MACROECONOMIC DETERMINANTS OF STOCK MARKET DEVELOPMENT IN EMERGING ECONOMY: EVIDENCE FROM NIGERIA (1981-2015)

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Abstract

Effective mobilization and allocation of investment funds to enable business and the economies harness their human, material and management resources for optimal output have long been advocated in financial literature, The objective of the study is to determine the impact of macroeconomic determinant on stock market development in Nigeria The study uses time series data covering the range of 1981 to 2015 with the view to examine the existence of long run and short run relationship between stock market development and macroeconomic variables. The research estimation procedure is based on Johansen co-integration, which gives room for the prediction of long run relationship. Co-integration analysis that indicates the existence of long-run relationship among the variables. Impulse response functions and variance decomposition functions were conducted to check the strength of the causality beyond the sampled period. On the aggregate, result of the impulse response revealed that, a unit shock have positive response on stock market development in Nigeria within the period under review while the Consumer Price Index (CPI), Real Interest Rate (RINTR) and Money Supply, (MS) had positive response on stock market development. the study recommended   Policies that aim at adjusting the interest rate should take into account the indirect impact on the stock market as an alternative means of funds in Nigeria.

Keywords: Macroeconomic, Stock Market, Development, Emerging Economy
JEL Classifications:

Introduction

Effective mobilization and allocation of investment funds to enable business and the economies harness their human, material and management resources for optimal output have long been advocated in financial literature, the stock market plays a prime role as the medium through which efficiency in capital formation and allocation is mostly promoted. This shows the prominent place which the development of the stock market can play in promoting the growth of businesses and the economies including developing country such as Nigeria. Identifying the underlying factors that influence the development of the stock market has been a subject of debate among economists and financial experts. Some studies have identified macroeconomic factors that influence stock market development (Demirguc-Kunt and Levine, 1966;Caldron-Rossell, 1991 Garcia and Liu, 1999;

Naceur, Ghazouani and Omran, 2005; Yartey, 2008;Akpan, Inya-agha and Aya, 2011; Zafar, 2013) while others have concentrated on identifying both macroeconomic factors and institutional qualities (Yartey, 2007, 2010 Cherif and Gazda Yartey, 2010). However, stock market development is a multidimensional concept. It is usually measured by stock market size, liquidity, volatility, concentration, integration with world capital markets, or the legal rule (otherwise regulation and supervision) in the market (Garcia, 1999).

The Nigeria Stock market as a catalyst for the development of the Nigeria Economy, The performance of Stock Market to a large extent influences the perception and decision of potential and current investors' (i.e. home and abroad) to

invest in the country's infrastructure, market and economy as a whole. This decision is based mainly on the current performance and the prospects of the market based on the policies of the government at the macro level. This research then seek to find out the macroeconomic variables that determines and impact the short run growth and the long run development of the Stock market in order to proffer a guide to the Government and other macroeconomic policy makers and influencers. The recent financial crisis has made the Nigerian capital market illiquid and this has caused the downward trend in the market. In turn, the capital is becoming less attractive to long-term investors and very risky to invest. The perceived risks associated with investing in Nigeria market are high. As a result of the risk, foreign investors are patronizing other emerging markets even before the recent global financial meltdown. Nigeria is the most hit market among other capital markets in Africa like Johannesburg Stock Exchange (JSE) and Ghana Stock Exchange (GSE) because of its lost in market capitalization during this global financial crises that have engulfed many economies of the world. The NSE capitalization has dropped by over N8.1 trillion from its peak of N13 trillion in 2008 when the financial turmoil started spreading to emerging economies in the world, to the figure of N4.9trillion, which it closed at the end of 2009 (Business Day, 2009). In the last three decades, interactions between capital market and macroeconomic variables have been an issue among financial economists and practitioners (Omole, 1999; Christopher Minsoo, Huahwa and Jun, 2006; Ikoku, 2007 and Maku and Atanda, 2009).

Literature Review

The stock market has been identified as an institution that contributes to the economic growth of emerging economies, they are also considered as a variable in explaining the economic in most-developed ones, it the market which shares of publicly held companies are issued and trade either through exchange or over the counter markets. It is also known as equity market, it is one of the vital areas of a market economy.

The stock market deals with long term loans (Jhingan, 2004). It supplies firms with fixed and working capital and finance medium term and long term borrowings of the federal, states and local governments. Thus, the stock market encompasses of institutions and mechanisms through which medium term funds and long term funds are pooled and made available to corporate entities and governments. The stock market has been recognized as an Institution that contributes to the socio-economic growth and development of emerging and developed economies.

The history of the Nigerian Capital Market is directly linked to the history of the Nigerian Stock Exchange (NSE). As capital market is a market for long-term securities, a stock exchange is a market where securities of varying types are traded openly. The Nigerian stock exchange (NSE) established in 1960, as the Lagos stock exchange (LSE) and commenced operations on June 5th, 1961. In December 1977 it became the Nigerian stock (NSE) with branches established in some of the major commercial cities of the country. As at the end of December 2002 there are six branches of the Nigerian stock exchange. The head office in Lagos was opened in 1961; whereas other branch offices were opened as follows: Kaduna June 1978; Port Harcourt, April 1979; Kano, May 1989; Onitsha, February, 1990; Ibadan, August 1990; Abuja Area Office, October 1999 and Yola, April 2002. NSE provides avenues whereby sellers and buyers exchange securities at mutually satisfactory prices, thereby creating liquidity through its price mechanism. Initially NSE had set of requirements to be fulfilled before a company is enlisted in the stock exchange market, but in 1985 another set of requirements for enlistment were issued to allow smaller and particularly wholly indigenous enterprise to be registered with stock exchange. Securities that met the initial requirements are referred to as First-Tier Securities, whereas securities that could meet only the next set of requirements are referred to as Second-Tier Securities. As such there are two types of security markets in NSE, First-Tier Security Market (FSM), and Second-Tier Security Market (SSM).

There are five schools of thought on stock price behavior. These are the fundamentalist schools, the technical school, the random walk hypothesis school, the Behavioral School of finance and macro-economic hypothesis school. The fundamentalist believe that the value of a corporation's stock is determined by expectations regarding future earnings and by the rate at which those earnings are discounted. The fundamentalists apply present value principles to the valuation of corporate stock, using dividends, earnings, assets and interest rate to establish the price of stock. The technical school opposes the fundamentalists' arguments, and claims that stock price behavior can be predicted by the use of financial or economic data. They submit that stock prices tend to follow definite pattern and each price is influenced by preceding prices, and that successive prices depend on each other. According to Smith (1990), technical analysts engage themselves in studying changes in market prices, the volume of trading and investors' attitude. Both the "technical" and "fundamental" analyses have been challenged by

scholars who subscribe to the random-walk hypothesis, which sees stock price movements in

Empirical literature reviews
Nevertheless, attempt has been made by Nigerian researchers to investigate the relationship been macroeconomic variables and stock prices. Soyode (1993) made an attempt to test the association between stock prices and macroeconomic variables as exchange rate, inflation and interest rate. He found that the macro economic variables are co-integrated with stock prices are consequently related to stock returns.

In a similar study, Garcia and Liu (1999) used pooled data from fifteen industrial and developing countries (Latin America and Asia) from 1980 to 1995 to examine the macroeconomic determinants of stock market development, in particular, market capitalization. The study used real income, savings rate, financial intermediary development, and stock market liquidity as the variables determining stock market capitalization. They found that stock market development and financial intermediary development are complements rather than substitutes. In addition, they found GDP growth, investment and financial intermediary sector development to be important factors. However, Naceur, Ghazouani, and Omran(2005) using an unbalanced panel data from twelve Middle East and North Africa (MENA) region countries in estimating a fixed and random effects specification found financial intermediary development and stock market liquidity to be significant factors.

Engle & Rangel (2008) investigate the spline GARCH model for low frequency volatility and its macroeconomic causes. They find, that high frequency aggregate capital market volatility has both a short-run and long-rung component and suggest that the long-run, dimension is related to the fluctuation of economic activities.

Adam and Tweneboah (2008) used Databank Stock Index (DSI) as a dependent variable for stock market development in Ghana, while inward foreign investments, the Treasury bill rate (as a measure of interest rate), the consumer price index (as a measure of inflation), average crude oil prices, and the exchange rate served as independent variables. Using quarterly data for the above variables (from 1991:1 to 2007:4) and employing co-integration test procedures they found co-integration between macroeconomic variables and stock prices in Ghana indicating long-run relationship. Their vector error correction model showed that the lagged values of interest rate and inflation have a significant influence on the stock market. The inward foreign direct investments, the oil prices, and the exchange rate demonstrated

terms of a probability distribution of different possible outcome.

weak influence on price changes. In terms of policy implication, they concluded that the DSI was not informational-efficient with respect to interest rate, inflation, inward FDI, exchange rate and world oil prices.

Diehold & Yilmaz (2008) examine the relationship between macroeconomic variables and stock returns fluctuation of African and Asian emerging markets. The findings reveal a positive correlation between stock returns, GDP and consumption. On the contrary, Choo, Lee &Ung (2011) investigate macroeconomic uncertainty and performance of GARCH models in forecasting Japan stock market volatility. The result reveals that macroeconomic variables have no impact on the volatility of Japanese stock markets.

John, Ojong and Akpan (2008) studied the determinants of stock market development in Nigeria using and Error Correction Model (ECM) approach. The study found that stock market liquidity, savings rate and one-period lagged stock market development were significant predictors of stock market development in Nigeria.

Rahman and Salahuddin (2009) provided an empirical analysis of the relationship between economic growth and its determinants with special focus on stock market development in Pakistan. They used data for the period 1971 to 2006 by employing FMOLS and ARDL bounds in testing a long run relationship and ECM approach and found a positive relationship between efficient stock market and economic growth both in the short run and long run, while financial instability and inflation have negative effect and that human capital, foreign direct investment and stock market liquidity have positive effects on growth. The results according to them were consistent with the theoretical and empirical predictions.

Maku and Atanda (2010) examined critically the long run macroeconomic determinant of stock market performance in Nigeria from 1984 to 2007. Using Augmented dickey fuller (ADF), the test revealed that the performance of the stock market in Nigeria is only determined by macroeconomic forces in the long run. However, empirical analysis showed that the NSE all shares index is more responsive to change in exchange rate, inflation rate, money supply and real output. The study recommended that investors should pay close attentions to rate exchange rate, inflation rate, money supply and economic growth rather than Treasury bill rate in the long run in their investment decision.

Herbert (2011) in a study to explore the macroeconomic environment of sub-Saharan Africa and also to analyze the effect of macroeconomic variables on the stock markets development. He found the following variables (GDP, CPI, M2, IMPT, EXPT, FDI and value addition from the real sector of the economy, banking, oil and gas, manufacturing and services) as having strong influence on market capitalization. He proposed the use of macroeconomic policies to control inflation rate, manage money supply index and level of interest rate, an open economy for inflow of FDI and focus on the development of the real sectors of the economy.

Akinolu (2012) investigated the impact of interest rate on capital market growth and shed on how other macroeconomic variables such as inflation, exchange rate also influence capital market growth.

Using multiple regression analysis of the OLS to achieve these goals, pooled data regression model was employed to estimate the specific model equations. ADF was used to determine the order of the integration. The result revealed interest rate as an adverse effect on capital market growth, a 1% increase in interest rate led to a 44% decrease in the share price index. This result implies that as the rate of interest rate, performance of capital market declines, inflation rate and exchange rate are however not significant especially at the 5% level of significant. It revealed further that although it is not negatively linked with to all share indexes on its own but then examined alongside other control variables such as inflation rate and exchange rate, it behaves true. Hey suggested that in order to enable the capital market to take full advantage of the various opportunities and cope with, monetary policies must be such that it checks the rate of interest to ensure macroeconomic stability.

Methodology
Conventionally, for a time series study secondary data is normally employed and The data is sourced from the National Bureau of Statistics (NBS) publications, Central Bank of Nigeria (CBN) Annual Report and Statistical Bulletin, World Bank and International Financial Statistics (IFS) of the IMF. The relationship between monetary policy variables can be specified in a simple neoclassical theoretical model and presented in a functional form as follows:

$$NSE = (INTR, CPI, MS)\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots (1)$$

The VAR model estimates each equation with usual OLS method separately; logarithm of the real values of the variables would be utilized in the study in other to reduce the effect of inflation and the data to be properly scaled in order to get a better result. Therefore the equation 9 will be modified as:

$$NSE = \beta_0 + \beta_{1INTR} + \beta_{2CPI} + \beta_{3MS} + U_t \dots\dots\dots\dots\dots\dots\dots\dots\dots (2)$$

Where:
NSI   = stock market development index
INTR = interest rate
CPI   = consumer price index
MS   = broad money supply

$$LNSEDX = LRINTR + LRCPI + LRMS + \dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots (3)$$

In addition to this, the VAR estimate will make use of the optimal lag length which is in line with the information provided by the lag selection criteria. This is as a result of the fact that including too many lagged terms will consume degree of freedom, too few lag will lead to specification error.

Estimations and analytical techniques
Structural Vector autoregressive model (SVAR)
SVAR model is identified in the sense of exhibiting structural orthogonal innovations and meaningful economic interpretation. This identification process is thus equivalent to the process of recovering structural parameters from a reduced form estimable equation. Hence, the crucial issue in estimation of structural model is always the identification of the empirical model.

$$
\begin{bmatrix} share\ index \\ CPI \\ M_2 \\ int\ rate \end{bmatrix} = \begin{bmatrix} c_1 \\ c_2 \\ c_3 \\ c_4 \end{bmatrix} \begin{bmatrix} 1 & A_{12} & A_{13} & A_{14} \\ A_{21} & 1 & A_{23} & A_{24} \\ A_{31} & A_{32} & 1 & A_{34} \\ A_{41} & A_{42} & A_{43} & 1 \end{bmatrix} \begin{bmatrix} share\ index_{t-1} \\ CPI_{t-1} \\ M_{2_{t-1}} \\ int\ rate_{t-1} \end{bmatrix} + \begin{bmatrix} 1 & 0 & 0 & 0 \\ A_{21} & 1 & 0 & 0 \\ A_{31} & A_{32} & 1 & 0 \\ A_{41} & A_{42} & A_{43} & 1 \end{bmatrix} \begin{bmatrix} U_t^{share\ index} \\ U_t^{CPI} \\ U_t^{M_2} \\ U_t^{int\ rate} \end{bmatrix}
$$

Where

$$
A = \begin{bmatrix} 1 & A_{12} & A_{13} & A_{14} \\ A_{21} & 1 & A_{23} & A_{24} \\ A_{31} & A_{32} & 1 & A_{34} \\ A_{41} & A_{42} & A_{43} & 1 \end{bmatrix}, C = \begin{bmatrix} c_1 \\ c_2 \\ c_3 \\ c_4 \end{bmatrix}, Z = \begin{bmatrix} share\ index \\ CPI \\ M_2 \\ int\ rate \end{bmatrix}, Z_{t-1} \begin{bmatrix} share\ index_{t-1} \\ CPI_{t-1} \\ M_{2_{t-1}} \\ int\ rate_{t-1} \end{bmatrix}, U_{t-1} = \begin{bmatrix} U_t^{share\ index} \\ U_t^{CPI} \\ U_t^{M_2} \\ U_t^{int\ rate} \end{bmatrix}
$$

And $\alpha = \begin{bmatrix} \alpha_{11} & \alpha_{12} & \alpha_{13} & \alpha_{14} \\ \alpha_{21} & \alpha_{22} & \alpha_{23} & \alpha_{24} \\ \alpha_{31} & \alpha_{32} & \alpha_{33} & \alpha_{34} \\ \alpha_{41} & \alpha_{42} & \alpha_{43} & \alpha_{44} \end{bmatrix}$ such that $U_t \sim$ iid $(0, \alpha^2)$

Impulse Response Function

This usually shows how an endogenous variable responds over time to a single surprise change in itself or other variables, suggesting evolutionary effect for each variable. Thus, the researcher applied the generalized impulse response approach that does not require orthogonalization of stock and is invariant to the ordering of the variables in the VAR.

Variance Decomposition Function

This offers a slightly different method for examining VAR system dynamics. They give proportion of movement in the dependent variables that are due to their own shocks, versus shocks to the other variables. The force error of variance decomposition of the variable suggests that forces associated with one variable are major influences on the evaluation of another variable. Lt depict how much of the average squared forecast error the model make used by surprise movement associated with each of the variables and gives insight about the relative importance of each variable in the model. Hence force error will be used to interpret VAR.

Table 1: Summary of Unit Root Test Results

Variables	Augmented Dickey-Fuller test			Phillip-Perron test		
	Level	First Difference	Decision	Level	First difference	Decision
LRASI	-1.400059	-4.240126*	I(1)	-1.340754	-4.286261	I(1)
	Prob 0.5007	Prob. 0.0022		Prob. 0.5991	Prob. 0.0020	
LRCPI	-1.510690	-2.736464*	I(1)	-1.550250	-2.608071	I(1)
	Prob 0.5755	Prob. 0.0788		Prob.0.4965	Prob.0.1051	
LRINTR	-3.388418	-5.258228**	I(1)	-3.369072*	-8.599869**	I(0)
	Prob 0.1185	Prob. 0.0001		Prob. 0.0193	Prob. 0.0000	
LRMS	-0.762918	-3.172998*	I(1)	-0.166771	-3.193148	I(1)
	Prob 0.8164	Prob. 0.0308		Prob. 0.9335	Prob. 0.0294	

Source: Extracted from Researchers computation (2017).
Note: and** indicates stationarity at 10% and 5% level of significance*

Table 1 present the summary of unit root tests result at both level and at first difference. The ADF and PP tests were conducted on all the variables. Since the result of the unit root test in table 1 confirm the non-stationarity at levels using some of the variables in the VAR model. It however shows that, all the variables are stationary at first difference at 1% level of significance. This allows us to conduct co-integration tests among the variables.

Co-integration Test Results

Table 2: unrestricted co-integration Rank Test (Trace) and Maximum Eigen value

Number of co-integrating equation	Trace Statistics	Critical values of the trace Statistic at 0.05	Prob**	Maximum Eigen Value	Critical values of the Eigen value at 0.05	Prob**
0*	115.8427	95.75366	0.00010	50.42582	40.07757	0.0025
1	65.41684	69.81889	0.1067	25.06405	33.87687	0.3807
2	40.35279	47.85613	0.2101	18.46121	27.58434	0.4572
3	21.89159	29.79707	0.3046	12.88305	21.13162	0.4630
4	9.008535	15.49471	0.3646	6.986860	14.26460	0.4907
5	2.021669	3.841466	0.1551	2.021669	3.84166	0.1551

Source: Extracted from researcher's computation (2017).

The result from table2 shows the presence of one co-integrating relationship as evidence by the traced statistic of 115.8427 which is greater than 95.75366 at probability level of 0.0010; similarly, the maximum Eigen value statistic confirms the presence of co-integrating relationship. The result from the two tests, therefore enable the research to reject the null hypothesis that there is no co-integrating equation at 0.05 levels. However, this outcome confirms the presence of a long run relationship among the variables of the model.

Table 3: Whites Hetroscedasticity

Joint test: Heteroscedasticity Test		Result
Chi-sq	Df	Prob.
97.08807	80	0.0939

Source: Researcher's computation (E-views 10)

From the table above the Probability value of chi square is 0.0939, this indicates that we cannot reject the null and hence the errors are homoscedastic.

Table 4: Normality test

Component	Jarque-Bera	df	Prob.
1	141.3853	2	0.0000
2	3.192958	2	0.2026
3	4.796486	2	0.0909
4	8.184829	2	0.0167
joint	157.5596	8	0.0000

Source: Researcher's computation (E-views 10)

The normality test reported in table shows that the null hypothesis of residual are multivariate not normal at some level and can be rejected at some levels and the joint test, because the p-value associated with Jarque-Bera statistics are less than 5% Therefore this indicate that the null hypothesis of the residual are not normally distributed and can be rejected.

Table 5: VAR stability test

Root	Modulus
1.083354	1.083354
0.842508	0.842508
0.717321	0.717321
-0.589505	0.589505
0.415269 - 0.331422i	0.531309
0.415269 + 0.331422i	0.531309
-0.335222	0.335222
0.186086	0.186086

Source: Researcher's computation (Eviews 10)

At least one root outside the unit circle.Table above indicates all the moduli are less than one except one modulus that is greater than one and lies inside the unit circle.

Variance decomposition

All share indexes explained itself by 100 percent in the first year. The fluctuation in share index in both the short-run and long run are explained by its own shock, approximately 97.19 percent in the 5 period and only to fall to about 72.59 percent in tenth periods. The shock attributable to CPI is about

11.52 percent variability in share index while shocks in oil money supply and interest rate accounted for about 8.56 and 0.71 percent respectively. However, at 10 periods, a CPI shock found to be 15.67 percent movement in share index while shocks to money supply and interest rate accounted for 8.52 and 3.21 percent. PI in the first period explained itself by 89 percent, in 5 periods was 79 percent, it continues to falls in the long run to 75 percent in the 10 periods. The shock of share index, money supply and interest rate in the 10 was 15.40, 0.095 and 9.32 percent respectively for variability of CPI.

Money supply in the first period explained itself by 98.97 percent but it continues to fluctuate up to 10 periods. The shock to share index, CPI and interest rate attributes by variability of money supply was 37.08, 38.69 and 1.84 percent respectively in the 10 period.

Interest rate explained itself by 98.84 percent in the first period, in period 5 was fond to be 97.27 percent Shocks to share index at 5 period is accounted for 2.07 percent variations in interest rate while CPI and money supply accounted for 0.19 and 0.45 respectively. At 10 periods, share index found to be 2.20 percent while CPI and money supply were 0.30 and 0.49 respectively.

Impulse response function
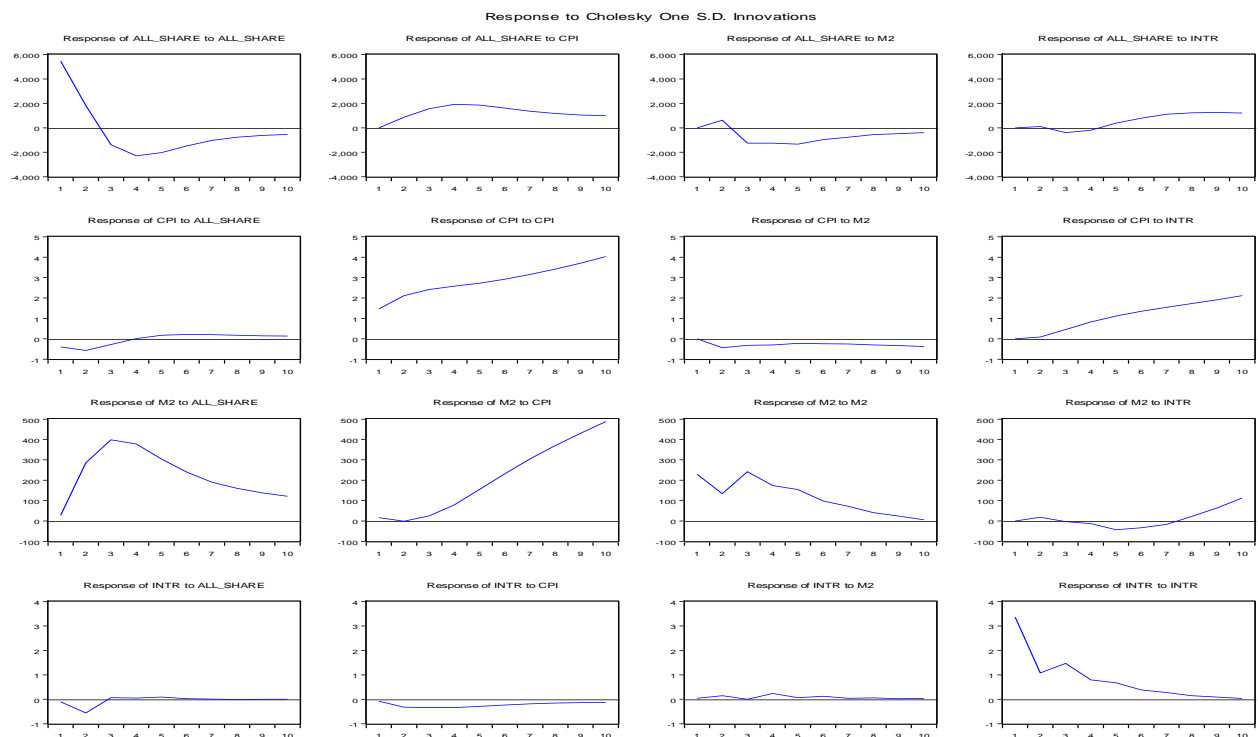
Source: Researcher's computation (E-views 10)

Fig. 1:

The one standard deviation shocks of share index to CPI was zero at first period and become positive throughout the periods. The response of share index to money supply was zero in first period, positive in second period and become negative throughout the periods. The response of share index to interest rate was zero at period two, negative at period 3 and 4 and positive throughout the period. The response of CPI to share index was negative up to period 4 and change positive throughout the period. The response of CPI to money supply was negative throughout the period.

The response of CPI to interest rate was zero at first period and become positive throughout the period. The shocks of money supply to share index was positive throughout the period. The shock of money supply to CPI was negative in first to third period and positive throughout the period. The response of interest rate to share index was negative in period one to two and end in zero. The shock of interest rate to CPI was negative throughout the period. The response of interest rate to money supply was positive in period one to five and become zero until 10 periods.

VAR granger causality/ weak   Endogeneity test

Dependent variable all share

Excluded	Chi-sq	df	Prob.
INTR	0.390687	2	0.8226
M2	11.46166	2	0.0032
CPI	18.35348	2	0.0001
All	20.51090	6	0.0022

Dependent variable: INTR

Excluded	Chi-sq	df	Prob.
ALL_SHARE	0.778606	2	0.6775
M2	0.038314	2	0.9810
CPI	0.266912	2	0.8751
All	1.847044	6	0.9332

Dependent variable: M2

Excluded	Chi-sq	df	Prob.
ALL_SHARE	39.80695	2	0.0000
INTR	0.350686	2	0.8392
CPI	3.968655	2	0.1375
All	74.60545	6	0.0000

Dependent variable: CPI

Excluded	Chi-sq	df	Prob.
ALL_SHARE	3.770094	2	0.1518
INTR	2.837336	2	0.2420
M2	2.731702	2	0.2552
All	6.151294	6	0.4065

Source:

From the above Table of granger causality All share index have unidirectional relationship with other variables of the study, while there is bidirectional relationship between interest rate consumer price index, All share index, M2, but with regard to the money supply only interest rate and consumer price index have unidirectional relation with M2 as a dependent variable, The consumer price index has bidirectional relationship with all shares, money supply and interest rate by considering the probability value.

Conclusions and Recommendations

The study investigates the impact of macroeconomic variables on stock market development in Nigeria, between 1981 and 2015. The main focus of this research is on the macroeconomic variables and stock market development. Based on the major findings of this study, ASI was found to have a positive relationship with consumer price index, interest rate and money supply. Hence, this confirms the hypothesis that macroeconomic variables have significant impact on Nigeria stock market development in Nigeria within the period under review. The empirical evidence emanating from the study reveals that exchange rate and real per capital income had a direct relationship with all share indexes which suggests that they encourage investment and productivity in goods and services.

Based on the research findings, the following recommendations are made to arrest the enumerated problems. Since there is long run positive impact of macroeconomic variables on stock market development in Nigeria, appropriate measures should be pursued. To achieve this, focus should be placed on the following;

i. The government should fine tune the exchange rate policy and institute a consistent policy plan to mobilize foreign direct investment which would be injected into the capital market for significant development.

ii. Considering the level of response of the Nigerian capital market to external shock, the concerned authorities should institute policies and mechanism that will stabilize significant macroeconomic indicators in order to promote the capital market.

iii. Financial authorities should also develop and strengthen the synergy between the money market and the stock market as veritable sources of investible financing in the country. Policies that aim at adjusting the interest rate should be taken into account and the indirect impact on the stock market as an alternative means of funds.

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