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CAPITAL MARKET DEVELOPMENT AND ECONOMIC GROWTH: A COMPARATIVE STUDY OF GHANA AND NIGERIA

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ABSTRACT

This study the effect of capital market development on economic growth: A comparative study of Ghana and Nigeria. The longitudinal and cross sectional research design approaches were adopted, with data covering a period of (35) years from 1989 to 2023. Real Gross Domestic Product (RGDP) was used as proxy for economic growth, while the following variables; All Share Index, Total Value of Transactions, Market Capitalization and Total Number of Deals were used as proxies for the capital market development. The statistical tools used include, Augmented Dickey Fuller (ADF), Descriptive Statistics and Philips-Perron Unit Root Test, Co-integration Test, Ordinary Least Squares (OLS) and the Error Correction Method. The outcomes of the study showed that capital market exerted positive effects on economic growth in Ghana and Nigeria respectively. The results further showed capital market alone, led to significant economic growth in Nigeria, but not so significant on Ghana economic growth. Finally, the results generally indicated that the capital market in Ghana and Nigeria were still at the emerging stages as the markets largely depended on their economies rather than their economies depending on their capital markets. Based on these findings from the study recommended amongst other that, the governments of these countries must put in place appropriate economic policies that would encourage companies to enlist in the capital market and enhance market capitalization as well as the all share index because the more the participants in the market the more likely to be an increase in the overall market capitalization.

Keyword: ***All Share Index, Total Value of Transactions, Market Capitalization and Number of Deals***

INTRODUCTION

For there to be adequate capital formation and economic growth in any economy, it is necessary to have an efficient capital market. The capital market exist primarily to facilitate the movement of capital to be used more profitability and productively to boost the national income and economic growth. The capital market provides a platform of exchange where funds transfer can take place among stakeholders of the economy, being government, individual investors or firms. It is a specialized financial market that stimulates economic growth because of its capacity to muster savings and investment (Idowu & Babatunde, 2020). With the advent of globalization capital is able to moves around the world with ease, especially from the developed countries to developing countries. Private capital flows to emerging markets have risen from $25 billion in 1990 to$300 billion by 2020 (Sharma, 2021). Part of this expansion in financial flows has been brought about by the growth of equity funds dedicated to investing in publicly and privately listed securities in developing countries. The revitalization of the capital markets has also been motivated by the growing need to promote the role of the private sector in stimulating growth (Khambata, 2022). There is the need for the banks and the capital market, being channels of financial intermediation, to work together for the good of the economy. The capital market, being a more robust and all-encompassing market that hardly experience adverse selection and moral hazard problems to the same extent as debt finance does, in the presence of asymmetric information, needs to complement the credit markets. The existence of equity markets would thus enhance capital allocation and diversify investment risk (Anyanwaokoro, 2022).

The Nigerian capital market has not performed badly despite the numerous challenges that confront it. Some of the challenges include: the buy and hold attitude of Nigerian investing public, the pervasive ignorance of a large number of the Nigerians on the nature and benefits of the capital market, the relatively limited investment outlets in the market, lack of capital market friendly economic policies along with political instability, the private sector led economy and not operating fully recent developments in the market. Among these recent developments are, the Automated Trading System (ATS), Central Securities Clearing System (CSCS), On-line and Remote Trading, Trade Alerts and Capital Trade Points of the Nigerian Stock Exchange (Edame & Okoro, 2013). In other hand, Atta, (2019) Minister for Finance of Ghana, in his forward, on the document,

Ghana Capital Market Master Plan, 2020-2029, wrote 'the capital market is an essential driver for economic growth and development. Unfortunately, the evolution of our financial sector has not aggressively placed this essential industry at the heart of financial sector development over the decades. In his opinion, the capital market has been developing over the years without a dedicated comprehensive coordinated plan and with limited efforts on the part of key stakeholders to enable sustainable growth in the industry. Notably, the implementation of broader financial sector reforms spanning from the establishment of the Ghana Stock Exchange (GSE) in 1990 have not brought to light Government's ultimate objective of creating a viable ecosystem for long-term capital to fuel Ghana's development. In consequence of these and of the economic factors underlying them, the Capital Market has not been able to provide relatively cheaper, medium to long-term finance to the private sector thereby muting its impact on growth and unemployment'.

From the foregoing, it can be seen that, essentially, the market is one in which long term debt (over a year) or equity backed securities are bought and sold and it helps to channel the wealth of savers to those who can put it to long term productive use, such as companies or government making long term investments. The capital market consist of the primary market, where new securities are issued and sold, and the secondary market, where already issued securities are traded between investors. From the foregoing, the capital market can be seen to play a very important role in the growth of an economy. This study therefore investigates, in empirical terms, the impact the capital market has on the economic growth of Ghana and Nigeria.

Statement of the Problem

The importance of the capital market lies in its financial intermediation capacity and process to link the deficit sector with the surplus sector of the economy. The absence of such capacity robs the economy of investment needed for the production of goods and services for societal advancement. Funds which are desperately needed in one sector could actually be idle at another, thereby frustrating the pursuit of socio-economic growth and development (Akinbohungbe, 2021).

The current realities existing in most of the stock exchanges in Africa today leave some significant gaps in the debate on the effect of capital market on economic growth, Nigeria and Ghana inclusive. The global financial crisis also affected the capital markets of Ghana and Nigeria, thereby retarding the growth of the market. The activities of investors engaging in capital flight and profit taking on the capital markets could impact on the economy overtime with instability of the markets. The study of Ghana and Nigeria capital markets is justifiable based on the fluctuating market capitalization and movements in the key market indicators or variables, such as Value of Traded Securities, All-Share Index, Number of Deals and Market Capitalization. It there for becomes imperative empirically to investigate the relationship between the capital market and economic growth, using Ghana and Nigeria as the population of study. Although a lot of studies have been done on the effect of capital market and economic growth, an empirical and detailed comparative study of the subject, using Ghana and Nigeria as the populations of study has not been done. In this respect the following capital market indices, namely value of traded securities, all-share index, total number of deals and market capitalization, as proxies for the capital market while real gross domestic product (RGDP) is used proxy for economic growth, is lacking, hence the need for this study. This study therefore aims to fill the gap that exists in the study of the effect of the capital market on economic growth between Ghana and Nigeria.

Objectives of the Study

The broad objective of this research investigated the effect of the capital market on economic growth of Ghana and Nigeria. The specific objectives:

i. To examine the impact of market capitalization on the economic growth of Ghana and Nigeria;
ii. To determine empirically the effect of total value of transactions on the economic growth of Ghana and Nigeria;
iii. To ascertain the impact of all-share index on the economic growth of Ghana and Nigeria;
iv. To evaluate the impact of total number of deals on economic growth of Ghana and Nigeria.

Research Questions

This study is guided with the following research questions.

i. To what extent has market capitalization influenced economic growth of Ghana and Nigeria?
ii. What is the effect of total value of transaction on economic growth of Ghana and Nigeria?
iii. Does all-share index has influence on economic growth of Ghana and Nigeria?

iv. Does total number of deals have impact on economic growth of Ghana and Nigeria?

Research Hypotheses

In this research work, we examined the following null hypotheses:

$H0_1$: Market capitalization has no significant effect on the economic growth of Ghana and Nigeria
$H0_2$: Total value of transactions has no significant effect on the economic growth of Ghana and Nigeria
$H0_3$: All-shares index has no significant effect on the economic growth of Ghana and Nigeria
$H0_4$: Total Number of Deals has no significant impact on Economic Growth of Ghana and Nigeria

REVIEW OF RELATED LITERATURE

Conceptual Review

Economic Growth

Economic growth has been defined by Nnanna et al. (2018) as the ability of the economy to increase production of goods and service with the capital and other factors of production within the economy. Sen (2021) points out that economic growth is one aspect of the processes of economically developing a nation or country. Economic growth constitutes the extension of a nation's prospective national output or gross domestic product. Economic growth means an increase in the capital of an economy to produce goods and services, compared from one period to another. Economic growth is the process by which a nation increases overtime. Samuelson and Nordhaus (2021) stated that economic growth occurs when a country's production possibility frontier shifts outward. Economic growth is generally agreed to indicate the development of an economy. They maintain that advanced economies become developed countries by adopting economic growth factors such as human resources (labour supply, education, disciplines, motivation); natural resources (land, mineral, fuels, environmental quality); capital formation (machine factories and road); technology (science, engineering, management and entrepreneurship.

Capital Market

This market, otherwise known as stock market or equity market is an organized financial market where long-term financial instruments or securities like bonds, shares and debentures are traded, or bought and sold (Onwe, 2022). Capital market operation is an essential part of the financial system that is concerned with raising capital by dealing in shares, bonds and other long-term financial instruments or investments. It's a market in which long term financial instruments are bought and sold. It helps to channel the idle funds of savers to those who can put it to long term productive use, such as companies or government which are making long term investments. Capital market consists of the Primary Market where New Securities are issued and sold and the Secondary Market where already issued Securities are traded between investors (Solomon, 2022). According to Kolapo and Adaramola (2020), the capital market has been identified as an institution that contributes to the social and economic growth and development of emerging and developed countries. Capital market offers a variety of financial instruments that enable economic agents to pool, price and exchange risk (Kolapo & Adaramola, 2020). The capital market is a financial market that provides facilities for mobilizing and dealings in medium and long term funds (Onwe, 2018). Schumpeter (2013) emphasized the role of the capital market as a financier of productive investments and as an accelerator of economic growth. Capital market development affects economic growth in form of increases in investment returns, reductions in transaction costs and increased savings (Babantunde, 2019). Oluitan (2019), all constructed theoretical models wherein efficient financial markets improved the quality of investments and enhanced economic growth. Also, a number of studies investigated the links between capital market development and growth empirically. Babatunde (2019) carried out a study on capital market development and economic growth in Nigeria and concluded that market indicators are robustly correlated with economic growth.

Denison of Capital Market Development

i. Market Capitalization

Market capitalization (also known as market value) is the share price times the number of share outstanding. This is a measure of capital market size and is used to ascertain the level of capital market development relative to the growth of the economy. According to Adeusi (2022), market capitalization is the current Capital price per share (multiplied by the total number of outstanding shares. The Nigerian Capital market offers an array of financial instruments to meet the long-term financing needs of the public and private

sectors. These instruments comprise shares, Capitals, equity, bonds, debts and financial derivatives. Securities or shares are instruments traded in the Capital Exchange market. Equities represent an ownership stake in a company, which issued them while bonds are debt instruments which the principal and interest are usually payable to the holder at a pre-specific periods (Ezeoha et al., 2020). Market capitalization is one of the major variables of the Capital market in any given economy. According to Osaze (2022) market capitalization is the total value of all equities listed on a Capital exchange. Similarly, it is the function of the prevailing market price of quoted equities and the size of the issued and paid up capital. Market capitalization is very crucial in the measurement and assessment of the financial market and it influence on Economic growth. Al- Faki (2022) posits that total market capitalization rose from N10 Billion in 1988 to N2.9 Trillion in 2005, indicating such tremendous increase in market capitalization has enormous effect on the Nigeria economy proxied with Gross Domestic Product (GDP).

ii. Total Value of Transaction

The total value of transaction is the total value of shares traded on the Capital market exchange. It is also the total value traded ratio measures the organized trading of firm equity as a share of national output. The total value traded ratio complements the market capitalization ratio: although a market may be large, there may be little trading. A discussion on value of transaction in relation and economic growth could be based on economic variable such as Gross Domestic Product and capital market activities. According to Okpara (2020), significant changes in the market value of shares traded were expected to have a positive impact on the GDP. The value of a transaction is the total value of transactions traded on" the Capital market exchange divided by the gross domestic product. It measures the organized trading of firm equity as a share of national output and should reflect liquidity on an economic basis. The total value of the transaction complements the market capitalization ratio (Popoola et al., 2021).

iii. All Shares Index (ASI)

All shares index is a tool used by investors and financial managers to describe the market and to compare the return on specific investment. Bashorun and Bakare-Aremu (2020) noted that Nigerian Capital Exchange All-share Index is a total market (broad-base) index, reflecting a total picture of the behavious of the common shares quoted on the Nigerian Capital Exchange. It is calculated on a daily basis, showing how the prices have moved, Popoola et al. (2022) stated that all share index has to do with statistical data computed annually to measure the changes in the value of commodities and securities. They also noted that the index is derived from the price of all or some market constituents, usually expressed in percentage change from base period. Indices are important performance of an economy or a financial market. . Osinubi (2022) posited that a market's all shares index is a statistical parameter to reflect the composite value of a market characteristic. When it is the price, we have a price index, which is an attempt to represent the overall price performance of the market with one statistic - the index value. In effect, the index is calculated in a way that makes it generally representative of the market. An index can be representative of the entire market - like the NSE all-share index - or just for a section - like tech Capitals or top 100 most capitalised stocks or whatever. Maku and Atanda (2021) suggested that Nigerian Capital Exchange all share index as one of capital market operation is responsible to change in exchange rate broad money supply, inflation rate, and real output which are crucial to economic growth.

iv. Total Number of Deals

Value traded for every Capital listed on the exchange is a product of the price of the Capital and the volume of the Capital traded for that day. The addition of the value of every Capital that was traded on a particular day is the total amount investors commit to the market for a particular day, week, month and annual. Blessing (2021) noted that the volume of transaction is the amount of security that was trading during a given period of time. The volume is commonly reported as the number of shares that changed hands during a given day. The number of shares of a company traded on the floor of the exchange during a particular session is the volume traded. The volume traded is dependent on the willingness of the holder of a Capital to sell and the readiness of other investors to buy the offer and bid. Kenneth (2022) stated that the capital turnover gives the aggregate value of capital traded with the total market capitalization for a particular period. This is another method of assessing how active or how liquid a capital market is. The portfolio investors and indeed other investors consider how fast or how easy investors can buy and sell securities when the need arises before taking a decision to invest in a Capital market.

Theoretical Review

There have been several theories on the effect of Capital market in Ghana and Nigeria on economic growth. But this study was anchored on efficient market theory.

Efficient Market Theory

Eugene Fama developed the efficient market theory in 1960. Efficient market theory states that asset prices reflect all available information. A direct implication is that it is impossible to beat the market consistently on a risk-adjusted basis since market prices should only react to new information. The theory also states that shares prices reflect all information and that a consistent alpha generation is impossible. According to the efficient market theory, Capitals always trade at their fair value on exchange, making it impossible for investors to purchase undervalued capitals or sell capital for inflated prices. The implication of this is that it would be impossible to outperform the overall market through expert capital selection or marketing timing and the only way an investor can obtain higher returns is by purchasing riskier portfolio of investments. The efficient market hypothesis is an efficient market theory, which states that shares prices fully reveal all available information regarding all capitals in the market. This implies that it is near impractical to overrun the market constantly under a risk adjusted criterion**.** This is because market prices are anticipated to react to new information only (Levine & Kunt, 1996).

Empirical Review

There have been several studies on the effect of Capital market in Ghana and Nigeria economic growth. Some of them are reviewed below:

Osinubi (2022) examined the effect of capital market promotes on economic growth in Nigeria. The study used ordinary least squares regression (OLS) from 1980 to 2000 by employing production function approach to develop the model. The variables in the analysis include Capital market index, which consists of market capitalization ratio, new issue and value of transaction ratio. Other variables are gross capital formation, public capital expenditure, trade openness, debt ratio and dummy variables relate to political stability and policy adjustment program. The result of the study showed that there is a positive correlation between the measures of capital market and long-term economic growth.

Djamila et al. (2022) studied the impact of stock market development on economic growth in Singapore, The study used an econometric based on an autoregressive distribution lag (ARDL) model covering the period from 1990 to 2020. The data was obtained from various sources, in particular World Bank data and International Monetary Fund reports. Economic growth is expressed by GDP per capita, while stock market development is measured by market capitalization of domestic listed companies (% of GDP), shares traded total value (% of GDP) and stocks traded turnover ratio of domestic shares (%). The results show that the capitalization of domestic listed companies and the turnover ratio of domestic stocks have a positive and significant effect on gross domestic product per capita in the short and long run. However, shares traded total value has a negative impact on gross domestic product per capita in short and long term. The contribution of our results suggests that stock market development promotes short and long-run growth in Singapore.

Okonkwo et al. (2022) studied Capital market performance and economic growth in Nigeria using data from 1981 to 2021. The study employed Johansen cointegration test to estimate the long-term equilibrium relationship among the variables and ARDL Model was used to test the hypotheses. , their study reveals that Nigeria's Capital market size, with an average of 250 listed companies, exacts significant influence on economic growth and that economic growth and Capital market capitalization have no causal relationship. They conclude that, although the Capital market size remains a very important indicator in measuring the Capital market impact on economic growth.

Oluwatoyin and Gbadebo (2020) examined the impact of share market capitalization on a company's performance using one of the largest confectionary companies in Nigeria as a case study. It adopted the Ordinary Least Square (OLS) analytical technique, using the company's annual data for 20 years. The study found that market capitalization has positive and statistically strong significance on the changes in the company's performance and therefore recommended that the confectionary company should implement policies that will encourage increase in their profit after tax, dividends and turnover as these variables will enhance performance.

Oluwatosin et al. (2020) examined the impact of Nigerian capital market on economic growth and development between 1999 and 2012. Data were sourced from Security Exchange Commission reports, Nigerian Capital Exchange Review Reports, and Central Bank of Nigeria Statistical Bulletin respectively. Ordinary least square method of regression analysis was used to analyze the data. The result shows that capital market indices have not significantly impacted on the GDP. It was concluded that capital market in Nigeria has the potential of growth inducing but it has not contributed significantly to the economic growth of Nigeria because of low market capitalization, low absorptive capitalization, illiquidity, and misappropriation of funds among others.

Maku and Atanda (2019) conducted a study on whether macroeconomic indicators exert shock on the Nigerian Capital market for the period 1984 to 2007. Vector error correlation method was used to capture the effect of macroeconomic on the Nigerian Capital market index. The study used five macroeconomic variables to observe the shock on share return. The variables are consumer price index, broad money supply (M2), Treasury bill rate, exchange rate and real output growth. The result suggested that Nigerian Capital Exchange all share index is responsible to change in exchange rate broad money supply, inflation rate, and real output.

Ewah et al. (2019) examined the appraisal of capital market efficiency on Nigerian economic growth. The study used annual time series data on market capitalization, government development Capital value of transaction and interest rate money supply. They use multiple regression and ordinary least square method of analysis. The result shows that the market capitalization and total Capital transactions have a positive sign. Thus, market size and rate of buying and selling securities increase the rate of economic growth. However, the coefficient of the log of the money supply is negative. It means that the Nigerian economy has the low absorptive capacity.

Onyekachi and Odi (2019) examined the impact of capital market reform on the growth of Nigerian economy. The capital market reform was proxied by Market Capitalization, All Share Index and Total Volume of Transaction on the growth of Nigerian economy proxied by gross domestic product (GDP). The study postulates that if capital market reforms are effective, the economy will grow well. The scope of the study spanned from 1990 to 2011. A stationarity test was carried out using the Augmented Dickey-Fuller test (ADF) and Phillip-Perron test (PP) and stationarity found at first difference at 5% level of significance. The Johansen-Juselius cointegration technique employed in this study proved to be superior to the Engle & Granger (1987) approach in assessing the co-integrating properties of variables, especially in a multivariate context. The result of the test indicates 1 co-integration equations at 5 percent level of significance. The study also applied Vector Error Correction Model (VECM) to determine the short-run relationship between capital market reform and economic growth in Nigeria. The result of our analysis shows that capital market reform significantly influences the rate of economic growth in Nigeria. The study also found that long-run relationship exists between capital market reform and economic growth in Nigeria.

Gap in Literature

Although there are some studies already, the present one inclusive, that have studied the impact of the capital market on economic growth in Ghana and Nigeria, there are still areas that need further study. These include:

1. The relationship between unemployment and the viability of the capital market.
2. There is also the need to engage more primary data in the studies.

METHODOLOGY

Research Design

The study adopts the Time Series and Cross Sectional Research Design Method, covering a period of 34 years (1989-2023). In other words, the study adopts the longitudinal research design since the data on the study's variables cover a time frame of 1989 to 2023, that is 34 years. The justification for this design is that both the dependent and independent variables have already occurred such that they are not easily manipulated.

Population of the Study

The population of the study consists of the capital market players in Ghana and Nigeria.

Sample Size
The sample size of the study comprises selected listed companies in Ghana and Nigeria.
Sources of Data
The study will employ secondary data source. The secondary data is to be obtained from World Bank Data Atlas or Financial Development 2023 and other related journals and publications.

Method of Data Analysis
The statistical tools used for the study includes; descriptive statistics for the purpose of ascertaining normality of results for regression, Augmented Dickey Fuller (ADF) and Phillips Peron tests, Unit Roots Tests, Granger Causality Test and Error Correction Model (ECM).Ordinary Least Square, Co-Integration and Error Correction Model.

Table 1: Operationalization of Selected Variables

	ables	surement	ce	ori sign
	omic Growth endent variable)	sured using real gross domestic product (RGDP)	archer's Compilation	
	et Capitalisation	measured as	archer's Compilation	
	l Value of Transaction	measured	archer's Compilation	
	hares index	measured as	archer's Compilation	
	l umbers of deals	measured	archer's Compilation	

Source: Researcher's Compilation, (2024)

Model Specification
In the model of this study, economic growth is proxied with Real Gross Domestic Product (RGDP) and serves as the dependent variable, while Capital market indicators including Market Capitalization (MCAP), Total Value of Transactions (TVT), All Shares Index (ASI) and Total Number of Deals (TND), represent the independent variables. The model is express in functional form and explicit in terms of Ghana and Nigeria, relationship.

A. Impact of Capital Market on Economic Growth in Ghana
This is expressed in its functional form for Ghana as:
RGDP = *f (MCAP, TVT, ASI, TND) …… ……(1)*
The econometrics model for the study is set explicitly as:
$RGDP = \beta_0 + \beta_1 MCAP + \beta_2 TVT. + \beta_3 ASI + \beta_4 TND\ \mu t$..... *(2)*
Where;
RGDP = Real Gross Domestic Products
M.CAP = Market Capitalization
TVT. = Total Value of Transaction on Capital Exchange
ASI = All Shares Index
TND = Total Number of Deals
μt *= Stochastic disturbance*

B. Impact of Capital Market on Economic Growth in Nigeria
This is expressed in its functional form for Nigeria as:
RGDP = *f(MCAP, TVT, ASI, TND)…… ……(3)*
The econometrics model for this work is set explicitly as:
$RGDP = \beta_0 + \beta_1 MCAP + \beta_2 TVT. + \beta_3 ASI + \beta_4 TND\ \mu t$..... *(4)*
Where;
RGDP = Real Gross Domestic Products

M.CAP = Market Capitalization
TVT. = Total Value of Transaction on Capital Exchange
ASI = All Shares Index
TND = Total Number of Deals
μt = Stochastic disturbance

Apriori Expectation:

The apriori expectation is expressed as: β1>0; β2>0; β3>0; β4>0; where;β_1>0 means that a unit increase in market capitalization can bring about an increase in economic growth.
B_2>0 means that a unit increase in total value of transaction can bring about an increase in economic growth.
B_3>0 means that a unit increase in all shares index can bring about an increase in economic growth β4>0 means that a unit increase in total number of deals can bring increase in economic growth.

ANALYSIS AND DISCUSSION OF FINDINGS

Descriptive Statistics

The descriptive statistics of the variables of the study for Nigeria and Ghana is presented in Table 2 (a) and 3 (b). The statistics include the mean (average), median, maximum, minimum values, Jarque-Bera statistics, amongst others.

Table 2 (a) Descriptive Statistics of Variables for Nigeria

	RGDP	MCAP	TVT	ASI	TND
Mean	238.7883	26.12407	2.948800	191.2096	188.3000
Median	198.7750	19.05500	1.595500	207.7890	188.0000
Maximum	568.5000	84.89500	17.36000	579.2090	215.0000
Minimum	44.00000	2.028000	0.016000	325.3000	161.0000
Std. Dev.	169.8876	24.77332	4.338931	148.2683	16.75410
Skewness	0.401038	0.780808	2.305375	0.454788	0.060689
Kurtosis	1.704925	2.641419	8.070771	2.646052	1.870192
Jarque-Bera	2.900682	3.209033	58.71467	1.190757	1.614000
Probability	0.234490	0.200987	0.000000	0.551354	0.446195
Sum	716.3650	783.7220	88.46400	573.2777	564.9000
Sum Sq. Dev.	836992.2	177 97.80	545.9633	6.41E+09	814 0.300

Observations	35	35	35	35	35

Source: Regression Results from E-Views version 9.0 (2024)

Real Gross Domestic Product (RGDP) averaged US$238.79 billion, for Nigeria. The value for Nigeria ranged between US$568.50 billion and US$44.00 within the period under consideration. The coefficient of Skewness, Kurtosis and the Jarque-Bera statistic with a p-value of less than 0.05 indicates that RGDP is not normally distributed. However, the RGDP series is normally distributed for Nigeria. Mean (Average) market capitalization for Nigeria within the period was US$26.12 billion. Its maximum Value was US$84.9 billion. The p-value of Jarque-Bera statistic (which is greater than 0.05) suggests that the series follows a normal distribution. Total value of transaction (TVT) average US$2.95Billion for the period under consideration. The series are not normally distributed as indicated by coefficient, Skewness, Kurtosis and the p- value of Jarque-Bera statistic which is less than 0.05. All share index (ASI) average in same period had a mean value of 19109.26 for Nigeria, are the lowest value during the period was 325.3 recorded in 1989 and highest value of 57990.20 just before the global financial crisis. Total number of deals average of 188.3 for Nigeria, the number of the TND series is normally distributed for Nigeria since the probability value of JB. Statistic is not less than 0.05.

Table 2 (b) Descriptive Statistics of Variables for Ghana

	RGDP	MCAP	TVT	ASI	TND
Mean	23.4360	1.86 4500	0.07 5100	210 1.52 4	24.6 6667
Median	8.30 0000	1.52 3000	0.05 1500	105 1.99 5	26.0 0000
Maximum	67.2 3400	5.38 4000	0.28 7000	104 31.6 4	33.0 0000
Minimum	4.98 3000	0.20 4000	0.00 3000	62.1 7000	15.0 0000
Std. Dev.	22.1 3079	1.43 8812	0.08 1236	253 2.35 1	5.83 8832
Skewness	0.83 6151	0.65 0373	1.24 1464	1.69 7289	-0.31 5775
Kurtosis	2.10 7063	2.43 1728	3.34 4669	5.30 8008	1.65 0936
Jarque-Bera	4.49 2416	2.51 8591	7.85 4660	21.0 6258	2.77 3537
Probability	0.10 5800	0.28 3854	0.01 9696	0.00 0027	0.24 9882
Sum	703. 3080	55.9 3500	2.25 3000	630 45.7 3	740. 0000
Sum Sq. Dev.	142 03.38	60.0 3520	0.19 1381	1.86 E+08	988. 6667
Observations	35	35	35	35	35

Source: Regression Results from E-Views version 9.0 (2024)

Real Gross Domestic Product (RGDP) US$23.44Billion for Ghana the value for that of Ghana range between US$4.98Billion and US$67.23Billion. Within a period under consideration. The coefficient of Skewness, Kurtosis and the Jarque-Bera statistic with p-value less than 0.05 for Ghana indicate that the series is not normally distributed. However the RGDP series is normally distributed for Ghana. Mean, Market Capitalization for Ghana within the period stood at US$1.86Billion, it minimum value was US$0.02Billion, while its maximum value was US$5.38Billion. The series follows a normal distribution as shown by the p-value of the Jarque-Bera statistic (which is greater than 0.05) and affirmed by the coefficient of Skewness and Kurtosis and comparing the average value of market capitalization within the same period, it cold deduced that market capitalization for Ghana increased in most parts of the period. Total value of transaction (TVT) average US$0.08Billion in Ghana for the period under consideration. The series are not normally distributed as medicated by coefficient of Skewness, Kurtosis and p-value of Jarque-Bera statistic which is less than 0.05. All share index (ASI) averaged in same period had a mean value of 2101.52. The lowest index was put at 62.17 while the highest index in the period was 10431.64. The series is normally distributed as indicated by coefficient of Skewness, Kurtosis and p-value of Jarque-Bera statistic which is less greater than 0.05. The number of transaction averaged 188.3 number of deals for Ghana 36.97 the TND series is normally distributed for Ghana since the probability value of the JB statistic is not less than 0.05.

Correlation Analysis

Table 3 (a) Correlation Coefficients for Nigeria

	RGDP	MCAP	TVT	ASI	TND
RGDP	1.00				
MCAP	0.84	1.00 0000			
TVT	0.49	0.77	1.00 0000		
ASI	0.74	0.88	0.75	1.00 0000	
TND	0.07	0.29	0.45	0.39	1.00 0000

Source: Regression Results from E-Views version 9.0 (2024)

Table 3 (b) Correlation Coefficients for Ghana

	RGDP	MCAP	TVT	ASI	TND
RGDP	1.00 0000				
MCAP	0.92	1.00 0000			
TVT	0.60	0.57	1.00 0000		
ASI	0.09	0.07	0.49	1.00 0000	
TND	0.79	0.71	0.65	0.56	1.00 0000

Source: Regression Results from E-Views version 9.0 (2024)

Correlation Coefficient for Ghana and Nigeria

The correlation matrix for Nigeria shows that MCAP, TVT, ASI and TND are positively correlated to RGDP, though the relationships between TVT and RGDP and TND and RGDP are not quite strong, as reflected by the low correlation coefficients. The implication of the positive correlation coefficients is that the variables MCAP, TVT, ASI and TND move in same direction as RGDP: increase (decrease) in MCAP, TVT, ASI and TND is associated with increase (decrease) in RGDP and vice versa. TVT and ASI are also observed to be

positively and strongly correlated with MCAP with a correlation coefficient of 0.77 and 0.88 respectively. This suggests that within the period under consideration, increase (decrease) in TVT and ASI is associated with increase (decrease) in MCAP. However, TND is also positive though weakly correlated with MCAP. The correlation coefficient between ASI and TVT is high and positive, suggesting strong, direct relationship between the variables. TND and TVT are weakly positively correlated, suggesting that the total number of deals does not necessarily bear on the total value of transactions. The same also applies for the relationship between TND and ASI.

The correlation matrix for Ghana shows that all the variables are positively correlated to RGDP. This implies that all the variables move in the same direction with RGDP. While MCAP and TND bear a strong relationship on RGDP, TVT is moderately correlated with RGDP while ASI weakly associates with GDP. There is a moderate positive correlation between TVT, TND and MCAP. However, ASI and MCAP have a weak relationship. ASI and TND are positive and moderately correlated with TVT. Suggesting that the pair of variables move together in the same direction. The same can also be said of the relationship between TND and ASI.

Unit Root Tests

Prior to estimating the specified models, the variables were tested for unit root to determine their stationarity or time series properties. An essence of this test was *inter alia* to determine an appropriate method for the analysis. The results of the test are presented in Table 6.

Table 4a Unit Root Test Results for Nigeria and Ghana

ADF Unit Root Test Results for Nigeria							
Variables	**Levels**			**First Difference**			
		Critical value (5%)	Remark		Critical Value (5%)	Remark	
RGDP		-3.56	NS		-3.56	S	
MCAP		-3.56	NS		-3.56	S	
TVT		-3.56	NS		-3.57	S	
ASI	-	-3.59	NS	-	-3.61	S	1
TND	-	-3.56	NS	-	-3.56	S	1

For Nigeria, all the variables of interest were stationary after first difference. All Share index (ASI) was stationary at levels while all other variables were first difference stationary

Table 4b ADF Unit Root Test Results for Ghana

Variables	Levels			First Difference			d*
	t-	Critical value (5%)	Remark	t-	Critical Value (5%)	Remark	
RGDP	-	-3.56	NS	-	-3.56	S	1
MCAP	-	-3.56	NS	-	-3.56	S	1
TVT	-	-3.57	NS	-	-3.57	S	1
ASI	-	-3.56	S	-	-	-	0
TND	-	-3.56	NS	-	-2.96	S	1

he case of Ghana,all the variables are integrated of order 1, *I*(1), that is they are stationary at first differences, with the exception of TVT which is integrated of order 0 (zero), that is, it is stationary at level form.

Co-integration Test

In view of the observation that the variables are integrated of different order (0, 1), the appropriate method to test for long run relationship (or cointegration) between the variables is the ARDL approach to cointegration, also referred to as the bounds testing approach. The results of the test is presented in Table 7

Table 5 (a): Co-integration Test (ARDL Bounds Test) Results for Nigeria

Table 5 (b): Co-integration Test (ARDL Bounds Test) Results for Ghana

Sample: 1989 2023
Included observations: 35
Null Hypothesis: No long-run relationships exist

Test Statistic	Value	k
F-statistic	4.07	4
Critical Value Bounds		
Significance	I0 Bound	I1 Bound
10%	2.45	3.52
5%	2.86	4.01
2.5%	3.25	4.49
1%	3.74	5.06

K = Number of explanatory variables
Source: Regression Results from E-Views version 9.0 (2024)

Sample:1989 2023
Included observations: 35
Null Hypothesis: No long-run relationships exist

Test Statistic	Value	k
F-statistic	4.32	4
Critical Value Bounds		
Significance	I0 Bound	I1 Bound
10%	2.45	3.52
5%	2.86	4.01
2.5%	3.25	4.49
1%	3.74	5.06

Group Co-Integration Test for Ghana and Nigeria

The co-integration test result shows that long run relationship exists between the dependent variable and the explanatory variables. This is indicated by the computed F-statistic of 4.07, 4.32 and 5.70 which is greater than the upper bounds critical values at the conventional (5%) level of statistical significance for Nigeria and Ghana respectively. According to the Granger Representation Theorem, existence of long run relationship between variables imply that the short run (dynamic) relationship between them can be represented with an error correction model. In view of the observation that the variables are integrated of different order (0, 1), the appropriate method to test for long run relationship (or cointegration) between the variables is the ARDL approach to cointegration, also referred to as the bounds testing approach.

Table 6 (a) Estimation Results Nigeria

ARDL Cointegrating And Long Run Form
Dependent Variable: RGDP
Selected Model: ARDL(1, 2, 2, 1, 2)
Date: 10/20/23 Time: 12:55
Sample: 1989 2023
Included observations: 35

Cointegrating Form

Variable	Coefficient	Std. Error	t-Statistic	Prob.
D(MCAP)	5.392865	1.219679	4.421545	0.0006
D(MCAP(-1))	1.594884	1.095233	1.456205	0.1674
D(TVT)	-14.24141	4.186413	-3.401817	0.0043
D(TVT(-1))	-5.847947	3.490521	-1.675379	0.1160
D(ASI)	-0.005684	0.002233	-2.545706	0.0233
D(TND)	-2.822106	1.202217	-2.347417	0.0341
D(TND(-1))	-3.061227	1.676361	-1.826114	0.0892
CointEq(-1)	-0.661061	0.199736	-3.309672	0.0052

Cointeq = RGDP - (5.4295*MCAP -18.2313*TVT + 0.0048*ASI -1.3323 *TND+ 332.6498)

Long Run Coefficients

Variable	Coefficient	Std. Error	t-Statistic	Prob.

		1.5	3.6	
	5.42	072	022	0.002
MCAP	9454	39	51	9
	-		-	
	18.2	6.8	2.6	
	3131	249	712	0.018
TVT	3	92	58	3
ASI	0.004752	0.001755	2.707627	0.0170
TND	-1.332310	0.998353	-1.334508	0.2033
	332.64979	184.9200		
C	7	04	1.798885	0.0936

Source: Regression Results from E-Views version 9.0 (2024)

For Nigeria, the co-integrating form (that is the error correction model) shows that the contemporaneous effect of market capitalization (MCAP), total value of transactions (TVT), all share index (ASI) and total number of deals (TND) on real gross domestic product is statistically significant in the short run. However, TVT ASI and TND adversely affect economic growth. The short run effect of market capitalization on real gross domestic product is positive and significant at the 1% level. This is consonance with Adjasi and Biekpe (2016). They established that market capitalization has positive influence on Capital market development and economic growth. A unit rise in market capitalization is associated with a 5.39-unit increase in economic growth in the short run. The error correction coefficient is negatively signed as expected and significant at the 1% level. The absolute value of the coefficient indicates that about 66.1% of the short run deviation from equilibrium is adjusted annually to restore equilibrium in Nigeria.

Just like in the short run, the long run effects of market capitalization, total value of transactions and all share index on economic growth are also statistically significant at the conventional levels. Contrary to the observed negative short run effect of all share index on real gross domestic product, the long run effect is positive and significant at the 1% level. Specifically, a unit rise in the all share index will lead to 0.0047-unit increase in real gross domestic product. This is in sync with the findings from the studies by Maku and Atanda (2019).

Table 6 (b) Estimation Results Ghana

ARDL Cointegrating And Long Run Form
Dependent Variable: RGDP
Selected Model: ARDL(1, 0, 2, 0, 2)
Date: 10/20/24 Time: 15:04
Sample: 1989 2023
Included observations: 35

Cointegrating Form

Variable	Coefficient	Std. Error	t-Statistic	Prob.
D(MCAP)	2.932692	1.133814	2.586573	0.0186
D(TVT)	11.037626	10.868938	1.015520	0.3233
D(TVT(-1))	-67.189960	13.309029	-5.048449	0.0001
D(ASI)	0.000025	0.000446	0.056046	0.9559
D(TND)	-0.064229	0.573591	-0.111977	0.9121
D(TND(-1))	-1.631424	0.563538	-2.894965	0.0096
CointEq(-1)	-0.392454	0.103540	-3.790356	0.0013

Cointeq = RGDP - (7.4727*MCAP + 87.1792*TVT + 0.0001*ASI + 1.6689 *TND -31.3370)

Long Run Coefficients

Variable	Coefficient	Std. Error	t-Statistic	Prob.

MCAP	7.472697	2.040216	3.662699	0.0018
TVT	87.179205	50.006547	1.743356	0.0983
ASI	0.000064	0.001143	0.055694	0.9562
TND	1.668853	0.631285	2.643580	0.0165
C	-31.336991	11.448412	-2.737235	0.0135

Source: Regression Results from E-Views version 9.0 (2024)

For the model explaining the relationship between the Capital market and economic growth in Ghana, market capitalization is positive and contemporaneously affect real gross domestic product in the short run and statistically significant at the 1% level. The short run effect of total value of transactions (TVT), all share index (ASI) and total number of deals (TND) is not statistically significant. However, total value of transactions (TVT) and total number of deals (TND) adversely affect economic growth only after a period of time has elapsed. A unit rise in TVT(-1) and TND(-1) implies that economic growth decreases by 67.19 units and 1.63 units respectively. The error correction term (ECT) meets the apriori expectation as expected and significant at the 1% level. The absolute value of the coefficient indicates that 39.2% of the short run deviation from equilibrium is adjusted annually to restore the equilibrium in Ghana.

The estimated long run coefficients for the Ghana equation reveal that real gross domestic product is affected by same variables affecting it in the short run, namely, market capitalization, total value of transactions and total number of deals. Market capitalization and total number of deals positively affect real gross domestic product in the long run and the effect is significant at the 1% level while total value of transactions is statistically significant at the 10 % level. Thus market capitalization and the total number of deals are key determinants of economic growth in the long run. This observed positive effect of the total number of deals on economic growth corroborates evidence from Kenneth (2019) while the observed positive effect of market capitalization is in sync with Ewah et al. (2009). A unit rise in market capitalization and total number of deals is associated with 7.47 units and 1.67 units rise in real gross domestic product respectively in the long run. This again underscores the relevance of the Capital market as a key determinant of economic growth. Just like in the short run, all share index is not a significant factor in explaining the Capital market.

Model Diagnostics Tests

Residual Normality Test

One of the assumptions of the least squares estimator is the residuals are normally distributed. To test the validity of this assumption in the estimated model for the various countries, the histogram approach was adopted. The result of the test for residual normality is presented in Figure 1 (a) and 1 (b) below, where a limited number of observations from a smaller range were used

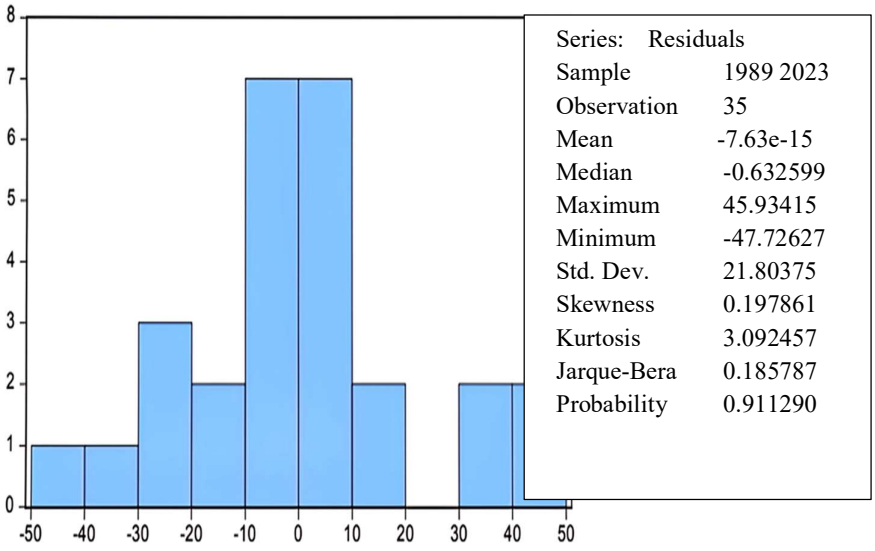

Figure 1 (a). Histogram Residual Normality Test for Nigeria
Source: Regression Results from E-Views version 9.0 (2024)

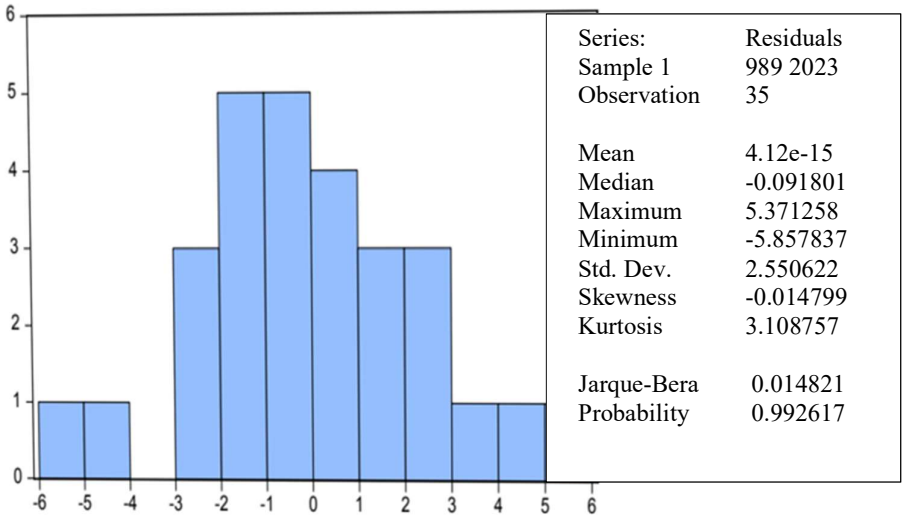

Figure 1 (b). Histogram Residual Normality Test for Ghana
Source: Regression Results from E-Views version 9.0 (2024)

A look at the summary of the descriptive statistic at the right panel of Figure 4.1 (a) and 4.1 (b) reveal that the coefficients of skewness is approximately zero, their Kurtosis is approximately 3 and the p-value of the Jarque-Bera statistic is greater than 0.05. Thus the null hypothesis of normality of the residuals is not rejected. These imply that the residuals of the model are normally distributed in the case of Nigeria and Ghana.

Serial Correlation Test

This test was conducted to ascertain whether the residuals of the underlying ARDL model are correlated or not. The problem of autocorrelation introduces some bias into the coefficients of the estimated parameters, thus rendering them unreliable. The result of the test is presented in Table 7.

Table 7 Breusch-Godfrey Serial Correlation LM Test:

Table 7(a) Breusch-Godfrey Serial Correlation LM Test: Nigeria

F-statistic	1.722758	Prob. F(2,12)	0.2199
Obs*R-squared	6.023037	Prob. Chi-Square(2)	0.0492

Table 7(b) Breusch-Godfrey Serial Correlation LM Test: Ghana

F-statistic	0.061253	Prob. F(2,16)	0.9408
Obs*R-squared	0.212758	Prob. Chi-Square(2)	0.8991

Source: Regression Results from E-Views version 9.0 (2024)

The p-value of the F-statistic of the B-G-serial correlation tests fails to reject the null hypothesis of "no serial correlation" at the 5% level for the various models. On the basis of this test result it can be inferred that there is no problem of serial correlation in the models.

Heteroskedasticity Test

This was conducted to test the constancy of the variances of the regression residuals. The Breusch-Godfrey-Pagan (B-G-P) test was adopted for this. The result of the test is presented inTable 4.7.

Table 8 (a) Heteroskedasticity Test: Breusch-Pagan-Godfrey for Nigeria

F-statistic	2.923320	Prob. F(12,14)	0.0295
Obs*R-squared	19.29826	Prob. Chi-Square(12)	0.0816
Scaled explained SS	5.428419	Prob. Chi-Square(12)	0.9421

Table 8 (b) Heteroskedasticity Test: Breusch-Pagan-Godfrey: Ghana

F-statistic	1.933255	Prob. F(9,18)	0.1118
Obs*R-squared	13.76243	Prob. Chi-Square(9)	0.1310
Scaled explained SS	5.996814	Prob. Chi-Square(9)	0.7402

Source: Regression Results from E-Views version 9.0 (2024)

The null hypothesis of no heteroskedasticity is accepted at the 5% level, as the p-value of the F-statistic is greater than 0.05 for the various models. Thus the model is not plagued by problem of heteroskedasticity.

Discussion of Findings

Impact of Market Capitalization on Economic Growth

The empirical evidence obtained for the study shows that economic growth is positively affected by market capitalization in Nigeria and Ghana. The long run coefficient of market capitalization on economic growth in Nigeria is positive. With a value of 5.429454 and a probability value of 0.0029, the variable passes the significance test at the 1% level while the magnitude of the long run coefficient of market capitalization in Ghana is positive and 7.472697 with a probability value of 0.0018 and also passes the significance test at the 1% level. We therefore reject the null hypothesis. This finding is in line with the study conducted by Quaidoo (2020) who carried out a study on capital market capitalization and economic growth in Ghanausing quarterly data from 1991-2006. He concluded that a long-run relationship was found between market capitalization and economic growth and that economic growth is unidirectionally caused by market capitalization.

Impact of Total Value of Transactions on Economic Growth

Total value of transactions has no significant effect on economic growth in Ghana, but significantly impacts growth in Nigeria. The long run coefficient of total value of transactions is negative with a magnitude of –18.231313 and the probability value is 0.0183. With a t-statistic of -2.671258 the variable passes the significance test at the 1% level while the magnitude of the long run coefficient for the same variable in Ghana is positive and estimated to be 87.179205 with a probability-value of 0.0983. With a t-test value of 1.743356, it fails the significance test at the 1% and 5% level but passes the significance test at the 10% level which is outside the significance test level for this study. This is in line with the work of Okpara (2020), who carried out a study titled an analysis of capital market performance and the growth of the Nigerian economy, a cointegration approach, and concluded that significant changes in the market value of shares traded were expected to have a positive impact on the GDP.

Impact of All Share Index on Economic Growth

Another Capital market indicator affecting economic growth tested in this study is the all share index. The findings indicate that all share index affect economic growth in the long run in Nigeria. The reverse is the case for Ghana. This indicates that the higher the index, the stronger the strength and direction of the capital market and its ability to impact economic growth. The long run coefficient of all share index on economic growth in Nigeria is also positive and has a value of 0.004752 and a probability value of 0.0170. With a t-value of 2.707627, there is enough evidence to reject the null hypothesis and affirm that the variable is relevant in explaining Capital market activities in Nigeria at the 1% level. The size of the long run coefficient of all share index in Ghana is positive and estimated to be 0.000064 with a p-value of 0.9562. The t-statistic is from the result is 0.055694 and as such there is no sufficient evidence to justify the claim that the variable is statistically different from zero even at the 10% level. This result is in line with the research conducted by Obubu, et al, (2018) on the empirical assessment of the Impact of Nigerian All Share Index, Market Capitalization, and Number of Equities on Gross Domestic Product in which they concluded that All Share Index, Market Capitalization and Total Number of listed Equities have a joint and individual significant effect on Economic Growth.

Impact of total number of deals on Economic Growth

The study showed that the total number of deals has a strong correlation with economic growth in Ghana, but not in Nigeria. Thus, the higher the number of deals, the more the capital market impacts on economic growth in Ghana. The impact of the total number of deals in the long run in Nigeria is negative. With a value of -1.332310 and a probability value of 0.2033, the variable fails the significance test even at the 1% level while the magnitude of the long run coefficient for the same variable in the model specification for Ghana is positive

and estimated to be 1.668853 with a probability value of 0.0165 and also passes the significance test at the 1% level. However, we fail to reject the null hypothesis that the variable is statistically different from zero since it does not pass the significance test at the required significance level. The results above are supported by the following studies. In a study on the effect of capital market indices on economic growth in Nigeria, Abdulqudus Opeloyeru (2021), concluded that the result is statistically signed and significant with capital market measures such as market capitalization and total number of deals positively affecting gross domestic product. Ewah, Esang et al. (2019), on the other hand, concluded in their study that total number of deals exerted negative effect on economic growth.

CONCLUSION AND RECOMMENDATIONS

The study examined the empirical relationship between the capital market development and economic growth in Nigeria and Ghana. In doing this, real gross domestic product was regressed on market capitalization, total value of transactions, all share index and total number of deals, by employing the ARDL bounds test approach to cointegration and error correction for analysis of annual time series data spanning the period from 1989 to 2023. The study found that the capital market contributes significantly to economic growth in Nigeria and Ghana. This is not unexpected considering that they are both developing country which relies on the stock market for raising of capital for investments. Policymakers should consider reducing barriers to liquidity in the capital market, enhancing awareness to potential investors and stimulating their confidence in the market, encouraging saving among low-income households and stimulating small and medium companies to participate in the Capital market.

These result shows that it is theoretically as well as empirically possible that capital market development increases economic growth. In addition to this, financial policy is seen as an important tool not only for the more efficient transfer of funds but also for growing economies, as such the capital market performance in relation to the economy has become a central instrument of financial policies in emerging countries.

In light of the empirical evidence of the study, the following recommendations are made:

i. As market capitalization has been shown to positively affect economic growth, every effort should be made by policy makers in Nigeria and Ghana to encourage the growth of the capital market and enhancing market capitalization of companies in the process.
ii. All share index being a very important index of the capital market, government and policy makers are advised to put policies in place that will encourage companies to enlist in the capital market and enhance the index.
iii. The total value of transactions reflects how active the market is and as such all efforts should be put in place to ensure that all obstacles are remove to pave way for the smooth running of the market. This will enhance the value of transactions in the market.
iv. Total number of deals is another index that speaks to the virility of the market. The more the deals consummated in the market on a regular bases, the better for the market. The regulators should therefore encourage make transacting very easy in the market through the automation of their processes.

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