Capital Markets Financing and Economic Growth of Nigeria

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Abstract
This study explored the interplay between value chain, capital markets financing, and sustainable economic growth in Nigeria. Employing a mixed-methods approach, the research investigated the relationships between these variables and revealed a positive correlation between value chain development, capital markets financing, and economic growth. Notably, value chain development emerged as a mediating factor in the relationship between capital markets financing and sustainable economic growth. Additionally, initial public offerings (IPOs), secondary market trading, corporate bonds, venture capital, and private equity were all positively correlated with the gross domestic product (GDP) growth rate. Secondary market trading had the strongest positive relationship with the GDP growth rate. The study offered policy recommendations to enhance value chain development and capital markets financing in Nigeria, including investments in infrastructure, human capital development, and regulatory reforms.

Keywords: Value chain, capital markets financing, sustainable economic growth, economic development, financial markets, Nigeria.

1.0 Background to the Study

1.1 Introduction

Nigeria's economy, rich in natural resources and human capital, has struggled to achieve sustainable economic growth (World Bank, 2020). A major constraint is the underdevelopment of its capital markets, limiting access to financing for businesses and hindering economic growth (Adelegan, 2017).

The role of finance in the capital market in respect of economic growth in a developing country like Nigeria cannot be over-emphasised, given that it is one of the major means of raising long-term capital. For a developing country like Nigeria, inadequate financing of the capital market portends great danger for the economy because economic growth is one of the key sectors of the economy which the country's gross domestic product (GDP) depends on for growth (Bruno & Shin, 2017).

In the case of the Nigerian capital market, it is an important ingredient for economic growth. Investment in the capital market leads to capital accumulation, which is the key to improving economic growth; it also increases the nation's income (Coskun et al., 2017).

A fundamental motive of every country is to ensure a continuous and sustainable economic growth. In order to achieve this, the capital market, through its financing, ensures that, being a vital component of economic growth, it receives adequate attention. This sector is strategic in the acquisition of goods and services that satisfy the needs of citizens, which ultimately accelerates economic growth. The capital market financing is important because it has the potential to meet economic growth parameters, such as increased output, creation of employment, reduction of poverty, increase in standard of living and generation of revenue for the government (Oduyemi, 2013).

The Capital Market is a financial market in which long-term debt (over a year) and equity-backed securities are bought and sold. Capital markets channel the wealth of savers to those who can put it to long-term, productive use, such as companies or governments making long-term investments. The capital market is one of the major institutions that acts in propelling a prostrate economy for growth and development. It is a complex institution imbued with inherent mechanisms through which long-term funds of the surplus sectors of the economy are mobilised, harnessed and made available to deficit sectors of the economy (Okeke et al., 2018).

1.2 Statement of the Problem

The absence of effective capital markets financing mechanisms in Nigeria has resulted in a significant funding gap for businesses, particularly small and medium enterprises (SMEs), resulting in stunted economic growth and development (Central Bank of Nigeria, 2019). This study explored the role of capital markets financing in driving sustainable economic growth in Nigeria, focusing on five key variables: initial public offerings (IPOs), secondary market trading, corporate bonds, venture capital, and private equity.

More significantly, a large proportion of the available savings in Nigeria go into the informal rotating savings and credit associations, which are outside the formal financial system and therefore are not available for injection into the capital market for the growth of the Nigerian manufacturing sector (Donwa & Odia, 2010). In economies that do have many savings institutions, pension funds and insurance companies are typically either owned or controlled by the government. This trend limits the Nigerian manufacturing sector's growth, which means that the major buyers with idle cash to invest are foreigners (Oluwatosin et al., 2013).

The macro-economic indicators of the Nigerian economy like gross domestic product (GDP) clearly explains the unstable nature of the economy and investment, and this has been the reason why capital market financing in Nigeria has remained rather sleepy when compared with other emerging markets of the world and this has made the cost of doing business in Nigeria very high (Oluwatosin et al., 2013). Some challenges like unpredictable economic policies, interest rate policy, inept economic administration like the taxation system and management, inefficiency of the capital market, unstable political tenures, lack of expertise on policy makers and administrators, lack of technological progress, power supply, security challenges, legal and regulatory framework, have made a very few investors willing to save under the present scenario. Even the governments of Nigeria have been unable to save much with their very high domestic and foreign debt burden (Adeusi et al., 2013).

Previous empirical works such as Udegbunam (2002), Ibrahim & Aziz (2003), Al-Tamimi (2005), Elumilade & Asaolu (2006), Ezeoha et al., (2009), Nwakanma & Nnamdi (2012), Udoh & Ogbuagu (2012), Idyu et al., 2013), have examined capital market financing on different measures of which the results were found to be significant but negative in the long-run, but none

of these studies has studied value chain capital market financing and sustainable economic growth in Nigeria, hence the need for this study and the gap which the study intends to fill.

1.3 Objectives of the Study

The general objective is to investigate the association between value chain, capital markets financing options or methods and sustainable economic growth in Nigeria. The specific objectives are to:

i. examine the impact of initial public offerings (IPOs) on business financing and economic growth in Nigeria.
ii. analyze the effect of secondary market trading on liquidity and economic growth in Nigeria.
iii. investigate the role of corporate bonds in financing businesses and promoting economic growth in Nigeria.
iv. assess the impact of venture capital on entrepreneurship and economic growth in Nigeria.
v. evaluate the effect of private equity on business expansion and economic growth in Nigeria, etc.

1.4 Research Questions

The research questions are aligned with the specific objectives:

i. To what extent do initial public offerings (IPOs) impact business financing and economic growth in Nigeria?
ii. To what extent does secondary market trading impact liquidity and economic growth in Nigeria?
iii. To what extent do corporate bonds influence financing businesses and promote economic growth in Nigeria?
iv. To what extent does venture capital affect entrepreneurship and economic growth in Nigeria?
v. To what degree does private equity affect business expansion and economic growth in Nigeria?

1.5 Hypotheses

The hypotheses of the study are stated in Null form:

Ho_1: IPOs have no significant impacts on business financing and economic growth in Nigeria.
Ho_2: Secondary market trading has no significant effects on liquidity and economic growth in Nigeria.
Ho_3: Corporate bonds have no significant influence on financing businesses and promoting economic growth in Nigeria.
Ho_4: Venture capital has no significant impact on entrepreneurship and economic growth in Nigeria.
Ho_5: Private equity has no significant effect on business expansion and economic growth in Nigeria.

2.0 Review of Related Literature

2.1 Conceptual Framework

The development of capital markets could lead to increased access to financing for businesses, promoting entrepreneurship and economic growth (Olokoyo, 2011). However, the funding gap for SMEs remains a significant challenge, highlighting the need for effective capital markets financing mechanisms. Effective capital markets financing mechanisms would help to reduce this funding gap for Small and Medium Enterprises (SMEs), promoting sustainable economic growth (Central Bank of Nigeria, 2019). Capital markets financing has been identified as a key driver of economic growth in developing countries like Nigeria (World Bank, 2020).

Economic growth is the sustained increase in per capita national output or net national product over a long period. Economic growth occurs when a nation's production possibility frontier shifts outward. Economic growth is the increase in a country's productive capacity, as measured by comparing the gross national product in a year with that of the previous year. Increase in the capital stock, advances in technology, and improvement in the quality and level of literacy are considered to be the principal causes of economic growth. Economic growth could be proxied, using different economic indicators, ranging from gross national product (GNP), market capitalisation, gross domestic product (GDP), and per capita income (Okeke et al., 2018).

Capital market financing deals with the purchase and sale of long-term debt securities and equities, and or stocks of shares in companies. In most developing countries, the sale of debt securities has been dominated by the governments, with domestic commercial banks and non-bank financial institutions, such as insurance, trust and investment companies, being the principal purchasers. Until recently, the governments and central banks in developing countries paid very little attention to the potential economic benefits of equities as a source of business finance. With the effective implementation of financial reform policies in some countries, the regime of negative real interest rates, conducive to bank credit as a principal source of business finance, was largely abandoned and the dominant role of private-sector companies in economic activities was emphasised (Okeke et al., 2018).

2.2 Theoretical Framework

The theoretical framework for this study is the Pecking Order Theory of capital structure, which suggests that firms prioritise internal financing over external financing (Myers and Majluf, 1984). This theory suggests that firms tend to prefer internal financing sources, such as retained earnings, over external financing sources, such as debt and equity (Myers, 1984). The pecking order theory also suggests that firms will only resort to external financing when internal financing sources are depleted (Majluf, 1984). Hence, this would form the theoretical underpinning for the present study.

2.3 Empirical Review of Relevant Literature

Udegbunam (2002) examined the effect of openness, stock market development and industrial growth in Nigeria, utilising annual time series data covering the period from 1970 to 1997. The study employed the Granger causality test and ordinary least squares (OLS) regression techniques in testing the causality relationship and in estimating the specified relationship, respectively. The result of the Granger causality test showed that there was no causal relationship between stock market development, openness and economic growth in Nigeria during the evaluation period. The empirical results of the OLS estimate, however, showed that stock market development had a positive and significant relationship with the economic growth of Nigeria.

Ibrahim & Aziz (2003) investigated the relationship between stock prices and industrial production, money supply, consumer price index, and exchange rate in Malaysia. Stock prices

were found to share a positive long-term relationship with industrial production and the consumer price index.

Al-Tamimi (2005) investigated the factors influencing individual investors' behaviour in the United Arab Emirates (UAE) financial markets, using Analysis of Variance (ANOVA). The study found that the six most influential factors in order of importance were expected corporate earnings, get rich quick, debt financing, stock marketability, past performance of the firm's stock, government holdings and the creation of organised financial markets. Other factors identified by the study to be less influential to the investments in the capital market were expected losses in other local investments, minimising risks, expected losses in international financial markets, family member opinions and gut feeling on the economy.

Elumilade & Asaolu (2006) examined the relationships between stock market capitalisation rate and interest rate. Time series data obtained for the period 1981-2000 from the Central Bank of Nigeria (CBN) statistical bulletin and the Nigeria Stock Exchange (NSE) were analysed using multiple regression. The data obtained were fitted to the equation by ordinary least squares (OLS), multiple regression methods. Results showed that the prevailing interest rate exerts a positive influence on the stock market capitalisation rate. Government development stock rate exerted a negative influence on stock market capitalisation rate and prevailing interest rate exerted a negative influence on government development stock rate. The study further revealed information as very important to capital market development.

Ezeoha et al. (2009) investigated the nature of the relationship that existed between stock market development and the level of investment (domestic private investment and foreign private investment) flows in Nigeria. The authors discovered that stock market development promoted domestic private investment flows, thus suggesting the enhancement of the economy's production capacity as well as the promotion of the growth of national output. However, the results showed that stock development had not been able to encourage the flow of foreign private investments in Nigeria.

Nwakanma & Nnamdi (2012) evaluated the extent to which market capitalisation of the Nigerian stock exchange has reflected the net sectoral investments of corporate organisations quoted therein. Covering the period 1984 to 2009, the study population consisted of all thirty (30) classified sectors of the market, while the study sample was made up of the eighteen (18) sectors with operational activities during the study period. Multiple correlation and stepwise regression techniques were utilised. The results established a significant multiple correlation between the Nigerian stock market capitalisation and corporate net sectoral investments, while net corporate investments in four sectors of capital market activity–petroleum marketing, building materials, packaging and banking were found to have significantly contributed to variations in Nigeria's GDP.

Udoh & Ogbuagu (2012) investigated the influence of financial sector development on industrial production in Nigeria, using an autoregressive distributed lag (ARDL) co-integration technique on annual time series data from 1970 to 2009. The scholars found that there was the existence of co-integrating relationship between the predictor and explanatory variables in the study. The result of the analysis likewise revealed that the long-run and short-run dynamic coefficients of financial sector development variables exerted an inverse and significant influence, but a negative influence on the industrial production of Nigeria during the period under study.

Idyu et al. (2013) investigated the impact of the Nigerian capital market on the industrial sector component of the Nigerian gross domestic product. An ex-post facto research design was adopted using secondary data to determine the level of impacts on the growth of the Nigerian industrial

sector for the period 1990 – 2009. The ordinary least squares (OLS) estimation technique was adopted. The results showed (i) a positive significant impact of the market capitalisation on the industrial sector component of the gross domestic product and (ii) a positive significant impact of the market capitalisation on average capacity utilisation rates of the manufacturing sector. The result, however, showed (iii) a positive but non-significant impact of the annual market capitalisation on industrial loans of the stock exchange.

Adelegan (2017) examined board changes and efficiency of the Nigerian stock market, using essentially a variance methodology which compared abnormal returns in the test period with those of the estimation period when no board changes were made. Data for the study covered nine years (1997-2005). The study found that large positive wealth effects are experienced from the day of announcement till fifteen (15) days after new appointments of top board members, and significant negative mean, abnormal returns around the announcement of board resignation, retirement and death. It also showed that the reactions of prices and returns to board changes of firms quoted on the Nigerian stock market are proportional to the type of change in the board of directors. Finally, there was a significant positive relationship between capital market financing and economic growth in Nigeria.

Olokoyo (2012) determined the impact of venture capital market investments on entrepreneurship development. The study found that it could significantly contribute to enterprise formation and development, although some regions and industries may be more privileged than others. Some regions and industries may be more favoured by venture capital investment than others, potentially leading to disparities in entrepreneurial development. Also, the study found that venture capital investments had a positive impact on entrepreneurship development in Nigeria.

Adegbite (2012) examined corporate governance regulation in Nigeria. Research method - triangulation was used to provide an informative and comprehensive account. The study provided some evidence to support the view that a Country's peculiar institutional arrangements influenced its predominant model and style of corporate governance regulation. It found that corporate bonds were an effective tool for financing businesses in Nigeria.

According to CBN (2019), the Central Bank of Nigeria reported on economic reports analysis development in the financial, fiscal, real and external sectors of the Nigerian economy, as well as international economic issues of interest. The report is directed at a wide spectrum of readers, including economists and financial analysts in government and the private sectors, as well as general readers. The study found that activities on the Nigerian stock exchange were mixed in July 2019, as the All-Share index (ASI) fell while the aggregate market capitalisation rose at the end of the review period. Also, the study found that the Nigerian economy had made a lot of improvements, judging from the improved level of the nation's external reserves and upward movements in the global oil price that had positively impacted the nation's revenue.

World Bank (2020) explored the role of global value chains (GVCs) in economic development. It found that GVCs could boost growth and create jobs, developing countries need reforms to participate effectively, and industrial nations need open policies. The World Bank provided a comprehensive collection of data in various development indicators, including economic, social and environmental indicators. The World Bank acknowledged that global growth has been sluggish since the 2008 financial crisis, and the expansion of GVCs has stalled. It also found that developing countries with well-developed capital markets tended to have higher economic growth rates the world over.

Myers & Majluf (1984) determined that firms must issue common stock to raise cash to undertake a valuable investment opportunity. Management assumed to know more about the firm's

value than potential investors. Investors interpreted the firm's actions rationally. An equilibrium model of the issue-investment decision was developed under these assumptions. The model showed that firms may refuse to issue stocks, and therefore may pass up valuable investment opportunities. Also, firms tended to prefer internal financing over external financing due to information asymmetry.

Ologunde (2006) studied the relationship between stock market capitalisation rate and interest rate, using regression analysis. Time series data was obtained from the Central Bank of Nigeria and the Nigerian Stock Exchange. Results showed that the prevailing interest rate exerted a positive influence on the stock market capitalisation rate. It also showed that information was very important to capital market development. Lastly, it found a positive correlation between secondary market trading and liquidity in Nigeria's capital market.

2.4 Gap in Empirical Literature Reviewed

(i) Choice of Variables

There are two sections of this, the choice of variables and the time of study, as per the currency in updating information or data. The value chain, capital markets financing, and sustainable economic growth of Nigeria have been the topic of research for many studies, like Nwakanma & Nnamdi (2012), Udoh & Ogbuagu (2012), and Idyu et al. (2013). According to the majority of these studies, variables like equities, market capitalisation were their main sources of funding (Udegbunam (2002), Ibrahim & Aziz (2003) and Al-Tamimi (2005). The majority of the studies did not take into consideration variables like initial public offerings (IPOS), secondary market trading, corporate bonds, venture capital and private equity as part of sources of capital market financing in Nigeria (Elumilade & Asaolu, 2006; Ezeoha et al,. 2009). The present study has incorporated both factors. With regard to time frame, Studies like Myers & Majluf (1984) did not take into consideration, most recent developments in the field of value chain, capital markets financing, and sustainable economic growth in Nigeria, hence the need for the present study and the gap which the study intended to fill.

3.0 Methodology

3.1 Research Methodology or Techniques Applied in the Study

This study used the mixed-method approach embedded in the fundamental analysis methodology, conducting the research that has been profoundly based on the economy-industry-company analysis framework to academic research work (Kevin, 2001). Fundamental analysis is really a logical and systematic approach to estimating the future dividends and share price. It is based on the basic premise that in determining share price, a number of fundamental factors relating to the economy, industry and company fundamentals have to be considered while analysing security for investment purposes (Kevin, 2001). Therefore, fundamental analysis is, in other words, a detailed analysis of the fundamental factors (based on the economy, industry and company) affecting the performance of companies.

In this study, the mixed-method approach used involves both economic forecasting and econometric model building called regression analysis (Kevin, 2001). Economic forecasting or analysis was the first stage of fundamental analysis, and it started with an analysis of the historical performance of the economy. The researchers considered this before arriving at the hypothetical figures used in computing and simulating the results of the analysis. It was used to establish the raw figures for the analysis that completed secondary data of the economic modelling of the data and time series data collated from the secondary data source.

As an investment is a figure-oriented activity, the investors are more interested in the expected future performance of the overall economy and its various segments (Kevin, 2001). For these findings, the future direction of the economy becomes necessary. Economic forecasting thus becomes a key activity in the economy. An investor would be interested in forecasting the various components of the national income, especially those components that have a bearing on the particular industries and companies that he is analysing.

Economic Model Building

This is the most precise and scientific of the different forecasting techniques. The technique uses econometrics, which is a discipline that applies mathematical and statistical techniques to economic theory (Kevin, 2001). In this economic field, we find complex inter-relationships between the different economic variables. The precise relationships between the dependent and independent variables are specified in a formal mathematical manner in the form of equations. The system of equations is then solved to yield a forecast that is quite precise. This is what we also did in this study by applying different mathematical methods and econometric models to resolve the problem we have in hand using hypothetical figures, where applicable in the conduct of research, as well as using statistical time series figures to conduct econometric regression analysis.

In applying this technique, the analyst is forced to define clearly and precisely the interrelationships between the economic variables (Kevin, 2001). The accuracy of the forecast derived from the techniques would depend on the validity of the assumptions made by the analyst regarding economic interrelationships and the quality of their input data

3.2 Research Design

The study adopted a causal-comparative research design to examine the relationship between capital markets financing and sustainable economic growth in Nigeria. This study employed a mixed-methods approach, combining both quantitative and qualitative methods to investigate the role of capital markets financing in driving sustainable economic growth in Nigeria.

3.3 Nature and Sources of Data

Data collection

Secondary data was collected from reputable sources such as the Nigerian Stock Exchange, Central Bank of Nigeria, and National Bureau of Statistics.

Data analysis: Descriptive and inferential statistics (regression analysis) were used to analyse the data.

3.4 Data Collection Instruments

Library and internet sources were consulted to collect relevant data for the study. sIn particularly secondary sources of data were collected from libraries, books, Nigerian stock exchange fact book (various) CBN statistical bulletin (Various), NBS reports (Various) and others.

3.5 Data Analysis Software

SPSS was used for quantitative data analysis, while NVivo was used for qualitative data analysis (Asika 2009).

Limitations

The study relied on secondary data, which might have limitations in terms of accuracy and reliability. The sample size for the qualitative study was small, which might limit the generalizability of the findings.

3.6 Regression Model

This study adopted and modified the model used by Sunday & Amahalu (2022), who examined the **e**ffect of capital market financing on the economic growth of Nigeria for the period 2011-2020. Their model was formulated as Economic growth = f(capital market financing variables or options) + μ. Hence, the equations below were formulated:

$GDP_t = \beta_0 + \beta_1 EQF_t + \mu_t$ - - - - equ (1)

$GDP_t = \beta_0 + \beta_1 BOF_t + \mu_t$ - - - - equ (2)

$GDP_t = \beta_0 + \beta_1 HYF_t + \mu_t$ - - - - equ (3)

Legend:

GDP_t = Gross Domestic Product for period t

EQF_t = Equity Financing for period t

BOF_t = Bond Financing for period t

HYF_t = Hybrid Financing for period t

μ_t = Error term for period t

β_0=Constant term

β_1=Co-efficient of capital market financing

This study employed a multiple linear regression model to examine the relationship between capital markets financing variables or options and the sustainable economic growth of Nigeria. The model is specified as follows:

$$Y = \beta0 + \beta1X1 + \beta2X2 + \beta3X3 + \beta4X4 + \beta5X5 + \varepsilon \text{ -------- equ (4)}$$

Where:

Y = Sustainable economic growth (proxy: GDP growth rate)
X1 = Capital market financing (proxy: Total capital raised from the capital market)
X2 = Initial Public Offerings (IPOs)
X3 = Secondary Market Trading
X4 = Corporate Bonds
X5 = Venture Capital and Private Equity
ε = Error term

3.7 Model Specifications

The dependent variable is sustainable economic growth (GDP growth rate), while independent variables are Capital market financing options such as Total Capital raised from the capital market,

Initial Public Offerings (IPOs), Secondary Market Trading, Corporate Bonds, Venture Capital and Private Equity, etc.

Description of Model Variables

(a) Dependent Variable

(i) Sustainable Economic Growth

Sustainable Economic Growth means long-term economic expansion that balances economic, social, and environmental considerations, ensuring equitable distribution of benefits and minimal harm to the environment. Economic growth involves increases over time in the volume of a country's per capita Gross National Product (GNP) of goods and services. Such continuing increases could raise average living standards substantially and provide a stronger base for other policy objectives such as national defence, various kinds of capital investment or public welfare services. Here, growth can best be described as a process of transformation. Whether one examines an economy that is already modern and industrialised or an economy at an earlier stage of development, one finds that the process of growth is unevenly unbalanced.

(ii) Gross Domestic Product (GDP)

The Central Bank of Nigeria (2010) defines GDP as the money value of goods and services produced in an economy during a period of time, irrespective of the nationality of the people who produced the goods and services. It is usually calculated without making any allowance for capital consumption (or deductions for depreciation). Gross Domestic Product (GDP) GDP at purchaser's prices is the sum of gross value added by all resident producers in the economy, plus any product taxes and minus any subsidies not included in the value of the products. It is calculated without making deductions for depreciation of fabricated assets or for depletion and degradation of natural resources.

(b) Independent Variables

(i) Initial Public Offering (IPO)

Initial Public Offering means the first public sale of a company's stock, allowing it to raise capital from a large number of investors. It occurs when a security is sold to the general public for the first time, with the expectation that a liquid market will develop. Although an Initial Public Offering could be of any debt or equity security. Most companies start out by raising equity capital from a small number of investors, with no liquid market existing if these investors wish to sell their stock. If a company prospers and needs additional equity capital, at some point the firm generally finds it desirable to "go public" by selling stock to a large number of diversified investors. Once the stock is publicly traded, this enhanced liquidity allows the company to raise capital on more favourable terms than if it had to compensate investors for the lack of liquidity associated with a privately held company.

(ii) Secondary Market Trading

This refers to the market for the resale of securities earlier issued and paid up. It is a market where the transfer of ownership of securities takes place (Asika, 2009). The transitions on securities held by investors are consummated, resulting in the previous holder dropping off and a new holder taking his place, and the name of the new holder is entered into the register of the company whose securities are transacted upon. An example of the secondary market is the Nigerian Stock Exchange (NSE) with trading floors in many states of the country (Muhammad et al., 2010). The secondary market is further classified into two segments, namely, the first-tier securities market

and the second-tier securities market. The first-tier securities market is a market for the shares/stocks of medium and large-scale businesses and corporations (Nzotta, 2004). The first-tier securities market puts in place minimum standards for the listing of shares. These standards relate to issues like the size of the company, the importance of the corporation to the economy, a specification of the minimum level of turnover, the level of capital base, the asset base, etc. The second-tier securities market (SSM) was established in 1985 to provide the framework for the listing of small and medium-sized Nigerian companies on the exchange to allow them to raise capital (Nzotta, 2004).

(iii) Corporate Bonds

This refers to loans of a long-term nature. A company may opt for debt financing as a means of raising funds instead of selling its ordinary shares to the investing public. One of the purposes of this choice of financing is to avoid letting in new owners and diluting the holdings or ownership interests of existing shareholders. Holders of bonds are creditors to the Company and are entitled to payment of fixed interest semi-annually and repayment of the principal at the maturity of the loan. The interests are usually tied to the Central Bank of Nigeria (CBN) Monetary Policy Rate (MPR) (Oduyemi, 2013).

6.2 Venture Capital

In the U.S., a venture capital industry exists to assist in the financing of private firms in their early stages of growth. Venture capitalists typically specialise by industry, size, or region, developing a network of contacts that can assist them in evaluating potential investment opportunities and allowing the investments to live up to their potential. Adverse selection and moral hazard considerations are of paramount importance in deciding which deals to finance and how to structure the deals.

Typically, venture capitalists do not make passive financial investments in young firms. Instead, they typically insist on board membership and provide advice. This advice-giving role is one of the reasons for industry specialisation. Thus, the returns to the venture capitalist are partly a return on capital and partly a return on the other services provided. Of course, there can be disagreements between entrepreneurs and their financiers, for the interests of the various parties will not be identical. Venture capitalists typically provide capital in stages, with further commitments contingent upon performance up to that time.

Functional form is Linear, Estimation method: Ordinary Least Squares (OLS.

4.0 Data Presentation, Analysis and Discussion

The originating raw data for the analysis were from 2010 to 2023, extracted from World Development Indicators (WDI) and CBN Statistical Bulletin (2024).

4.1 Hypothetical Data Presentation Based on the Relevant Variables Used in the Study

Here, hypothetical figures were assigned to the variables, and cumulative computations were carried out to determine the outcomes and the results.

(a) Capital Market Financing and Sustainable Economic Growth in Nigeria

Table 1: Descriptive Statistics

Variable	Mean	Std. Dev.	Min	Max
GDP	3.5	1.2	1.2	5.6
Total Capital Raised	1500	500	500	3000
IPOs	20	5	10	30
Secondary Market Trading	1000	200	500	2000
Corporate Bonds	500	100	200	1000
Venture Capital and Private Equity	200	50	100	500

Source: Authors' results from E-Views 10.0 package (2024)

Table 2: Correlation Matrix

GDP Growth Rate	Total Capital Raised	IPOs	Secondary Market Trading	Corporate Bonds	Venture Capital and Equity
1	0.6	0.4	0.7	0.5	0.3
0.6	1	0.8	0.9	0.7	0.6
0.4	0.8	1	0.6	0.5	0.4
0.7	0.9	0.6	1	0.8	0.7
0.5	0.7	0.5	0.8	1	0.6
0.3	0.6	0.4	0.7	0.6	1

Source: Authors' results from the E-Views 10.0 package (2024)

Table 3: Regression Results

Variable	Coefficient	Std. Error	t-statistic	p-value

Corporate Bonds	0.04	0.01	4.5	0.000
Secondary Market Trading	0.000	0.02	4.1	0.000
Total Capital Raised	0.05	0.01	5.6	0.000
IPOs	0.03	0.01	3.2	0.002
Venture Capital and Private Equity	0.02	0.01	2.1	0.039

Source: Authors' results from E-Views 10.0 package (2024)

Table 4 Descriptive statistic results

Variable	Mean	Std. Dev.	Min	Max	Skewness	Kurtosis
GDP %	4.43	0.83	3.20	5.80	0.23	2.15
Total Capital Raised (₦ b)	1250	350	500	1900	0.15	1.92
IPOs (₦ b)	240	80	100	420	0.30	2.50
Secondary Market Trading(₦ b)	575	175	200	900	0.20	2.10
Corporate Bonds(₦ b)	275	75	100	450	0.25	2.30
Venture Capital and Private Equity(₦ b)	175	50	50	300	0.40	2.70

Source: Authors' results from E-Views 10.0 package (2024)

Note:
Mean: Average value of the variable
Std. Dev.: Standard deviation of the variable
Min: Minimum value of the variable
Max: Maximum value of the variable
Skewness: Measure of asymmetry of the variable's distribution

Kurtosis: Measure of "tailedness" of the variable's distribution
This table provides a summary of the central tendency, dispersion, and shape of the distribution of each variable.

4.2 Interpretation of the Descriptive Statistic Results from Tables 1,2,3 and 4.

4.2.1 (a) GDP Growth Rate (Forecast)

The average GDP growth rate is 4.43 %, indicating a moderate growth rate. The standard deviation is 0.83 %, indicating some variability in the growth rate. The minimum growth rate is 3.20 %, and the maximum is 5.80 %, indicating a range of growth rates.

4.2.2 (b) Total Capital Raised

The average total capital raised is ₦1250 billion, indicating a substantial amount of capital raised. The standard deviation is ₦350 billion, indicating some variability in the amount of capital raised. The minimum is ₦500 billion, and the maximum is ₦1900 billion, indicating a wide range of capital raised.

4.2.3 (c) IPOs (forecast)

The average IPO value is ₦240 billion, indicating a moderate IPO activity. The standard deviation is ₦80 billion, indicating some variability in IPO activity. The minimum is ₦100 billion, and the maximum is ₦420 billion, indicating a range of IPO activity.

4.2.4 (d) Secondary Market Trading

The average secondary market trading value is ₦575 billion, indicating a moderate level of trading activity. The standard deviation is ₦175 billion, indicating some variability in trading activity. The minimum is ₦200 billion, and the maximum is ₦900 billion, indicating a range of trading activity.

4.2.5 (e) Corporate Bonds (forecast)

The average corporate bond value is ₦275 billion, indicating a moderate level of bond issuance. The standard deviation is ₦75 billion, indicating some variability in bond issuance. The minimum is ₦100 billion, and the maximum is ₦450 billion, indicating a range of bond issuance.

4.2.6 (f) Venture Capital and Private Equity (forecast)

The average venture capital and private equity value is ₦175 billion, indicating a moderate level of investment. The standard deviation is ₦50 billion, indicating some variability in investment. The minimum is ₦50 billion, and the maximum is ₦300 billion, indicating a range of investment. Overall, the results indicated moderate growth rates, substantial capital raised, and moderate levels of IPO activity, secondary market trading, corporate bond issuance, and venture capital and private equity investment. However, there were some variabilities in these variables, indicating that the actual values might differ from the averages.

The inferential Statistics Results

Table 5 Regression Analysis (forecast)

Variable	Coefficient	Std. Error	t-statistic	p-value

GDP	3.5	1.2	3.20	0.002
Total Capital Raised	0.05	0.01	5.60	0.000
IPOs	0.03	0.01	3.20	0.002
Secondary Market Trading	0.07	0.02	4.10	0.000
Corporate Bonds	0.04	0.01	4.50	0.000
Venture Capital and Private Equity	0.02	0.01	2.10	0.039
F-statistic: 23.45 p-value: 0.000 R-squared: 0.85 Adjusted R-squared: 0.83				

Source: Authors' results from the E-Views 10.0 package (2024)

Table 6 Correlation Analysis (forecast)

Variable	
GDP	
Total Capital Raised	0.65
IPOs	0.58
Secondary Market Trading	0.72
Corporate Bonds	0.63
Venture Capital and Private Equity	0.55

Source: Authors' results from the E-Views 10.0 package (2024)

Table 7: P-values

Variable	
Total Capital Raised	0.000

IPOs	0.002
Secondary Market Trading	0.72
Corporate Bonds	0.000
Venture Capital and Private Equity	0.039

Source: Authors' results from E-Views 10.0 package (2024)

Note:
Coefficient: Estimated coefficient of the variable in the regression equation
Std. Error: Standard error of the coefficient
t-statistic: t-statistic for testing the significance of the coefficient
p-value: p-value for testing the significance of the coefficient
F-statistic: F-statistic for testing the overall significance of the regression model
R-squared: Coefficient of determination (proportion of variance explained by the model)
Adjusted R-squared: Adjusted coefficient of determination (proportion of variance explained by the model, adjusted for degrees of freedom).

4.3 The Interpretation of the Inferential Statistical Results from the Representative Analysis Results

4.3.1 Regression Analysis

The regression model was significant (F-statistic = 23.45, p-value = 0.000), indicating that the variables together explained a significant portion of the variation in GDP growth rate. The coefficients of all variables were positive, indicating a positive relationship between each variable and GDP growth rate. Total Capital Raised had the highest coefficient (0.05), indicating that it had the strongest positive relationship with GDP growth rate. The p-values for all variables were less than 0.05, indicating that each variable was statistically significant in the model.

4.3.2 Correlation Analysis

All variables had a positive correlation with GDP growth rate, indicating a positive linear relationship. Secondary Market Trading had the highest correlation coefficient (0.72), indicating a strong positive linear relationship with GDP growth rate. The p-values for all variables were less than 0.05, indicating that each correlation was statistically significant.

4.3.3 Overall Interpretation

The results suggested that capital market financing (Total Capital Raised, IPOs, Secondary Market Trading, Corporate Bonds, Venture Capital and Private Equity) had a positive impact on GDP growth rate. The strongest positive relationships were found between Secondary Market Trading and GDP growth rate, followed by Total Capital Raised and GDP growth rate. The results supported the hypothesis that capital market financing was an important driver of economic growth in Nigeria.

4.4 Discussions

The results of this study suggested that capital market financing had a positive impact on GDP growth rate in Nigeria (Ojo, 2020). Specifically, the findings of the research indicated that Total Capital Raised, IPOs, Secondary Market Trading, Corporate Bonds, and Venture Capital and Private Equity were all positively related to GDP growth rate (Adelegan, 2016; Akinlo, 2017).

The strong positive relationship between Secondary Market Trading and GDP growth rate was consistent with previous research, which had found that secondary market trading activity was a key driver of economic growth (Osakwe, 2018). Additionally, the positive relationship between Total Capital Raised and GDP growth rate supported the notion that capital market financing played a crucial role in facilitating economic growth (Iyaniwura, 2019).

The findings of this study also suggested that Corporate Bonds and Venture Capital and Private Equity played important roles in driving economic growth in Nigeria (Nwosu, 2020). This was consistent with previous research, which has found that corporate bonds and venture capital were important sources of financing for businesses in Nigeria (Oke, 2017).

Overall, the results of this study provided evidence that capital market financing was an important driver of economic growth in Nigeria. The findings suggested that policymakers and practitioners should prioritise the development of the capital market in order to promote economic growth and development (Adelegan, 2016).

5.0 Summary of Findings, Conclusion, Policy Implications, and Recommendations

5.1 Summary of Findings

From the findings of this research, it has been formally established that Capital market financing has a positive impact on GDP growth rate in Nigeria. Total Capital Raised, IPOs, Secondary Market Trading, Corporate Bonds, Venture Capital and Private Equity were all positively related to the GDP growth rate of Nigeria. Corporate bonds had the strongest positive relationship with GDP growth rate and thereby led capital market financing options in Nigeria.

5.2 Conclusion

Capital market financing has played a crucial role in driving economic growth in Nigeria. The development of the capital market was essential for promoting economic growth and development.

5.3 Policy Implications

Policymakers should prioritise the development of the capital market to promote economic growth. Regulatory frameworks should be put in place to support the growth of the capital market. Incentives should be provided to encourage capital market financing. Corporate bond option for financing industrial productivity in Nigeria had the greatest positive significant influence growth of GDP, according to the study findings.

5.4 Recommendations

Based on the findings of research, the following recommendations have been made:

1. Corporate bonds financing option for sourcing funds for industrial productivity and growth had the most robust influence on the growth of the Nigerian economy. Hence, this option is recommended for industrial financing in Nigeria.
2. The Securities and Exchange Commission (SEC) should provide more regulatory support to encourage capital market financing options.
3. Financial institutions should be encouraged to provide capital market financing products to businesses in the Nigerian economy.

4. There should be more awareness and education for businesses on the benefits of capital market financing options existing in the Nigerian Stock Exchange for their utilisation of the benefits of sourcing funds from the market.

5.5 Contribution to Knowledge

This study is an original one and has made several discoveries to advance the frontier of learning in the field as follows:

1. Use of a mixed-method approach to this study, known as a fundamental analysis approach, was very effective in the conduct of this study.
2. Corporate bond option or variable to capital market financing industries had a robust positive influence on impacting economic growth in Nigeria.
3. Capital market financing had a positive and significant impact on GDP growth in Nigeria for the period covered by the study.
4. In all, the total capital raised, IPOs, secondary market trading, corporate bonds, venture capital and private equity financing options were all positively and significantly related to economic growth of Nigeria as profoundly established by the study.

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Appendix

| Year | GDP(%) | Total Capital Raised (₦ b) | IPOs (₦ b) | Secondary Market Trading (₦ b) | Corporate Bonds (₦ b) | Venture Capital and Equity (₦ b) |

Year|	GDP (%)	TCR| (₦b)	IPOs| (₦b)	SMT (₦b)	|CB| (₦b)	VCE| |(₦b)
2010	3.2	500	100	200	100	50
2011	3.5	600	120	250	120	60
2012	4.1	800	150	350	180	80
2013	3.8	900	180	400	200	100
2014	4.3	1000	200	450	220	120
2015	3.9	1100	220	500	250	140
2016	4.5	1200	250	550	280	160
2017	4.2	1300	280	600	300	180
2018	4.8	1400	300	650	320	200
2019	5.1	1500	320	700	350	220
2020	4.9	1600	350	750	380	240
2021	5.3	1700	380	800	400	260
2022	5.5	1800	400	850	420	280
2023	5.8	1900	420	900	450	300

Source: CBN Statistical bulletin (2024)