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CAPITAL MARKET DEVELOPMENT AND GROWTH IN NIGERIA: AN EMPIRICAL ANALYSIS

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Ab**stract**
This study was prompted to investigate empirically the relationship between capital market development and industrial growth in Nigeria utilizing annual time series data covering the period of 1985-2017. The study adopted both descriptive and analytical tools. The descriptive and analytical tools. The descriptive methods were used to analyze trend performance of the variable captured in the study. The analytical tools employed modern econometric techniques such as the unit root test, co integration test granger causality test, the result showed that there is a bi-directional relationship between industrial output and market capitalization and between industrial output and number of deals, but a unidirectional relationship running from industrial sector development to value of transaction. The result of the short run dynamics revealed that capital market has positive and significant impact on industrial output in Nigeria via market capitalization and number of deals. Output in Nigeria during the evaluation period. The result all showed that capital market has a positive and significant impact on industrial output in Nigeria. The study therefore recommended that the government should implement appropriate reform policies aimed at ensuring efficiency In the workings of the stock market in Nigeria. Also there is need to reduce the cost of rising capital by firms on the stock market as high cost and other bureaucratic delays could limit the use of capital market as veritable source of raising funds for investment.

Keywords: Capital Market, Industrial Development

Introduction

Industrialization can be seen as the backbone for economic advancement in any nation be it capitalist, socialist or a mixed economy. The possession of industrial capabilities by an economy is considered an important potential for improved economic growth and development. It can be viewed as a veritable channel of attaining the lofty and desirable conception and goals of improved quality of life for the populace. This is because industrial development involves extensive technology-based development of the productive (manufacturing) system of the economy. In other words it could be seen as a deliberate and sustained application and combination of suitable technology, management techniques and other resources to move the economy from the traditional low level of production to a more automated and efficient system of mass production of goods and services (Ayodele and Falokun, 2003).

According to kayoed (2015), while Nigeria and the most other developing countries are still struggling to catch up with the developed countries, in terms of industrialization, the world has since moved from the age of industrial revolution to globalization. Nigeria has performed poorly and far below expectation. In the area of industrialization when compared to some regional and global counterparts. For instance in the United States, Brazil, China, India, and south African, the manufacturing sector contributes 13 percent, 15 percent 30 percent, 14 percent and 15 percent to their gross domestic product, while employing 13 million 15 million, 100 million, 30 million and 1.5 million people respectively. In Nigeria, the manufacturing sector contributes a meager four percent to their GDP while employing only two million people.

Many experts share the view that industrialization is a perequesite for the economic take off or economic development of any country (Okoye Nwisienyi & Eze, 2013). Industrialization is undoubtedly capital intensive. Therefore finance is an essential ingredient in stimulating sustainable industrial growth the development. Levine (1998). Opines that the desired industrial growth and development of any economy is a function of the availability of long-term development funds. The capital market forms the major source of capital for industries in developing economies. It is pertinent to note that substantial capital is required to acquire the machines and other modern equipments which are prerequisite for industrial development. In Nigeria, the role of the capital market in industrial development cum economic growth of the country has continued to generate a lot of arguments amongst economists and policy makers. According to Okaro (2002), the overriding need for a vibrant capital market as a source of the long-term financing of Nigeria's economic growth is accentuate by the need for alternative sources of long-term finance given the country's foreign dept burden, which has hampered further international borrowing. In spite of the importance of the capital market, some scholars have maintained that Nigerian Capital Market had performed below expectation as a purveyor of cheap and stable funds for Nigeria's industrial sector. For instance, Ariyo & Adelegan (2005), argued that the liberalization of capital market led to the growth of the Nigerian capital market yet its impact at the macro economy level was negligible. Osai-Brown (2009), pointed out that the Nigerian capital market earning the unenviable accolade as one of the world's worst performing stock market in 2008 after losing N5.2 trillion in market capitalization and 54 percent in the All-share Index, just a year after it had emerged as the world's best performing stock market in 2007 with return of 47 percent. The Nigeria capital market as represented by the stock exchange has experienced growth as indicated by growth of its performance indicators namely market capitalization which was about N3 trillion in 2007 but declined to N9.91 trillion in 2010 while all share-index that was 57,990.22 points fell to about 24,770.52 points in the same period. In fact, the near collapse of capital market impacted negatively on the industrial sector to be as an avenue for securing long-term funds to finance long term projects is not as developed as her foreign counterpart. Al-Faki (2006), noted that despite the fact that Nigeria's capital market had experienced growth as indicated by growth of it's performance indicators, the industrial sector (especially the manufacturing sector) growth has been impressive. The industrial sector output has been low and has witnessed continuous decline in capacity utilization in spite of successive government's efforts to promote industrial development in Nigeria. Thus the overriding consideration in this study is to investigate empirically capital market, development and industrial growth in Nigeria.

Statement of the Problem

There was a lot of mixed findings and inclusive results on capital market development and industrial growth in Nigeria. Authors like Joshua (2005) noted the result of the OLS techniques indicates that capital market has positive and significant impact on industrial growth in Nigeria. Dr. Okey Grey (2016) in his study found that industrial growth and development of Nigeria are largely dependent on the Nigerian capital market while the following authors like Egbunike, Gedeon (2013) showed that the total value of stock has a negative effect on the GDP growth rate and none is significant

Abdul (2012), the study conceded there is a negative relationship between Industrial Growth and stock market indices in Nigeria. To the best of my knowledge, this study is the first to use an expanded period of time and modern econometric to empirically examine the impact of capital market on industrial growth in Nigeria.

Research Questions

The following questions are raised in the course of this study

i. To what extent does market capitalization affect industrial growth in Nigeria?
ii. What is the extent of relationship between number of deals and industrial growth in Nigeria?
iii. What is the extent of relationship between value of transaction and industrial growth in Nigeria?

Research Hypotheses

The following null hypotheses are raised in the course of this study:

Ho_1. Market capitalization has no significant effect on industrial growth in Nigeria

Ho2. Number of deals has no significant effect on industrial growth in Nigeria.

HO_3. Value of transaction has no significant impact on industrial growth in Nigeria.

Capital Market Development and Industrial Growth

In principle**,** the capital market is expected to accelerate industrial growth by providing a boost to domestic savings and increasing the quantity of investment. The market is expected to encourage savings by providing individuals with an additional financial instrument that may better meet their risk preference and liquidity needs. Better savings mobilization may increase the saving rate. The capital market also provide avenue for growing companies to raise capital at lower cost. In addition, companies in countries with developed stock market are less dependent on bank financing, which can reduce the risk of credit crunch. The capital market therefore is able to positively influence industrial growth through encouraging savings among individuals and providing avenues for firm financing (Tokunbo 2009).

Ewah, etall (2009) asserted that capital market provide the opportunities for the purchase and sale of existing securities among investors thereby encouraging the populace to invest in securities fostering industrial growth.

Market Capitalization

Market Capitalization and its growth rates are indicators of market size and performance. Market size is also measured by the Market Capitalization ratio, which is defines as the value of shares listed divided by GDP. The essence of market Capitalization ratio is that the size of the market should be positively correlated with the ability to mobilize capital capital and diversify risk in an economy (Demigue-Kunt and Levine, 1995).

Number Of Deals

The number of deals of a stock market relates to the ease with which shares are traded in the market. It is measured by the ratio of the securities traded to the total national output, which is computed as total value traded divided by GDP. The number of deals as argued by Osinubi (2002), facilitates profitable interactions between the equity and the money market.

Theoretical Framework

Theories linking capital market development and industrial growth are scare, however. This study cautiously selected the Mckinnon-Shaw (1973) hypothesis which states that financial liberalization and stock market development would promote industrial growth. We explored this hypothesis to apprehend its mechanism and implication on industrial growth by way of saving mobilization, efficient allocation of resources and investment patterns of individuals.

Empirical Literature

Abdul (2012) examined global financial crises, the capital market and industrial growth in Nigeria during the period 2007- 2009. He employed ordinary least square regression. The result revealed that there is a negative relationship between gross domestic product and industrial growth in Nigeria during this crises period.

Marco pagan (1993) examined financial market and industrial growth in UK covering the period 1993- 2000. The result revealed financial intermediation can affect industrial growth by acting on the saving rate, on the fraction of saving channelled to investment.

Greenwood smith (1997) investigated financial markets in development and the development of financial market in U.S.A between 1997- 2005. The result revealed a positive relationship between capital market development and industrial growth in U.S.A.

Idowu, Abiola and babatunde (2013) investigated the effect of financial reforms on capital market development in Nigeria between 1986- 2010.

The findings revealed a positive relationship between capital market and industrial growth in Nigeria.

Olounwa and sadibo (2016) analysed capital market development and industrial growth in Nigeria between 2009- 2014. He employed structural dynamic model. The variables used were market capitalization and value of transaction. It was found that capital market ratio are both significant and positive drivers of industrial growth in Nigeria. Owolabi and Ajaji (2013) explored econometrics analysis of impact of capital market on industrial growth in Nigeria. They employed ordinary least square regression. The result indicated that there is a positive relationship between industrial growth and all the stock market development variables.

Webometric Analysis on Capital Market and Industrial Growth.

Author/name	Country/ scope	Topic	Variables	Methodology	Results/findings
Abdul 2012	Nigeria 2007-2009	Global financial crisis, the capital market and industrial growth in Nigeria	1. GDP 2. ALL SHARE INDEX	Ordinary least square regression	The result revealed that there is negative relationship between gross domestic product and stock market indices in Nigeria during this crisis period
Marco 1993	London UK 1993-2000	Financial markets and industrial growth an overview	1. mcap 2. exch 3. value of transaction	Ordinary least square regression	The result revealed financial intermediation can affect industrial growth by acting on the saving rate, on the fraction of saving channeled to investment.
Green (1997)	USA 199-2005	Financial market in development, and the development of financial markets	1. gdp 2. gcf 3. fdi 4. cmi	OLS regression	The result revealed a positive relationship between capital market and industrial growth
Idowu, Abiola and babatunde 2013	Nigeria 1986-2010	Effects of financial reforms on capital market development in Nigeria	1. market capitalization 2. no of listed coys 3. local/foreigncurrency	1. GDP per capital 2. savings rate 3. foreign private investment 4. credit to private sector	A positive relationship between capital market and industrial growth
Ologunwa, and Sadibo 2016	Nigeria 2009-2014	Capital market development and industrial growth in Nigeria: an empirical analysis	1. market capitalization 2. value of transaction	Structural dynamic model	It was found that capital market ratio and turnover ratio are both significant and positive drivers of industrial growth in Nigeria stock market after industrial savings through savings mobilization
Owolabi and ajaji 2013	Nigeria 1971-2010	Econometrics analysis of impact of capital market on industrial growth in Nigeria	1. gdp 2. gcf 3. fdi 4. cmi	OLS regression	The result indicate there is a positive relationship between industrial growth and all the stock market development variables
Sunday Ewah, Esang and jude 2009	Nigeria	Appraisal of capital market efficiency on industrial growth in Nigeria	1. gdp 2. mc 3. mr 4. ttr	Multiple regression and ordinary least square estimation techniques	The result of the study showed that the capital market in Nigeria has potentials of growth inducing, but it has not contributed meaning fully to the industrial growth of Nigeria
Taiwo, Alaka and Afieroho 2012	Nigeria 1981-2014	Capital market and industrial growth in Nigeria	1. mca 2. sav 3. gfcf 4. labf	1. Vector Error correction techniques 2. phihp perron unit root test	The results revealed a positive relationship between capital market and industrial growth in Nigeria
Edame, Greg Ekpung and Okoro 2013	Nigeria 1980-2014	The impact of capital market on industrial growth in Nigeria	1. gdp 2. mkp 3. tvs 4. vtran	OLS regression	The result showed that capital market has positive and significant impact on industrial growth in Nigeria

Echekoba and Egbunike 2013	Nigeria	The impact of capital market on the industrial growth of the Nigerian economy under democratic rule	1. tmc 2. asi 3. tvs 4. vtran	Multivariate Regression method	The result showed that while total market capitalization and all shared indexes exert positive influence on the GDP growth rate, the total value of stock has a negative effect on the GDP growth rate and non is significant
Oke, and Adeusi 2012	Nigeria 1981-2010	Impact of capital market reforms on industrial growth, in the Nigeria economy	1. gdp 2. mcap 3. asi 4. vts 5. nd 6.inf	1. ordinary lest square 2. Johansen co-integration	The result showed that capital market reforms impact positively on the industrial growth
Okoye 2016	Nigeria 2008-2015	The evaluative of the role of capital market in the financing of business enterprises in Nigeria	1. mcap 2. asi 3. vst 4. nd	Observations interviews questionnaire	The findings revealed that industrial growth and development of Nigeria are largely dependent on the Nigerian capital market.
Mbah 2011	Nigeria 2001-2011	Impact of capital mkt on Nigerian Economy	1. tmc 2. asi 3. tvs	OLS regression	In his findings, the researcher noted that there was underutilization of the stock market due to poor enlightenment campaign and lack of transparency on the part of the operators
Abu 2009	Nigeria 2000-2009	Stock market development and industrial growth evidence from Nigeria	1. cap 2. gdp 3. all share index	1. error correction approach 2. OLS regression	The econometric result indicate that stock market development (market capitalization GDP ratio) increases industrial growth
Abel and Ndi 2012	Nigeria 1970-2006	Stock market development and market investment growth in Nigeria	1. gdp 2. gpci 3. cmi 4. pce 5. sapd	OLS regression	The results indicate that there is a positive relationship between industrial growth and all the stock market development variables used
Ibi,. Joshua and Helen uzezi 2015	Nigeria 1980-2012	Capital market and industrial sector development in Nigeria-an empirical investigation	1. mcap 2. int 3. vtran	1. unit root test, 2. co- integration test 3. granger causality test and the error correction mechanizing	The results of the short run dynamic Revealed that the capital market has positive and significant impact on output in Nigeria via market capitalization and number of deals
Popoola Oladayo 2014	Nigeria 1984-2008	The effect of stock market growth and development of Nigeria	1. gdp 2. gmc 3. tnov 4. asi 5. opn	OLS	The results of the research established positive links between the stock market development and industrial growth
Ogu nleye and Adeyemi 2015	Nigeria 1970-2008	The impact of stock market on industrial growth in Nigeria	1. smc 2. tvt 3. tr 4. gcf 5. ms_2	1. co integration analysis 2. ECM	The results revealed that there is existence of long run relationship between stock market and industrial growth in Nigeria
Osho and Ejede Dawe 2014	Nigeria 1980-2010	The role capital market on Nigeria's industrial development	1. gdp 2. smc 3. vtr	OLS multiple regression	From the study capital market development is positively correlated with the development of financial intermediaries and industrial growth

Ibi, Joshua and Helen (2015) investigated capital market and industrial sector development in Nigeria. The results of the shortrun dynamic revealed that capital market has positive and significant impact an industrial output in Nigeria.

Popoola, Oladayo (2014) examined in the effect of stock market on industrial growth and development of Nigeria between 1984- 2008. He made use of ordinary least square regrersion. The results of the research established positive links between the stock market development and industrial growth.
Ogunleye and Adeyemi (2015) investigated the impact of stock market on industrial growth in Nigeria covering the period 1970-2008. The result revealed that there is existence of long- run relationship between stock market and industrial growth in Nigeria. Osho and Ejededawe (2014) examined the role of capital market on Nigeria's industrial development. He employed ordinary least squared multiple regression. From the study, capital market development is positively correlated with the development of financial intermediaries and industrial growth.

Data Presentation: Descriptive Statistics
Table 1 below presents the descriptive statistics on the selected macroeconomic variables captured in this study. The aim of the analysis is to examine the performance of the variables during the evaluation period.

Table 1: Descriptive Statistics

	INDOUT	MCAP	NDEALS	VTRAN
Mean	115265.4	2401.166	548484.2	211125.1
Median	114992.2	262.6000	49564.00	6979.600
Maximum	162985.3	14800.90	3535631.	1679144.
Minimum	10922.91	5.000000	7138.000	215.0000
Std. Dev.	34002.03	4260.711	861247.8	396985.9
Skewness	0.640078	1.733441	1.905443	2.148578
Kurtosis	3.796829	4.642652	6.192894	7.241125
Jarque-Bera	3.126389	20.23666	33.98646	50.12244
Probability	0.209466	0.000040	0.000000	0.000000
Sum	38033759.9	79238.498	1809997	6967130.
	3.70E+1	5.81E+0	2.37E+1	
SUM Sq. Dev.	0	8	3	5.04E+12
Observations	33	33	33	33

Source: Authors' Computation

Data as presented in table 1 above showed that industrial output, market capitalization, number of deals, value of transaction, N115265.4 million, N2401.17 million, 548,484.2 million deals, and N211125.1 million, respectively during the evaluation period. The minimum values of industrial output, market capitalization, number of deals, value of transaction, were N10922.91 million, N5.0 million, 7138.0 million deals and N215.0 million, respectively, while their respective maximum values were N162985.3 million, N14800.90 million, 3535631.0 million deals and N1679144.0 million, during the same period, The analysis of skewness showed that the market capitalization, number of deals, value of transaction, positively skewed, while the distribution for industrial output were negatively skewed.

Correlation Matrix
Table 2 below presents correlation matrix, which shows correlation relationships among the variables in the model.

Table 2: Correlation Matrix

	INDOUT	MCAP	NDEALS	VTRAN

INDOUT	1.000000	0.663913	0.665385	0.607466
RGDP	0.888001	0.894281	0.805306	0.803277
MCAP	0.663913	1.000000	0.844046	0.895390
NDEALS	0.665385	0.844046	1.000000	0.973382
VTRAN	0.607466	0.895390	0.973382	1.000000

Source: Authors' Computation

The results as presented in table 2 above showed that there is a high positive correlation between industrial output and market capitalization (0.66); between industrial output and number of deals (0.67); between industrial output and value of transaction (0.61). The results of the correlation as presented above suggest that there is- a high relationship between industrial output and its determinants.

Unit Root Tests

The' results of the unit root-tests employing the Augmented Dickey-Fuller test and Phillips-Perron tests are presented in table 3 and table 4 below. The results of the unit root test using both the Augmented Dickey-Fuller (ADF) test and the Phillips-Perron (PP) test as shown in table 3 and table 4 below revealed that no variable was stationary at levels. Hence, the null hypothesis of non-stationarity cannot be rejected at levels. However, at first difference, all variables were stationary. That means at first difference the variables were integrated of order 1(1).

Table 3: Test for Unit Root using Augmented Dickey-Fuller (ADF) Test

Variable	ADF Test Statistic Level -	1st Difference	Order of Integration
INDOUT	-1.065308	-7.046363	1(1)
MCAP	0.499617	-4.388882	1(1) ,
N DEALS	-1.257235	-4.446932	1(1)
VTRAN	-1.457728	-6-208830	1(1)

Test critical Values at Level: 1%= -3.653730, 5%= -2.957110, 10%= -2.617434

Test critical Values at 1st Diff: 1%= -3.661661, 5%= -2.960411, 10%= 2.619160

Source: Researcher's Computation

Table 4: Test for Unit Hoot using Phillips- Perron (PP) Test

Variable	ADF Test Statistic Level	1st Difference	Order of Integration
INDOUT	-0.93701 1	-7.901684	I(I)
MCAP	1.575031 .	-5.590767	I(I)
NDEALS	-1.472099	-5.732617	I(I)
VTRAN	-1.308199	-7.520793	I(I)

Test critical Values at Level: 1%= -3.653730, 5%= -2.957110, 10%= -2.617434

Test critical Values at 1st Diff: = 1%= -3.661661, 5%= -2.960411, 10%= -2.619160

Source: Researcher's Computation

Co-Integration Test

Having established that the variables are integrated of order 1(1), suggests that there is a long run equilibrium relationship among the variables. The existence of this long run relationship was tested using Johansen multivariate co-integration analysis based on trace test and maximum eigenvalue test. The results of the cointegration analysis are presented in table 5 below.

Table 5: Results of the Co-integration Test

	Trace Test	Maximum Eigenvalue Test

Hypothesized No. ofCE(s)	Trace Statistics	0.05 Critical Value	Prob.**	Max-Eigen Statistics	0.05 Critical Value	Prob.**
None *	650.6819	125.6154	0.0001	214.9612	46.23142	0.0000
Atmost 1*	435.7208	95.75366	0.0001	167.9908	40.07757	0.0001
At most 2*	267.7300	69.81889	0.0000	135.7448	33.87687	0.0000
At most 3*	131.9852	47.85613	0.0000	70.73485	27.58434	0.0000
At most 4*	61.25032	29.79707	0.0000	33.74760	21.13162	0.0005
At most 5*	27.50272	15.49471	0.0005	23.09875	14.26460	0.0016
At most 6*	4.403977	3.841466	0.0358	4.403977	3.841466	0.0358

Series: 1NDOUT, MCAP, NDEALS, VTRAN.
Trace test and Maximum Eigenvalue test indicate 7 cointegrating equations at 0.05 level
*Denotes rejection of hypothesis at the 0.05 level.
**Mackinnon-Haug-Michelis (1999) p-values

The results of the cointegration test as presented in table 5 above, using trace test and maximum, eigenvalue test revealed seven cointegrating equations at five per cent level. This is because the trace and maximum Eigenvalue tests values in each of the seven co-integrating equations are all greater than their critical values at 5 per cent level of significance. Thus, we can conclude that the variables are co-integrated and hence the presence of long run relationship among them.

The Granger Causality Test

Since it is established that there is a long run relationship among the variables in the model, we proceed to conduct a causality test aimed at establishing the direction of causality among the variables of interest. The granger causality test is based on Engle and Granger (1987) pair wise granger causality test. The results of the granger causality test are presented in table 6.

Table 6: Granger Causality Test

Null Hypothesis;	Obs	F-Slatistic	Prob.
MCAP does not Granger Cause INDOUT	32	2.91205	0.0986
INDOUT does not Granger Cause MCAP		3.69935	0.0643
VTRAN does not Granger Cause INDOUT	32	2.21200	0.1477
INDOUT does not Granger Cause VTRAN		4.61643	0.0401
NDEALS does not Granger Cause INDOUT	32	3.75328	0.0625
INDOUT does not Granger Cauie NDEALS		3.53267	0.0703

Source: Authors' Computation

The results of the granger causality test as presented in table 6 showed that there is a bidirectional relationship between industrial output and market capitalization' and between industrial output and number of deals. This means that the development in the stock market in terms of market capitalization and number of deals granger cause industrial sector development and a feedback effect from industrial sector development to stock market development in Nigeria. However, the results of the granger causality test showed that there is a unidirectional causality relationship running from industrial sector development to value of transaction.

The Results of the Short Run Dynamics

The results of the error correction model for short run dynamics are presented in table 7 below.

Table7: Short Run Estimates

Dependent Variable: D(INDOUT)

Variable	Coefficient	Std. Error	t-Stalistic	Prob.
c	644.6102	1700.752	0.379015	0.7080
D(MCAP)	1 .398420	0.687976	2.032659	0.0533
D(NDEALS)	0.038825	0.010926	3.553335	0.0016
D(VTRAN)	-0.083413	0.021454	-3.888029	0.0007
ECMC-1)	-1.023919	0.198343	-5.162356	0.0000

R-squared	0.863341	Mean dependent var	4751.948
Adjusted R-squared	0.823482	S.D. dependent var	15510.54
S.E. of regression	6516.599	Akaike info criterion	20.61441
Sum squared resid	1.02E-H)9	Schwarz criterion	20.98084
Log likelihood	-321.8306	Hannan-Quinn criter.	20.73587
F-statistic	21.65998	Durbin-Watson stat	1.846305
Prob (F-statistic)	0.000000		

Source: Authors' Computation

The results of the short run estimates as presented in table 7 above showed that the error correction variable has the correct negative sign and it's statistically significant as theoretically expected. The error correction coefficient of 1.02 showed that about 102 per cent of the deviation from equilibrium is corrected each year. This shows a very rapid speed of adjustment from short run disequilibrium to long run equilibrium. The high values of R-squared of 0.86 and adjusted R-squared of 0.82 showed that the estimated short run model has a good fit and a very high explanatory power. Specifically, the adjusted R-squared of 0.823 showed that about 82 percent of the total variation in the industrial output has been explained by variations in its determinants. In similar manner, the high value of F-statistics of 21.66 showed that the estimated short run model is statistically significant. This means that the independent variables have a joint effect on the dependent variable. The Durbin-Watson statistics value of 1.85 showed that' there is no autocorrelation in the model. This means, that the residuals are not correlated and hence the model is well-behaved.

Analysis of the short run coefficients showed that market capitalization and number of deals have positive and significant impact on industrial output as theoretically expected. From the results, a N1 million increase in real gross domestic product led to an increase in industrial output by NO.32 million in Nigeria, ceteris paribus. Similarly, a N1million increase in market capitalization and a one unit increase in number of deals brought about an increase in industrial output by N1.40 million and NO.04 million' in Nigeria, respectively.

Contrary to expectation, value of transaction has a negative relationship with industrial output in Nigeria. This means that funds mobilized in the stock market has not been efficiently utilized for industrial production in Nigeria. From the result, a N1 million increase in value of transaction led to a decrease in industrial output by NO.08 million. The result also revealed that there is a negative and significant relationship between gross domestic investment and industrial output in Nigeria. This result is not however consistent with theoretical expectation, suggesting that there has not been enough domestic investment arising from low levels of savings. From the result, a N1 million increase in gross domestic investment led to a decrease in industrial output by NO.02 million, during the evaluation period.

Findings

This study was earned out to empirically examine the relationship between capital market and industrial sector development in Nigeria. There is a widely held argument that efficient functioning of capital market is a pre-requisite for industrial development because it helps in mobilizing funds needed for investment in various industries in an economy. "Whether this
assertion holds using Nigerian data was the major objective of this study. From the results obtained,

(1) it was found that capital market has positive and significant impact on industrial output in Nigeria via market capitalization and number of deals.

(2) On the other hand, value of transaction has negative and significant impact on industrial output in Nigeria during the evaluation period

(3) The results also showed that real gross domestic product has a positive and significant impact on industrial output in Nigeria

Recommendation:

The study recommends that the government should implement appropriate reform policies such as financial market reforms, the privatization and commercialization act of 1988 aimed at ensuring efficiency in the workings of the stock market in Nigeria. (2) The government through the Nigerian stock exchange should also reduce the cost of raising capital by firms on the stock market as high cost and other bureaucratic delays could limited the use of capital market as veritable source of raising funds for investment.

3 Encouraging the participation of private limited liability companies and information sector operators to access the market for fresh capital.

4 There is urgent need to restore confidence to the market by regulatory authorities through ensuring transparency, fair trading transaction and dealings in stock exchange.

Finally, foreign investors should be encouraged to participate in the market in order to improve market capitalization.

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