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IMPACT OF THE NIGERIA STOCK MARKET ON ECONOMIC GROWTH; THE SECURITIES AND EXCHANGE COMMISSION (SEC) IN FOCUS

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Abstract
This paper examines the impact of capital market via the operations of securities and exchange commission (SEC) on the growth of the Nigerian economy. Using the augmented dickey-fuller (ADF) unit root was adopted to test the level of integration of the variables which showed stationary. Finding shows that total market capitalization, all share index and total value of transaction are all joint predictor of economic growth and the paper recommended that Government should restore confidence in the capital market by showing true commitment and sincerity of purpose in the capital market probe. The findings recommendation of the investigation panel should fully implement to restore sanity and confidence in the market.

Keywords; Nigerian Economy, Capital Market, Securities and exchange commission and share Index

INTRODUCTION

The capital market is a network of financial institutions that interact to mobilize and allocate long-term funds in the economy. The capital market has been broadly defined as an institution where medium and long-term finance can be raised. (Akingbohugbe, 1996). It can also be viewed as a network of specialized financial institutions, series of mechanism, process and infrastructure that facilitates the contact between suppliers and users of medium to long-term capital for investment in the economy. The market affords business firms and governments the opportunity to sell stocks and bonds to raise long-term funds from the savings of other economic agents. The capital market is a highly specialized and organized financial market and indeed an essential agent of economic growth because of its ability to facilitate and mobilize saving and investment.

The sourcing of long-term finance through the capital market is essential for self-sustained economic growth, which is consistent with external adjustment and rapid economic growth (lyola, 2004)

The capital market effectively started operations in Nigeria on 5lh June, 1961 under the provision of the Lagos stock exchange Act. 1961,which transformed into the Nigerian financial system [CBN. 2007]. The Securities and Exchange Commission (SEC) was established in 1979 through the SEC. Act 1979, to regulate the capital market, but it commenced it actual operations in 1980, it took over regulatory functions from Capital Issues Commission, which was established in 1973. Since then, various forms of financial instruments have been issued in the capital market by new and existing business to finance product development, new projects or general business expansion. The capital market no doubt, is pivotal to the development and level of growth in the economy.

In essence, the Securities and Exchange Commission (SEC) stands as an overseer of the Nigerian capital market. SEC watches over the operations of the NSE by ensuring that the rules and regulations set to guide the commission are strictly adhered to. Thus, the commission keeps an eye on the proper functioning of all markets for securities, the brokers, other institutions and individuals operating in the market for assurance of high integrity in the securities business. The capital market is quite expanding with such rapidity, though, it may look assiduous with the capital market upon its stride to expansibility, development and economic growth in Nigeria.

STATEMENT OF THE PROBLEM

The growth of capital market in Nigeria is still very small in relation to the size of the economy. [CBN, 2007] has it that a comparative analysis of the equity market capitalization of the Nigerian capital market with some countries in North and South America, Asia, Europe and Africa shows that the Nigerian capital market is relatively small. Worse still is the attendant ugly consequences of the capital market melt down, characterized by the crash of the market capitalization from a high record of N13.5 trillion in early 2008 to less than N4.5 trillion in the corresponding period of 2009. In essence, Nigerian's capital market has enjoyed a decade of unprecedented growth. Between 2003 and 2008, the total market capitalization increased by over 90.0%. However, from a peak in March 2008, capitalization went into a spiraling decline, dropping 45,8% by the end of the year. This development necessitated an investigation by the House of Representatives, through its t committee on Nigerian capital market.

However, given these scenario, one begins to wonder if the Nigerian capital market via the operations of the SEC, has really fared well in terms of its impact on the growth of the Nigerian economy. In addition to the above, on 15th September, 2008, the Securities and Exchange Commission [SEC] board, under the chairmanship of senator Udo Udoma, established a 15-man committee to review the Nigerian capital market with an aim to assess the markets current state and make recommendations for its direction in the course of three to five year.

EMPIRICAL LITERATURE

The First comprehensive study on the relationship between capital market development and economic growth, according to Levine (1997), was undertaken by the World Bank Research Group. They investigated the compatibility of stock market development with financial intermediaries and economic growth and concluded that stock market development is positively correlated with the development of financial intermediaries and long-term economic growth. Levine (1997) confirms that capital market can boost economic activity through the creation of liquidity.

Adamu and Sanni [2005], examine the role of the stock market on Nigeria's economic growth, using Granger causality test and regression analysis. They discovered a one-way causality between GDP growth and market turnover. They also observed a positive and significant relationship between GDP growth and market turnover ratios. The authors advised that government should encourage the development of Capital market since it has a positive effect on economic growth. Chinwuba and Amos [2011], examine the impact of the Nigerian capital market performance on the economic development of Nigeria by using the ordinary least square regression model. The result indicates that the performance of the capital market impact positively on the economic growth of Nigeria.

Osinubi and Amaghionyeodwe (2003) examine the relationship between Nigeria stock market and economic growth during the period 1980 - 2000, using ordinary least square regression.

The results show that there is a positive relationship between the stock market development and economic growth. They therefore suggested that government should pursue policies that are geared towards rapid development of the market. Abu (2009) examines whether stock market development raises economic growth in Nigeria, by employing the error correction approach. The economic results indicate that stock market development raises economic growth of the market, restore the confidence of stock market participants and safeguard the interest of shareholders by checking sharp practices of market operators. Ewah et al (2009), appraise the impact of the capital market efficiency on economic growth of Nigeria using time series data from 1963 to 2004. They found that the capital market in Nigeria has potential of growth inducing, but it has not contributed meaningfully because of low market capitalization, illiquidity, misappropriation of funds among others.

Obamiro [2005], investigates the role of the Nigeria stock market in the light of economic growth. The reported a significant positive effect of stock market on economic growth. Moreover, Agarwal [2011] argues that financial sector development, and in turn raises real growth of the economy. Similarly, Kolapo and (2012), found that Nigerian capital market development has significant relationship with economic growth, just as Abdullahi [2005] agrees that capital market development in Nigeria is an engine to her economic growth.

SUMMARY OF FINDINGS

Finding shows that total market capitalization, all share index and total value of transaction are all joint predictor of economic growth i.e. GDP. Though insignificantly. The total market capitalization and all share index exert insignificant positive influence on GDP growth rate while total value of transaction has insignificant negative affection economic growth.

The implication of the result is that an increase in market capitalization and all share index will insignificantly increase GDP, and this is supported by Osinubi and Amaghionyeodiwe (2003), Abu (2009), Agarwal (2001), Chinwuba and Aina (2011), and Ewah et al (2009), who in their different studies, found

that capital market has positive impact on economic growth in Nigeria. Ewah et al (2009), made it abundantly clear that although capital market exerts positive influence on economic growth, it has not contributed meaningfully, (significantly) to the growth of the Nigerian economy.
The augmented dickey-fuller (ADF) unit root was adopted to test the level of integration of the variables attained stationarity. The method of multiple regression analysis was employed in the analysis, and the result showed the following; Total market capitalization and all share index have positive effect on GOP; ad total value of transactions has negative effective on the GOP, but none is significant.

RECOMMENDATIONS

(i) Government should restore confidence in the capital market by showing true commitment and sincerity of purpose in the capital market probe. The findings recommendation of the investigation panel should fully implement to restore sanity and confidence in the market.
(ii) There is need for a diversified investment in instruments in the capital market whereby debt and derivative instruments will assume as much prominence as ownership instrument.
(iii) Government should do everything possible to provide a safe and conducive investment climate by nipping the bud, prevalent activities of terrorist and kidnapers. This will not only encourage the Nigerian investors, but also attract foreign investors into the Nigerian capital market.
(iv) Government should improve dealing in the market capitalization by encouraging more foreign investor to participate in the market.
Government should also discourage Nigerian investors attitude of buying and holding securities instead of trading in the capital market.

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