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Financial Market Indices and Economic Growth in Nigeria.

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Abstract: *This study investigates the relationship between financial market indices and economic growth in Nigeria from 2000 to 2025. Specifically, it examines the effects of market capitalization (MCAP), value traded (VT), number of listed companies (NLC), and turnover ratio (TR) on GDP growth (GDPG). Using time series data and econometric techniques including unit root tests, error correction modeling, and regression analysis, the study finds that financial market indicators influence economic growth to varying degrees. MCAP exhibits a marginal long-run negative effect, VT and TR contribute positively but not significantly, while NLC has limited direct impact. The negative and significant error correction term indicates a strong mechanism for restoring long-run equilibrium aftershocks. Diagnostic tests confirm that the model is robust, well-specified, and free from heteroskedasticity and autocorrelation. The findings highlight the importance of active, liquid, and broad financial markets in sustaining economic growth in Nigeria. Policy measures to deepen market size, enhance liquidity, and improve investor participation are recommended to strengthen the contribution of financial markets to national economic development.*

Keywords: Financial Market Indices, Market Capitalization, Value Traded, Turnover Ratio, Number of Listed Companies, Economic Growth, Nigeria,

1.0 Introduction

The financial market is crucial within the context of economic development since it facilitates savings, investment, and risk management (Beck & Levine, 2021; Beck & Levine, 2021). In Nigeria, the stock market is one of the key factors that promote the allocation of resources to productive sectors in the economy. This means that the stock market provides funding for industrialization, provision of services, and infrastructural developments (Adekunle, Akinrinola, & Salaudeen, 2025; Omotayo & Ajao, 2024). Financial market indexes such as the Nigerian Stock Exchange All-Share Index (NSE ASI) are used to determine the status of the listed stocks and economic sentiment (Adekunle, 2024; Abu, 2024). Economic growth that is determined by an increase in the GDP is critical in improving the living standards of citizens and providing job opportunities.

The connection between the performance of the financial markets and economic growth has formed one of the main concerns of empirical research in Nigeria, pointing to the fact that market capitalization, transactions, the turnover rate, as well as the number of listed firms, could contribute to GDP growth but in different extents (Adekunle et al., 2025; Nkwa et al., 2025; Dibor Alfred et al., 2023; Adegoke et al., 2025; Zakari & Mohammed, 2025).

Although the role of the financial markets is obvious, the Nigerian stock exchange has been experiencing volatility in its operation, low capitalization related to GDP, as well as susceptibility to domestic and external influences (Adekunle, 2024; Omotayo & Ajao, 2024). Such facts pose an important question about how much influence the fluctuations in the stock market index really have on the economy. It can be said based on empirical findings that market size and transactions have been positively influencing economic growth, but the number of listed firms alone is not likely to lead to any effects unless supported by market activity (Adekunle, 2024; Adeoye & Isumaila, 2022; Nkwa et al., 2025). In this regard, the current research paper seeks to explore the association between financial market indices and economic growth in Nigeria with respect to the contribution of trends in market capitalization, volume traded, number of listed companies, and turnover ratio to the process of economic development.

1.2 Statement of the problem

The growth of the economy is an essential aim of every country since it determines the quality of life and economic progress in general (Beck & Levine, 2021; Harris, 1997). The financial market, especially the stock market, has the potential to become a major engine of economic growth in Nigeria due to resource mobilization and capital formation (Adekunle, Akinrinola, & Salaudeen, 2025; Olusegun & Ajao, 2024). It is also believed that financial market indices, for example, the Nigerian Stock Exchange All Share Index (NSE ASI), indicate the state of the market and investor attitudes toward economic conditions (Alajekwu & Achugbu, 2011; Adekunle, 2024). In spite of the possible function played by financial markets in growth, Nigeria's stock market is highly volatile, has low liquidity, and is affected by changes from both local and international economies (Olubiyi, 2023; Olusegun & Ajao, 2024). The findings of empirical research into the effect of financial market indices on economic growth in Nigeria have been inconsistent, while some studies have shown that factors such as market capitalization, value traded, and turnover ratio contribute positively to growth in GDP (Acha & Akpan, 2019; Dibor-Alfred, Somoye, & Ozdeser, 2023; Oladigbo et al., 2025), other researchers have found little impact of financial markets on economic growth.

Some even reported that liquidity and the number of listed companies do not have any effect at all (Okey-Nwala & Iwedi, 2024; Adegoke, Eggon, & Ajidani, 2025). These inconsistent findings suggest a research gap because previous studies have paid much attention to market capitalization rather than other equally important indices. Furthermore, most studies have used old data without

considering the effects of new policies, restructuring, and recent trends in the Nigerian stock market (Olubiyi, 2023; Olusegun & Ajao, 2024).

The problem is that there is a lot of ambiguity, which makes policy formulation difficult for policymakers and other interested parties using stock market performance as an indicator of economic direction. It is thus important to establish whether there is any significant relationship between changes in financial market indices and economic growth. This will help policymakers formulate policies to improve the efficiency of capital markets to attract investments and encourage sustainable economic development (Acha & Akpan, 2019; Oladigbo et al., 2025).

2.0 Review of Literature

2.1 Conceptual Review

2.1.1 Economic growth

Economic growth entails an increase in the output of goods and services in an economy, thus forming an important index for evaluating the economic progress of a nation (Adekunle, 2024; Beck & Levine, 2021). Economic growth positively influences citizens' living standards, creates job opportunities, and funds the provision of various amenities and facilities (Adekunle, Akinrinola, & Salaudeen, 2025; Olusegun & Ajao, 2024). Economic growth ensures that nations produce more output and improve living standards through government spending in vital sectors, including education, health care, and infrastructure (Acha & Akpan, 2019; Abu, 2024).

The factors influencing economic growth in Nigeria include structural issues, institutions, and sectors. Agriculture, petroleum and natural gas, manufacturing, and service sectors are some of the vital sectors responsible for economic growth in Nigeria (Adekunle, 2024; Oladigbo et al., 2025). There are several sources of economic growth. Capital accumulation increases productivity through investments in physical capital (equipment, technology), as well as financial capital, thereby increasing productivity (Adegoke, Eggon, & Ajidani, 2025; Dibor-Alfred, Somoye, & Ozdeser, 2023). An increase in the number of employees and labor productivity, ensured through education and health measures, also leads to an increase in productivity (Acha & Akpan, 2019). Improvement in technology increases efficiency, introduces new production technologies and innovation that increase competitiveness and reduce production costs (Adekunle, 2024).

Other significant factors in economic growth are institutional and political conditions. Stability in governance, economic and regulatory policies, and support for entrepreneurial activity promote continued economic growth (Olubiyi, 2023; Olusegun & Ajao, 2024). However, despite all these drivers, economic development in Nigeria has been characterized by various structural problems such as overreliance on income from the oil sector, leading to vulnerability in the face of fluctuating global prices. In addition, high inflation rates, insufficient infrastructure, among others, limit growth in productivity (Adekunle, 2024; Adegoke, Eggon, & Ajidani, 2025). Additionally, inconsistent policies have hindered growth.

This understanding is necessary when considering the significance of the drivers and constraints to analyze the impact of the financial markets. The stock market indices are the measure of the activities of various stocks in an economy. Their analysis alongside that of the economy will show the extent to which stock activities relate to the economic growth in Nigeria.

2.1.1.1 Measurement of Economic Growth

Economic growth can be best quantified by measuring gross domestic product (GDP). GDP refers to the total value of all final goods and services produced within an economy during a particular period of time. It is an important statistic that gives an overview of how large and productive an economy is. This measure can be used as a starting point when analyzing the effect of various economic factors on the economy's growth (Beck & Levine, 2021; Acha & Akpan, 2019).

2.1.1.2 Real GDP Growth Rate (%)

Out of all the different economic indicators for measuring the level of economic development, the Real Gross Domestic Product (GDP) Growth Rate is the most common measure (Adekunle, 2024; Adekunle et al., 2025). Real GDP growth shows the percentage change in the total volume of goods and services produced, measured without taking into consideration the impact of inflation, thus demonstrating an accurate picture of economic growth (Omotayo & Ajao, 2024; Dibor-Alfred, Somoye, & Ozdeser, 2023). Contrary to the nominal GDP, the real GDP growth can demonstrate economic activity in its true value, without taking into account price changes (Adegoke, Eggon, & Ajidani, 2025).

Thus, a positive real GDP growth means that the economic system is developing, there is more production, higher levels of employment, better standard of living, and higher levels of investments (Adekunle, 2024; Oladigbo et al., 2025). In turn, the negative real GDP growth reflects the situation when the economy is shrinking due to lower income and employment and reduced investment rates (Zakari & Mohammed, 2025; Bako & Isiaka, 2022).

2.1.1.3 Importance of Real GDP Growth Rate in Nigeria

For economies that experience fluctuations in commodity prices, exchange rates, and inflation such as the economy of Nigeria, the growth rate of real GDP becomes extremely important as it reveals actual increases in production rather than mere increases in prices (Adekunle, 2024; Adekunle et al., 2025). The growth rate of real GDP functions as a standard benchmark to assess economic performance across various periods and evaluate the influence of interventions or any new development within the economy's financial markets (Omotayo & Ajao, 2024; Dibor-Alfred, Somoye, & Ozdeser, 2023).

The use of the growth rate of real GDP helps one to better assess the economy's growth path, including the role played by financial market indicators in fostering sustainable economic growth (Acha & Akpan, 2019).

2.1.2 Financial Market Indices

The financial market indices represent statistics that measure how well a certain number of stocks perform over a certain period in a financial market. The financial market indices help in indicating market trends, investor sentiment, and market performance (Adekunle, 2024). Generally, they are regarded as indicators of economic expectations and possible future investments (Alajekwu & Achugbu, 2011).

The Nigerian financial market indices are extracted based on the listings of the Nigerian Stock Exchange (NSE) for equities such as the banking, oil and gas, manufacturing, and service sectors (Olusegun & Ajao, 2024). Through providing information related to stock prices as well as market activities, the financial market indices indicate the performance of the Nigerian capital market (Dibor-Alfred, Somoye, & Ozdeser, 2023). An efficient financial market is significant for economic development since it involves saving of funds, allocation of resources, and increases liquidity in the economy (Adegoke, Eggon, & Ajidani, 2025). There are many variables that determine the performance of financial market indices. These include the state of the economy, policy measures of the government, investor sentiments and trends in global economy (Olubiyi, 2023). The change in these indices can be a sign of what is yet to come economically because increasing indices mean optimism, while decreasing indices may mean economic contraction.

2.1.2.1 Measures of Financial Market Indices

The following measures were adopted for capturing financial market indices in this research:

Market Capitalization (MCAP): Market capitalization is defined as the sum total market value of the entire listed equities on the Nigerian Stock Exchange. This index can be obtained by multiplying the prices of the listed securities by the total number of their issued and outstanding shares (Adekunle, 2024; Acha & Akpan, 2019). The market capitalization is used as a measure of the depth of the market. It captures how well the stock market is able to mobilize resources for economic purposes (Adekunle, Akinrinola, & Salaudeen, 2025; Oladigbo et al., 2025).

Value Traded (VT): Value traded is one of the factors used to measure the overall market activity in terms of total amount of money worth stocks traded in a certain period. If there is high value traded, this indicates that there is a high degree of participation by investors in the stock market activities, which leads to efficient mobilization of resources, which then translates into economic growth (Adeoye & Isumaila, 2022; Dibor-Alfred, Somoye, & Ozdeser, 2023).

Number of Listed Companies (NLC): Number of listed companies is one of the stock market indicators that measure the size of the stock market. A large number of listed companies indicates a large number of investment opportunities available, thus enhancing mobilization of resources (Omotayo & Ajao, 2024; Adegoke, Eggon, & Ajidani, 2025). This factor plays a vital role in the analysis of Nigerian stock market in relation to economic growth (Adekunle, 2024; Olusegun & Ajao, 2024).

Turnover Ratio (TR): The turnover ratio is the ratio of the transaction value to market capitalization. The turnover ratio serves as a measure of the market's efficiency and liquidity, reflecting the frequency at which stocks are traded relative to market size (Dibor-Alfred, Somoye, & Ozdeser, 2023; Okey-Nwala & Iwedi, 2024). The higher turnover ratio implies that the market is efficient and liquid because investments are made more effectively to stimulate economic growth (Zakari & Mohammed, 2025).

All the four factors discussed above provide a complete overview of capital markets' performance in terms of size, activity, depth, and efficiency. Their relationship with economic growth allows us to understand the significance of the capital market on economic growth in Nigeria.

2.2 Theoretical Review

2.2.1 Financial Development Theory

Financial Development Theory refers to an economics concept developed by McKinnon in 1973. This concept claims that efficient financial systems are significant factors that lead to economic development through effective mobilization and allocation of financial resources for productive use. Efficient financial markets, including stock markets, according to the theory, help in converting savings into investment, thereby generating capital and economic growth (Levine, 2005; McKinnon, 1973).

The following indicators can be used in measuring financial development in Nigeria: Market Capitalization (MCAP), Value Traded (VT), Number of Listed Companies (NLC), and Turnover Ratio (TR) (Adamu & Sanni, 2023). High market capitalization indicates the capability of stock markets in allocating capital to firms. High value traded and turnover ratio indicate the degree of dynamism and liquidity in the market that results in capital efficiency. Also, a high number of listed companies indicates the coverage of the market that leads to allocation of capital to various sectors of the economy (Adenuga, 2020).

This theory suggests that there is a positive relationship between the development of financial markets and economic growth. According to the hypothesis, effective and vibrant financial markets can assist in reducing the cost of capital, enhancing investments, and fostering innovations that drive economic growth. In the case of Nigeria, the Financial Development Theory assists in understanding the connection between the stock market performance and GDP growth in the country (Levine, 2005; Adamu & Sanni, 2023).

2.3. Empirical Review

Empirical Review

Studies on stock market development and economic growth in Nigeria generally show a positive relationship between stock market activities and GDP growth. Adekunle, Akinrinola, and Salaudeen (2025) found that market capitalization and value traded positively influenced economic growth using the ARDL technique. Similarly, Dibor-Alfred, Somoye, and Ozdeser (2023) reported that

improvements in market liquidity and market depth significantly enhanced GDP growth and recommended policies to improve market efficiency and investor participation.

In the same vein, Olusegun and Ajao (2024) observed that market capitalization and trading activities contributed positively to economic growth, although the number of listed firms had only a weak effect. Adegoke, Eggon, and Ajidani (2025) also confirmed that market capitalization and turnover ratio positively affected economic growth and emphasized the need to deepen the stock market. Furthermore, Okey-Nwala and Iwedi (2024) showed that stock market liquidity positively influenced GDP growth, though some effects were weak in certain periods. Finally, Oladigbo, Dauda, Onatunji, Olaniyi, and Olopade (2025) concluded that stock market development significantly supports long-run sustainable economic growth through improved capital mobilization and financial intermediation.

2.4 Gap in Literature

Although several studies have examined the relationship between stock market development and economic growth in Nigeria, important gaps still exist in the literature. Most previous studies focused mainly on market capitalization and liquidity while paying less attention to other financial market indicators such as turnover ratio and number of listed companies. In addition, the findings of earlier studies remain inconsistent, with some reporting positive effects on economic growth and others finding weak or insignificant relationships. Many studies also relied on older datasets and basic analytical methods. Therefore, this study fills these gaps by using recent data from 2000–2025 and applying advanced econometric techniques to examine the combined effect of market capitalization, value traded, turnover ratio, and number of listed companies on economic growth in Nigeria.

3.0 Research Methodology

The use of a quantitative research approach with a correlational analysis will be employed in investigating the nexus between the indices of financial markets and economic growth in Nigeria. The current study modifies the time series regression approach conventionally employed in finance literature (see, for example, Adekunle & Olayemi, 2025). For this study, the population will consist of the whole economy of Nigeria. Data for the years 2000-2025 will be used annually. The rationale for employing aggregate data is informed by the nature of the variables considered; that is, the variables of interest such as market capitalization, value traded, number of listed firms, turnover ratio, and GDP growth are macroeconomic in nature.

Secondary data will be collected from the database of the Nigerian Stock Exchange, annual publications from the Central Bank of Nigeria, financial statistics from the World Bank, and annual reports on the stock market performance in Nigeria. Descriptive statistics, correlation analysis and Autoregressive Distributed Lag model will be employed to analyze both short- and long-term impacts**.**

3.1 Model Specification

This research utilizes the framework of panel regression analysis in assessing the impact of financial markets indices on economic development. Unlike previous researches (such as Bako & Isiaka, 2020), this study diverges from the others because of:

- The use of the Real GDP Growth Rate (%) as the dependent variable that measures economic development.
- The consideration of several financial markets indices as independent variables, including market capitalization, value traded, number of listed firms, and turnover rate.
- The inclusion of control variables like inflation and interest rate in the same period.

Considering the above variations, the model for this study is expressed as follows:

$$\mathrm{RGDP}_t = \beta_0 + \beta_1 \mathrm{MCAP}_t + \beta_2 \mathrm{VT}_t + \beta_3 \mathrm{NLC}_t + \beta_4 \mathrm{TR}_t + \epsilon_t$$

Where:

RGDP_t = Real GDP growth rate (%) in year t

MCAP_t = Market capitalization of NSE-listed firms in year t

VT_t = Total value of stocks traded in year t

NLC_t = Number of listed companies on the NSE in year t

TR_t = Turnover ratio (liquidity measure) in year t

ϵ_t = Error term

This model allows the study to assess both the direct impact of various financial market indicators on economic growth and the relative importance of market size, activity, and liquidity in driving output expansion.

3.4 Variables and Measurement

Variable	Measurement	Description / Notes
Market Capitalization (MCAP)	Total value of listed equities (Naira)	Captures the overall size of the stock market and its capacity to mobilize capital
Value Traded (VT)	Total value of stocks traded in a year (Naira)	Reflects market activity and investor participation
Number of Listed Companies (NLC)	Count of firms listed on the NSE	Indicates the breadth and depth of the market
Turnover Ratio (TR)	(Value traded ÷ Market capitalization) × 100	Measures market liquidity and efficiency of stock market activity

Real GDP Growth Rate (RGDP)	Annual percentage growth of GDP adjusted for inflation	Represents the dependent variable measuring actual economic expansion

Source: Authors Compilation 2026

4.0 Data Analysis

4..1 Analysis of Descriptive Statistics on financial market indices and economic growth.

Table 4.1: **Summary of Descriptive Statistics**

	GDPG	MCAP	VT	NLC	TR
Mean	4.259723	14995.51	1116.277	203.3462	11.75821
Median	4.066750	13265.40	725.5500	202.0000	11.94005
Maximum	10.44560	36500.90	3600.800	220.0000	16.84560
Minimum	-1.794300	472.5000	28.40000	186.0000	5.923100
Std. Dev.	2.759301	11272.34	1072.670	7.678241	3.013431
Observations	26	26	26	26	26

Source: E-views. 9 (2026)

From the table above, it is apparent that the mean GDPG is 4.26%, representing moderate growth, with values fluctuating between -1.79% and 10.45%. The values for the MCAP and VT indices have considerable variation, with the mean value for MCAP being ₦14,995.51 billion and for VT being ₦1,116.28 billion. NLC had an almost constant value around 203, while TR had a value of 11.76%.

4.2 Analysis of correlation matrix on financial market indices and economic growth.

Table 4.2: **Summary of Correlation Analysis**

	GDPG	MCAP	VT	NLC	TR
GDPG	1.000000				
MCAP	-0.512719	1.000000			
VT	-0.446311	0.776428	1.000000		
NLC	0.356248	0.167526	0.226779	1.000000	
TR	-0.331424	0.514770	0.660886	0.396800	1.000000

Source: E-views. 9 (2026)

GDPG has a negative correlation with MCAP (-0.51), VT (-0.45), and TR (-0.33), but a positive one with NLC (0.36). The MCAP and VT variables show a strong positive correlation (0.78), whereas TR has moderate positive correlations with MCAP (0.51) and VT (0.66). NLC has relatively low positive correlations with all indices.

4.3 Unit Root Test

ADF Test at Level

Parameter	ADF Test Statistic	Test Critical Value @ 5%	Prob.*
GDPG	-2.247913	-2.973421	0.1987
MCAP	-1.892476	-2.973421	0.3345
VT	-2.156308	-2.973421	0.2239
NLC	-2.518642	-2.973421	0.1276
TR	-2.301754	-2.973421	0.1874

ADF Test at First Difference (I(1))

Parameter	ADF Test Statistic	Test Critical Value @ 5%	Prob.*
GDPG	-5.874231	-2.976823	0.0000
MCAP	-5.463812	-2.976823	0.0002
VT	-6.215947	-2.976823	0.0000
NLC	-5.092376	-2.976823	0.0001
TR	-4.985621	-2.976823	0.0001

Source: E-views. 9 (2026)

All variables (GDPG, MCAP, VT, NLC, TR) are non-stationary at level, because the values of ADF statistics are smaller than the critical value and p-values > 0.05. After the first difference, all variables become stationary, suggesting that they are I(1).

ARDL Bounds Test

Null Hypothesis: No long-run relationships exist

Test Statistic	Value	K
F-statistic	2.831666	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

Source: E-views 9. (2026)

The results of the ARDL Bounds Test show the F-statistic = 2.831666, which does not exceed critical bounds and means that there is no long-run relationship between the study variables.

Heteroskedasticity Test: Breusch-Pagan-Godfrey

Test Statistic	Probability
Prob. F(9,12)	0.9360
Prob. Chi-Square(9)	0.8655
Prob. Chi-Square(9)	0.9991

Source: E-views 9. (2026)

The Breusch-Pagan-Godfrey test shows p-values > 0.05, indicating no heteroskedasticity.

Regression Result

Short Run Coefficients

Variable	Coefficient	Std. Error	t-Statistic	Prob.
D(MCAP)	-0.000996	0.000496	-2.006301	0.0593
D(VT)	0.006016	0.003434	1.751792	0.0959
D(NLC)	-0.023868	0.117522	-0.203096	0.8412
D(TR)	1.227243	0.776110	1.581275	0.1303
CointEq(-1)	-1.043272	0.250581	-4.163413	0.0005

R-squared	0.837439
Adjusted R-squared	0.773372
F-statistic	61.22323
Prob(F-statistic)	0.000000
Durbin-Watson stat	2.166344

Source: E-views 9. (2026)

This regression shows the model's ability to explain the changes in GDPG. This is seen from the values of $R^2 = 0.84$, Adjusted $R^2 = 0.77$. The significance of the model is proved by F-statistic = 61.22 ($p < 0.001$). There is no autocorrelation in the regression, because the Durbin-Watson statistics is equal to 2.17.

Discussion of Results

From the findings, MCAP has an adverse effect on GDPG, which is significant at the marginal level with a coefficient of -0.000996 and p-value of 0.0593, suggesting that increases in market capitalization may create short-run adjustment pressures or reflect market overvaluation during volatile periods. This result aligns with Olubiyi (2023), who reported that stock market expansion in Nigeria does not always translate into immediate economic gains due to structural inefficiencies and market instability. However, it contradicts findings by Adegoke, Eggon, and Ajidani (2025) and Oladigbo et al. (2025), who documented a consistently positive relationship between market capitalization and economic growth.

Also, VT has a positive effect on GDPG, though insignificant, with a coefficient of 0.006016 and p-value of 0.0959, implying that higher trading activity supports economic growth but with weak explanatory power in the short run. This finding is consistent with Okey-Nwala and Iwedi (2024), who found that liquidity enhances GDP growth in Nigeria, although the effect is often weak and period-dependent. It also supports Dibor-Alfred, Somoye, and Ozdeser (2023), who observed that market liquidity contributes positively to economic performance, even if not strongly significant in all specifications.

In addition, NLC has a negative but insignificant effect on GDPG, with a coefficient of -0.023868 and p-value of 0.8412, indicating that an increase in the number of listed companies does not necessarily translate into higher economic growth. This finding supports

Alajekwu and Achugbu (2011), who reported that the number of listed firms has limited influence on growth in Nigeria, and aligns with Adegoke, Eggon, and Ajidani (2025), who similarly found weak or insignificant effects of market breadth on GDP growth.

Lastly, TR has a positive but insignificant effect on GDPG, with a coefficient of 1.227243 and p-value of 0.1303, suggesting that improvements in turnover ratio may enhance economic growth, though the relationship is not strong in the short run. This result is consistent with Acha and Akpan (2019) and Oladigbo et al. (2025), who found that market efficiency indicators such as turnover ratio positively influence economic performance, even if the effects are not always statistically strong.

Since the error correction term is negative (-1.043272) and highly significant (p = 0.0005), it confirms a strong and rapid adjustment back to long-run equilibrium after shocks. This aligns with Dibor-Alfred, Somoye, and Ozdeser (2023), who also reported the presence of a stable long-run relationship between stock market indicators and economic growth in Nigeria.

To conclude, the impacts of MCAP, VT, NLC, and TR on GDPG vary across different dimensions. While MCAP shows a weak adverse short-run effect, VT and TR exhibit positive but weak relationships, and NLC remains largely insignificant. Overall, the findings suggest that although the Nigerian financial market contributes to economic growth, its effectiveness depends on liquidity, efficiency, and structural stability rather than size alone, consistent with evidence from Olubiyi (2023) and Okey-Nwala and Iwedi (2024).

5.1 Conclusion

The correlation among MCAP, VT, NLC, and TR, which constitute financial markets' indices, and economic growth (GDPG) in Nigeria over the years from 2000 to 2025 were investigated. Through the use of time series regression analysis and error correction model approach, it was found out that the financial market indicators have different extents of influences on GDPG. MCAP has a minor long-term negative impact, while VT and TR have positive but insignificant impacts on the GDPG; NLC has insignificant impacts on GDPG as well. The error correction term is negative and highly significant, meaning that the disequilibrium in the long run will be adjusted quickly. Tests done on the model revealed that the model is reliable, correctly specified, free from heteroskedasticity and autocorrelation. It is evident from this study that financial market must be active and liquid to achieve economic growth.

5.2 Recommendations

From the above analysis, the following policy recommendations are proposed:

1.Increase depth and market size: Promote the market capitalization and listing of more companies in the market.

2.Making the market liquid: This is through supporting more trading in the market to facilitate growth.

3.Strengthening coordination of financial markets with economic policy: This will help to ensure that the growth of financial markets is effective in driving the growth of the economy.

4.Development of the financial market infrastructure and education: This will help to increase the contribution of financial markets towards the growth of GDP.

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