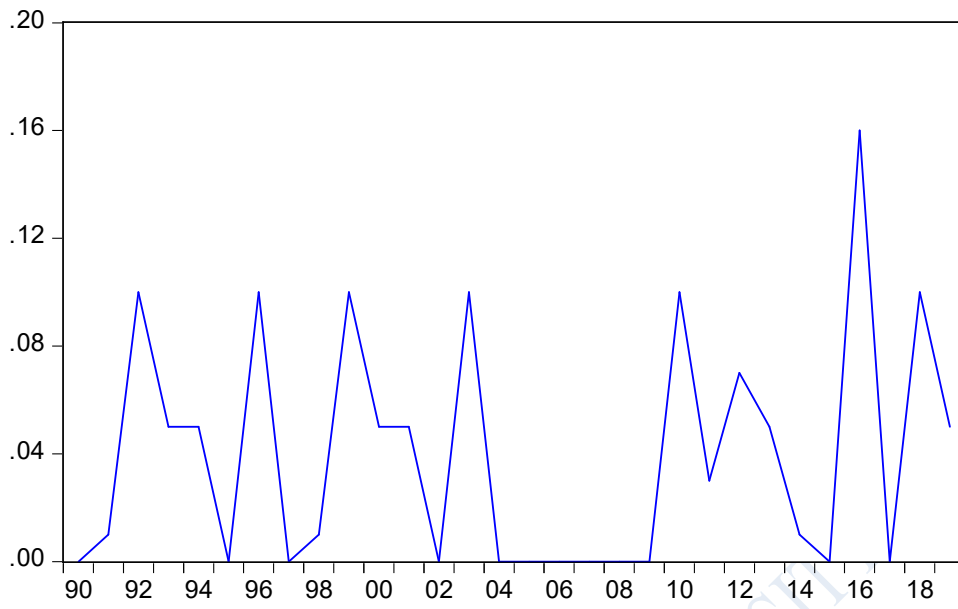
Sample: 1990 2019

Included observations: 30

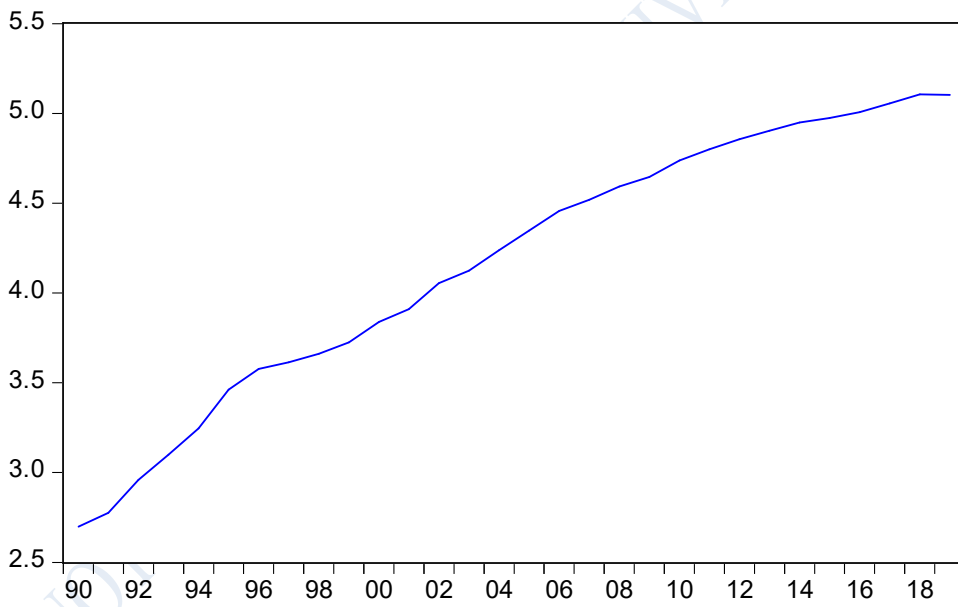
Variable	Coefficient	Std. Error	t-Statistic	Prob.
M2	0.873284	0.014462	60.38480	0.0000
MCR	0.120663	0.044839	2.691058	0.0123
INTR	0.046277	0.094029	0.492155	0.6267
C	1.076072	0.146082	7.366193	0.0000
R-squared	0.995114	Mean dependent var		4.167946
Adjusted R-squared	0.994550	S.D. dependent var		0.748424
S.E. of regression	0.055252	Akaike info criterion		-2.830265
Sum squared resid	0.079372	Schwarz criterion		-2.643438
Log likelihood	46.45397	Hannan-Quinn criter.		-2.770497
F-statistic	1765.027	Durbin-Watson stat		1.071451
Prob(F-statistic)	0.000000			

	GDP	COD	TB	TC	MCR	M2	INTR
Mean	4.167946	0.039667	1.109304	2.766470	1.037760	3.337620	1.122936
Median	4.293150	0.020000	1.112284	2.855761	1.050887	3.375006	1.130334
Maximum	5.106404	0.160000	1.429752	3.603266	1.488551	4.399435	1.414973
Minimum	2.698689	0.000000	0.787460	1.406131	0.396199	1.675992	0.778151
Std. Dev.	0.748424	0.045295	0.155671	0.610120	0.240657	0.848673	0.129804
Skewness	-0.442209	0.855415	-0.433870	-0.393291	-0.706212	-0.342401	-0.703523
Kurtosis	1.990368	2.730048	2.713383	2.205419	3.803250	1.833944	4.552934
Jarque-Bera	2.251942	3.749769	1.043905	1.562588	3.300192	2.285800	5.489230
Probability	0.324337	0.153373	0.593361	0.457813	0.192031	0.318893	0.064273
Sum	125.0384	1.190000	33.27913	82.99409	31.13280	100.1286	33.68809
Sum Sq. Dev.	16.24401	0.059497	0.702775	10.79515	1.679564	20.88712	0.488623
Observations	30	30	30	30	30	30	30

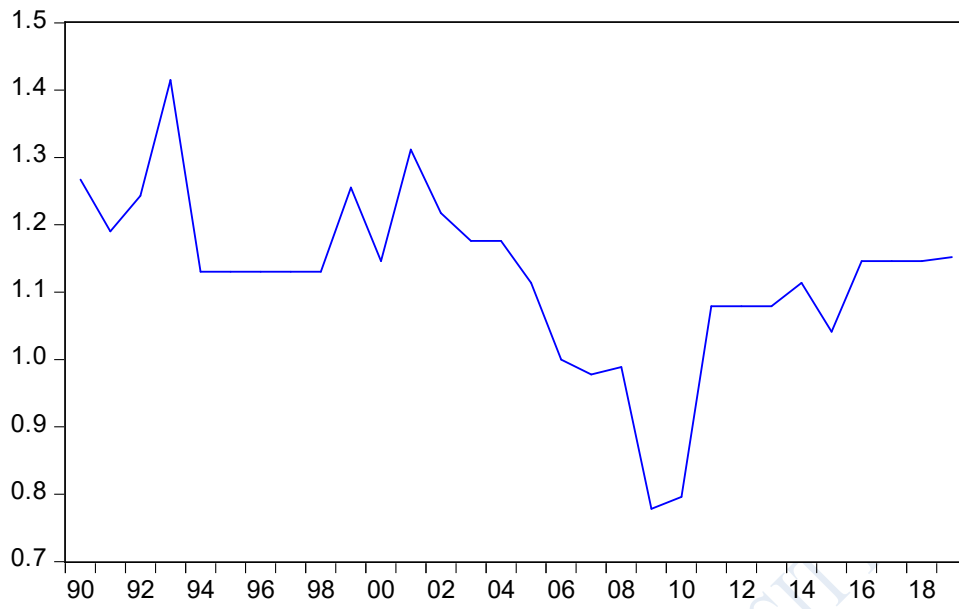
Certificate of Deposit



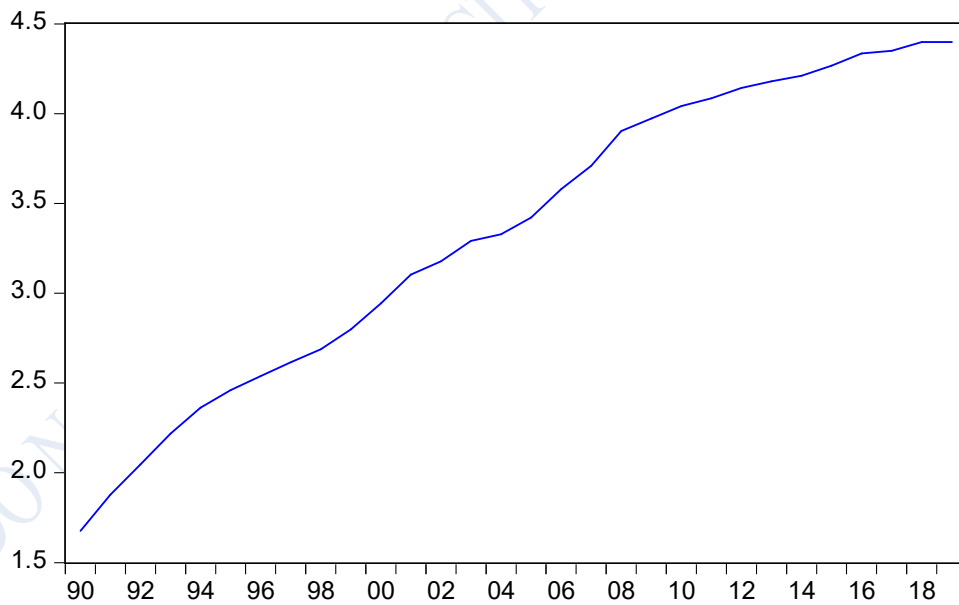
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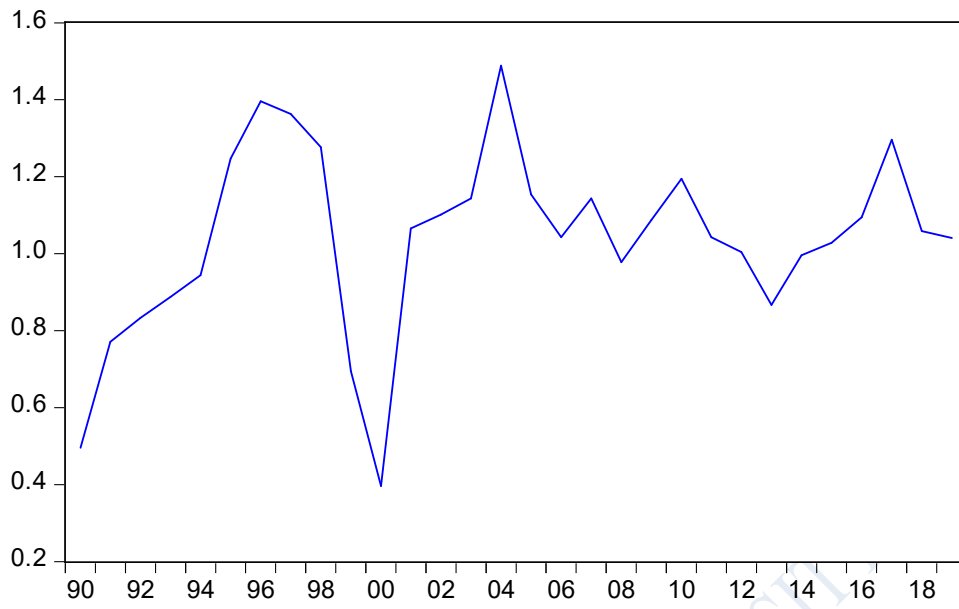
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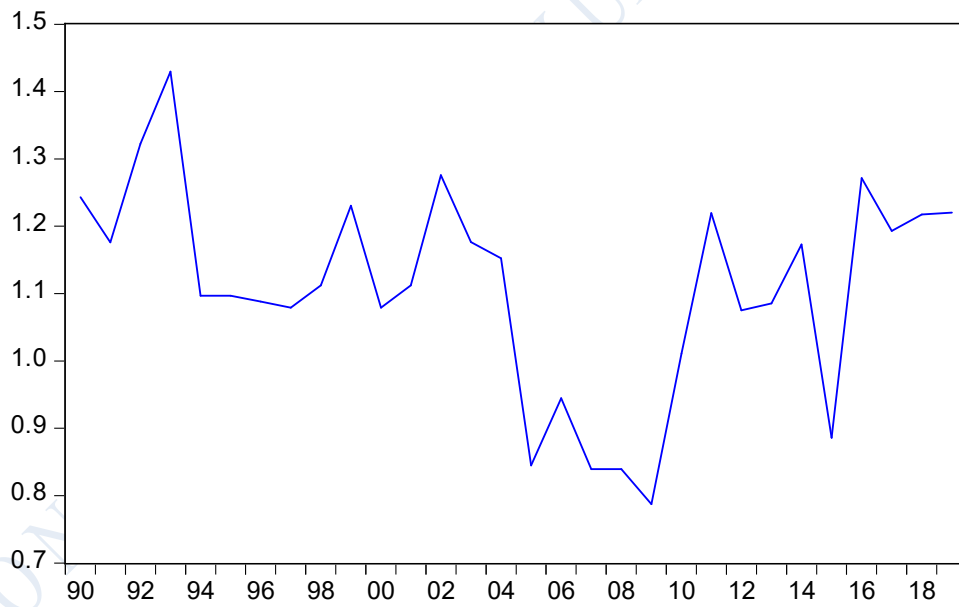
MONEY SUPPLY (M2)



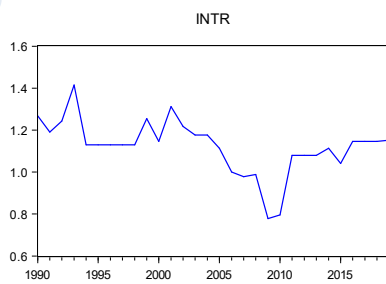
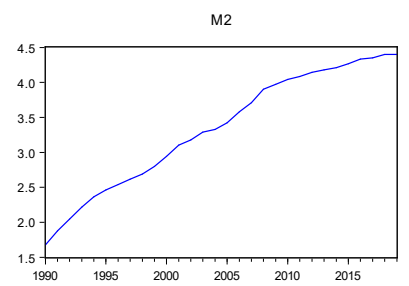
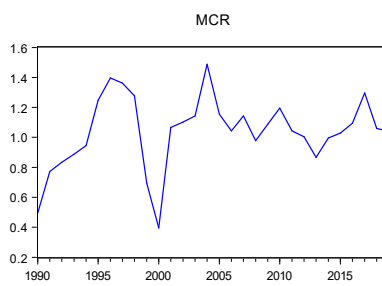
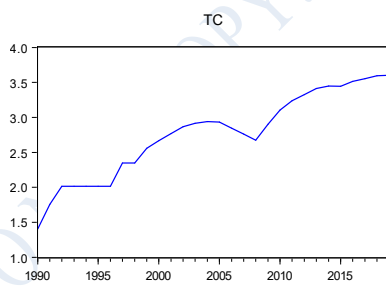
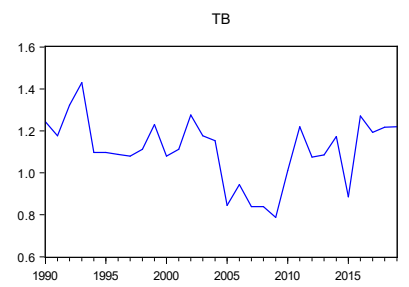
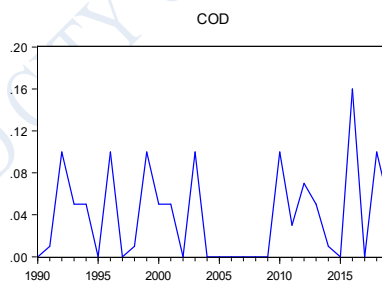
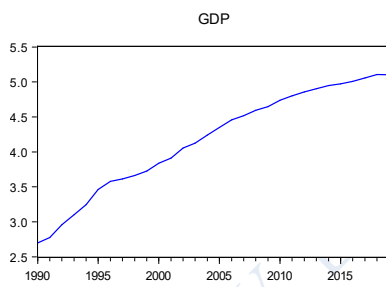
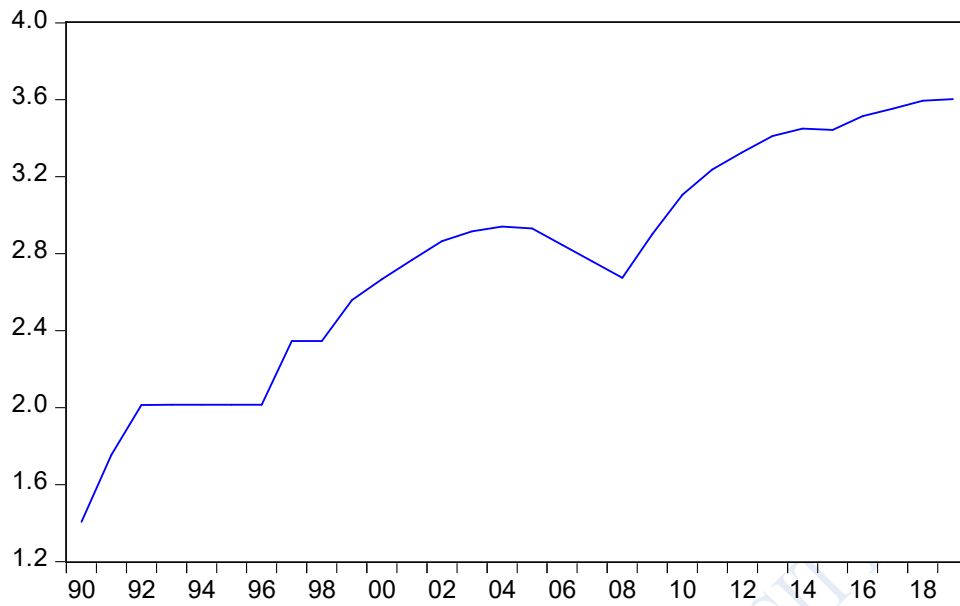
MARKET CAPITALIZATION RATE



TREASURY BILL



TREASURY CERTIFICATE



Null Hypothesis: COD has a unit root

Exogenous: Constant

Lag Length: 0 (Automatic - based on SIC, maxlag=7)

		t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		-6.905166	0.0000
Test critical values:	1% level	-3.679322	
	5% level	-2.967767	
	10% level	-2.622989	

*MacKinnon (1996) one-sided p-values.

Augmented Dickey-Fuller Test Equation

Dependent Variable: D(COD)

Method: Least Squares

Date: 12/01/20 Time: 14:54

Sample (adjusted): 1991 2019

Included observations: 29 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
COD(-1)	-1.264023	0.183055	-6.905166	0.0000
C	0.051413	0.010973	4.685543	0.0001
R-squared	0.638464	Mean dependent var		0.001724
Adjusted R-squared	0.625074	S.D. dependent var		0.072854
S.E. of regression	0.044609	Akaike info criterion		-3.315285
Sum squared resid	0.053729	Schwarz criterion		-3.220989

Log likelihood	50.07163	Hannan-Quinn criter.	-3.285753
F-statistic	47.68131	Durbin-Watson stat	2.013885
Prob(F-statistic)	0.000000		

Null Hypothesis: GDP has a unit root

Exogenous: Constant

Lag Length: 3 (Automatic - based on SIC, maxlag=7)

	-Statistic	Prob.*
Augmented Dickey-Fuller test statistic	-2.600641	0.1056
Test critical values: 1% level	-3.711457	
5% level	-2.981038	
10% level	-2.629906	

*MacKinnon (1996) one-sided p-values.

Augmented Dickey-Fuller Test Equation

Dependent Variable: D(GDP)

Method: Least Squares

Date: 12/01/20 Time: 14:55

Sample (adjusted): 1994 2019

Included observations: 26 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
GDP(-1)	-0.047516	0.018271	-2.600641	0.0167
D(GDP(-1))	0.230974	0.213715	1.080755	0.2921
D(GDP(-2))	0.001994	0.210019	0.009494	0.9925
D(GDP(-3))	-0.166217	0.186801	-0.889809	0.3836
C	0.276330	0.099175	2.786276	0.0111
R-squared	0.498204	Mean dependent var	0.077054	

Adjusted R-squared	0.402624	S.D. dependent var	0.046327
S.E. of regression	0.035806	Akaike info criterion	-3.650356
Sum squared resid	0.026924	Schwarz criterion	-3.408414
Log likelihood	52.45463	Hannan-Quinn criter.	-3.580685
F-statistic	5.212417	Durbin-Watson stat	2.013820
Prob(F-statistic)	0.004468		

Null Hypothesis: INTR has a unit root

Exogenous: Constant

Lag Length: 0 (Automatic - based on SIC, maxlag=7)

	t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic	-2.584189	0.1076
Test critical values:		
1% level	-3.679322	
5% level	-2.967767	
10% level	-2.622989	

*MacKinnon (1996) one-sided p-values.

Augmented Dickey-Fuller Test Equation

Dependent Variable: D(INTR)

Method: Least Squares

Date: 12/01/20 Time: 14:56

Sample (adjusted): 1991 2019

Included observations: 29 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
INTR(-1)	-0.374154	0.144786	-2.584189	0.0155
C	0.415807	0.163521	2.542834	0.0170
R-squared	0.198290	Mean dependent var		-0.003967
Adjusted R-squared	0.168597	S.D. dependent var		0.110896
S.E. of regression	0.101116	Akaike info criterion		-1.678620
Sum squared resid	0.276061	Schwarz criterion		-1.584324
Log likelihood	26.33999	Hannan-Quinn criter.		-1.649088
F-statistic	6.678031	Durbin-Watson stat		2.121195
Prob(F-statistic)	0.015490			

Null Hypothesis: M2 has a unit root

Exogenous: Constant

Lag Length: 0 (Automatic - based on SIC, maxlag=7)

	t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic	-4.900944	0.0005
Test critical values: 1% level	-3.679322	
5% level	-2.967767	
10% level	-2.622989	

*MacKinnon (1996) one-sided p-values.

Augmented Dickey-Fuller Test Equation

Dependent Variable: D(M2)

Method: Least Squares

Date: 12/01/20 Time: 14:56

Sample (adjusted): 1991 2019

Included observations: 29 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
M2(-1)	-0.044996	0.009181	-4.900944	0.0000
C	0.242442	0.031238	7.761169	0.0000
R-squared	0.470788	Mean dependent var	0.093912	
Adjusted R-squared	0.451188	S.D. dependent var	0.055035	
S.E. of regression	0.040771	Akaike info criterion	-3.495218	
Sum squared resid	0.044881	Schwarz criterion	-3.400922	
Log likelihood	52.68067	Hannan-Quinn criter.	-3.465686	
F-statistic	24.01925	Durbin-Watson stat	1.203301	
Prob(F-statistic)	0.000040			

Null Hypothesis: MCR has a unit root

Exogenous: Constant

Lag Length: 3 (Automatic - based on SIC, maxlag=7)

	t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic	-5.144372	0.0003
Test critical values:		
1% level	-3.711457	
5% level	-2.981038	
10% level	-2.629906	

*MacKinnon (1996) one-sided p-values.

Augmented Dickey-Fuller Test Equation

Dependent Variable: D(MCR)

Method: Least Squares

Date: 12/01/20 Time: 14:57

Sample (adjusted): 1994 2019

Included observations: 26 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
MCR(-1)	-1.280183	0.248851	-5.144372	0.0000

D(MCR(-1))	0.724601	0.201730	3.591930	0.0017
D(MCR(-2))	0.323408	0.184536	1.752542	0.0943
D(MCR(-3))	0.474174	0.162374	2.920261	0.0082
C	1.360434	0.264733	5.138893	0.0000
<hr/>				
R-squared	0.596103	Mean dependent var	0.005884	
Adjusted R-squared	0.519170	S.D. dependent var	0.242509	
S.E. of regression	0.168160	Akaike info criterion	-0.556759	
Sum squared resid	0.593834	Schwarz criterion	-0.314818	
Log likelihood	12.23787	Hannan-Quinn criter.	-0.487089	
F-statistic	7.748359	Durbin-Watson stat	1.878172	
Prob(F-statistic)	0.000533			

Null Hypothesis: TB has a unit root

Exogenous: Constant

Lag Length: 0 (Automatic - based on SIC, maxlag=7)

	t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic	-3.069302	0.0403
Test critical values:		
1% level	-3.679322	
5% level	-2.967767	
10% level	-2.622989	

*MacKinnon (1996) one-sided p-values.

Augmented Dickey-Fuller Test Equation

Dependent Variable: D(TB)

Method: Least Squares

Date: 12/01/20 Time: 14:57

Sample (adjusted): 1991 2019

Included observations: 29 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
TB(-1)	-0.513086	0.167167	-3.069302	0.0048
C	0.566417	0.186591	3.035613	0.0053
R-squared	0.258662		Mean dependent var	-0.000791
Adjusted R-squared	0.231205		S.D. dependent var	0.158377
S.E. of regression	0.138867		Akaike info criterion	-1.044133
Sum squared resid	0.520667		Schwarz criterion	-0.949837
Log likelihood	17.13993		Hannan-Quinn criter.	-1.014600
F-statistic	9.420617		Durbin-Watson stat	2.136208
Prob(F-statistic)	0.004845			

Null Hypothesis: TC has a unit root

Exogenous: Constant

Lag Length: 0 (Automatic - based on SIC, maxlag=7)

	t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic	-2.294352	0.1804
Test critical values:		
1% level	-3.679322	
5% level	-2.967767	
10% level	-2.622989	

*MacKinnon (1996) one-sided p-values.

Augmented Dickey-Fuller Test Equation

Dependent Variable: D(TC)

Method: Least Squares

Date: 12/01/20 Time: 14:58

Sample (adjusted): 1991 2019

Included observations: 29 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
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TC(-1)	-0.077474	0.033767	-2.294352	0.0298
C	0.287857	0.094559	3.044201	0.0052
<hr/>				
R-squared	0.163155	Mean dependent var	0.075763	
Adjusted R-squared	0.132161	S.D. dependent var	0.115029	
S.E. of regression	0.107159	Akaike info criterion	-1.562541	
Sum squared resid	0.310040	Schwarz criterion	-1.468245	
Log likelihood	24.65685	Hannan-Quinn criter.	-1.533009	
F-statistic	5.264049	Durbin-Watson stat	1.408918	
Prob(F-statistic)	0.029775			

t

Biodata

A. Personal Data

Full Name: Oyedele Ayobami, LIPEDE

Home Address: 3, Odo Ona Elewe, off Akala Express Way, Ibadan

Email: lippylipede@gmail.com

Phone No: 08035058268

Place of Birth: Oyo

Date of Birth: 20th June 1986

Nationally: Nigerian

Name of next of kin: Mrs. Oluwaseun Lipede

Home address: As above

B. Educational Background

Educational institution attended with dates and qualification

University of Agriculture, Abeokuta. (Dip. in Business Admin)	2003-2005
Lead City University, Ibadan, Oyo State (BSc. Economics)	2005-2009
University of Gloucestershire, UK (MBA Finance)	2010- 2012
Lead City University, Ibadan Oyo State. (MSc. Finance)	2019 till date

C. Working Experience

Central Bank of Nigeria	2013- 2021
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D. Awards and Fellowship

Chartered Institute of Bankers of Nigeria	2015
Certified Associate in Project Management	2020


Signature

September 19 | 2022
Date

University Compliance Certificate

This is to certify this thesis by LIPEDE, Oyedele Ayobami, LCU/PG/000394 in the Department of Management and Accounting, Lead City University, Ibadan, is in FULL compliance with the approved University format and style.

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Date

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