

# MACROECONOMIC COMPONENTS AND THE NIGERIAN CAPITAL MARKET: A CONTEMPORARY STUDY

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## ABSTRACT

Macroeconomic variables are key components that improved Capital Market Performance. This study examined the impact of macroeconomic components on Capital Market Performance in Nigeria from 1981 to 2018. The specific objectives of this study were to analyse the relationship between gross domestic product (GDP), Domestic Credit (DC), Portfolio investment (PI) and market capitalization (MC) in Nigeria. The study is anchored on APT Model. The study used the Granger Causality test to test the interaction between independent variables namely GDP, DC, PI and dependent variable MC at the 5% level of significance. The findings amongst others showed that macroeconomic variables have significant relationship with market capitalization in Nigeria. The study using granger causality test showed that market capitalization was granger caused by changes in the macroeconomic components in Nigeria. Thus, the study concluded that macroeconomic components are significant factors that determine market capitalization in Nigeria. Hence, the study recommends the implementation of improved macroeconomic components which will encourage increased investment in the economy and stock market; and reduce capital flight into foreign improved economy and stock market.

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## 1. INTRODUCTION

Prior to Structural Adjustment Programme (SAP) in Nigeria, the capital market was grossly unidentified with by various Nigerian investors due to poor awareness and enthusiasm by Nigerians cum low macroeconomic variables performance within the economy. However, the economic deregulation of 1986 boosted the stock of the capital market significantly as evidenced in the transformation in the market capitalization from less than 5 trillion naira in early 1990s to over 13 trillion naira before boundaryless economic meltdown of 2007 and further growth were seen between 2018 and 2019 regardless of the recent economic recession between 2016 and 2017. The Nigerian capital market is a subset of the Nigerian Financial markets which constitute a major sub of the Nigerian financial system that play significant roles in the economy. They facilitate the mobilization, allocation and re-allocation of financial resources within the economy vis a vis bringing economic surplus unit of the economy with less need for resources and economic deficit unit of the economy with much need for resources, thus making large capital available for investment and industrial growth in an economy. Hence, economy enhancement and growth are greatly hinged on the efficiency and effectiveness in the transfer of resources by the stock market which is determines economic growth in the long run. The Nigerian economy has experienced significant changes in its macroeconomic aggregates since the inception of Structural Adjustment Programme (SAP) in 1986 which accommodated different fundamental economic reforms. The relationship between capital market's stock and the economy can be of a reversible model, viz: the stock market may influence the economy as found by Smith (1990), or the economy may influence the stock market (Amadi & Odubo 2002).

The increasing economic growth, improved portfolio investment and increased domestic credit generation with favourable interest rate components are expected to improve the market capitalization. However, the inconsistencies in political policies, redirection of capital expenditure and high level of insecurities has really affected the macroeconomic components in Nigeria. Recently, economic growth reduced, domestic credit went up with high interest rates thereby

constituting a contractionary money supply in the economy, loss of faith in the stock of the capital market thereby affected the overall market capitalization within the financial market. This troubles alongside with the growing doubt of willingness to address insecurities which are pulling the macroeconomic components affected the general activities in the capital market within the economy. Thus, the question ‘do growing insecurities in Nigerian economic environment affect the macroeconomic components and to what extent has the impact affected the capital market position? Empirically, stock prices are linked with macroeconomic behaviour (Muradoglu, Taskin, & Bigan, 2000; Diacogiannis, Tsiritakis & Manolas, 2001; Wongbampo & Sharma, 2002; Mukhopadhyay & Sarkar, 2003; Gan, Lee, Yong & Zhang, 2006; Robert, 2008). Establishing the existence of a relationship between stock market development and macroeconomic growth. Macroeconomic variables like real interest rate, inflation, gross money supply, foreign exchange rate, economic growth, portfolio investment and domestic credit are major determinants of stock market index. Inconsistencies in the outcome of previous studies also affirm to the need for more robust research in the literature. The question is to what extent and in what ways can movement in stock market capitalization be determined by changes in macroeconomic variables in a developing country like Nigeria? This study attempts to answer this question by examining the relationship between stock market capitalization and a range of macroeconomic variables using contemporary review of 1981 to 2019 which captures the pre-structural adjustment programme and post adjustment and reform periods in Nigeria.

## **2. REVIEW OF EMPIRICAL LITERATURE**

### **2.1 Conceptual Framework**

The macroeconomic policies of any economy are to aid efficient level of national income, which leads to improved standard of living and economic growth at large. Thus, the basic objectives of macroeconomic policies are to achieve the listed items in table 1;

**Table 1.** Macroeconomic objectives

Economic Growth	High and sustainable economic growth
Low Inflation	Low Inflationary target
Low Unemployment	Low Unemployment. (Less than 3%)
Satisfactory balance of payments	Avoid large deficit on the current account balance of payments.
Low government borrowing	e.g. public sector debt less than 60%. Budget deficit less than 3%.
Stable exchange rate	Avoid destabilizing devaluation/appreciation
Minimize inequality	Avoid high Inequality
Protect Environment	Important for every long run economic growth

Source: [www.economicshelp.org](http://www.economicshelp.org)

### **2.2 Theoretical Framework**

Different theories have been used in line with predominant economic components in previous related studies. However, due to the nature of the Nigerian economic situation which is grossly a receiving economy in the global market, the study adopted the theory of APT model which reveal the relationship between macroeconomic variables and stock market prices. The changes in asset prices are hinged on changes in macroeconomic variables. APT model is based on multi-factor model in which every investor believes that the stochastic properties of returns of capital assets are consistent with factors structure (Roll & Ross, 1995). The theory established the prevalence of arbitrage opportunities in the market which investors take advantage of. Hence, the study applies the APT model based on the fact that investors takes advantage of available investment opportunities and information inherent in the macroeconomic components of the economy to raise or utilize capital market opportunities in Nigeria.

### **2.3 Empirical Review**

Macroeconomic factors are vital tools that ascertain the direction of the economy and improve the financial market position. The financial market specifically the capital market reacts succinctly to the macroeconomic factors in an economy which have prompted different studies in the literature. Some of such studies include the study of Chude, Ifurueze and Chude (2015)’s macroeconomic variables and stock market returns in Nigeria from 1990 to 2012; the study using multiple regression technique discovered that macroeconomic variables (GDP, INFR & MPR) improve the returns in the Nigerian stock market thus revealing also that reduction in inflation rate and monetary policy rate improve the return in the stock market within the period. Another study, Asekome and Agbonkhese (2015) revealed that macroeconomic variables, stock market bubble, meltdown and recovery evidence in Nigeria between 2007 and 2013 have insignificant position on the stock market position except gross domestic product and money supply. Garg and Karla (2018) analyzed the relationship between selected macroeconomic factors and Indian stock market price within the period of 1991 to 2017. Using Pearson correlation discovered a positive relationship between the Sensex and macroeconomic factors except average inflation and unemployment rate as they show negative relationship. Maku and Atanda (2009) also analyzed the short-run and long-run impact of macroeconomic on Nigerian capital market from 1984 to 2007. The macroeconomic factors (independent variable) used for the study were real output, exchange rate, inflation rate and money supply. The outcomes of the study from Error Correction Model and ADF revealed that all share index is more receptive to chosen factors and hence, the macroeconomic factors have noteworthy effect on share index. This finding corroborates the position of Islam, Mostofa and Alfrida (2017) who examined macro-economic

determinants of stock market performance using data in the last 20 years starting from 1995 to 2015; consider gross domestic product (GDP), consumer price index (CPI), inflation rate (INFR) and foreign direct investment inflows (FDI) as proxy of macroeconomic determinants while also considering market capitalization (MC), total issued capital (TIC) and market turnover (MTR) as proxy for institutional determinants of capital market performance of Dhaka Stock Exchange. Using multiple regression technique, the study revealed that both institutional and macroeconomic variables significantly influence the capital market performance.

Also, on the subject matter in two emerging economies (Egypt and Tunisia), Barakat, Elgazzar and Hanafy (2016) discovered a causal relationship in Egypt and Tunisia between market index and macroeconomic components (consumer price index (CPI) except in Tunisia, exchange rate, money supply, and interest rate). In Nigeria, Osuagwu (2009) investigated the impact of monetary policy variables on the performance of the stock market using quarterly data from 1984 to 2007. The study reveal that minimum rediscount rate (MRR) and Treasury bill rates (TBR) showed mixed results and their relationship to changes in stock market index was not significant. This finding was supported by later study of Abrahan (2011) and Kibria, Mehmood, Arshad and Sajid (2014) but contradicted by another later study of Asaolu and Ogunmuyiwa (2011), Osamwonyi and Evbayiro-Osagie (2012), Alalade and Okulenu (2016) and Nkechukwu, Onyeagba and Okoh (2013) who revealed negative linkage between interest rate and All Share Index. Kandir (2008)'s study in Turkey showed that macro-economic components in industrial production, money supply and oil prices had no significant effect on stock returns. While Barnor (2014) in Ghana revealed that macro-economic variables (interest rates, money supply negatively affected stock returns. In Malaysia, Islam (2003) found that there was a significant short-run and long-run relationships among the macroeconomic variables and the KLSE stock returns. This finding is similar to Talla (2013) findings on macro-economic variables and Stockholm stock exchange.

Naik and Padhi (2012) and Jawaid and Haq (2012) revealed mixed results looking at macro-economic variables and stock market indices. Ndlovu, Faisal, Resatoglu and Türsoy (2018) study of association of macroeconomic variables: inflation (INF), Money supply growth (M3), Interest rates (IR) and USD ZAR exchange rate (EX) on stock price for the Johannesburg Stock Exchange South Africa confirm causal relationships between the variables and the stock price. Aigbovo and Izeor (2015) investigates the impact of six macroeconomic variables, namely, exchange rates, inflation rates, interest rates, money supply, industrial production index and international oil price on stock market Index in Nigeria. The multivariate Ordinary Least Square (OLS) and the Error Correction Model (ECM) also revealed that inflation rate, interest rate, money supply, industrial production index and oil price do influence stock market index either in the short-run or the long-run. The Granger causality test reveals both unidirectional and bidirectional relationships. There is a bidirectional causality between oil price and stock market index; money supply and stock market index while a unidirectional causality running from industrial production to stock market index; interest rates to stock market index are found. The study concluded that macroeconomic variables cannot be ignored in accounting for the dynamics of stock market behaviour in Nigeria. Adam and Tweneboah (2008) examined the influence that macroeconomic variables had on the Ghanaian stock market (represented by the Databank Stock Index). They concluded that the stock market in Ghana was significantly influenced by macroeconomic forces such as the interest rate, inflation, foreign direct investment and the exchange rate. The results of the cointegration test showed that treasury bills (the proxy for short-term interest rates) had a negative and significant relationship to stock price returns, while foreign direct investment had a positive and significant relationship. Inflation and exchange rates have a negative but insignificant relationship to stock market returns.

Rault and Arouri (2009) studied oil prices and stock markets in Gulf Corporation Council (GCC) countries and provide that investors in world oil markets should consider changes in the Saudi stock market as these changes significantly affect oil prices. Sharma and Hsing (2011) investigates the impact of Macroeconomic variables on stock market index in Brazil, Russia, India, China and South Africa. He employed the Exponential GARCH model to study the impact of various economic variables that cause fluctuation in South Africa's stock market index. Findings of the study were that index of South Africa stock market has positive relation with growth in real GDP, US market index and the ratio of M3 money supply to GDP but has the negative relation with government deficit to GDP ratio. In Asia, Hosseini, Ahmad and Lai (2011) examined crude oil price, money supply, industrial production and inflation rate as components of macro-economy on stock markets indices of China and India. The study showed diverse position for the two countries while crude oil price, money supply and industrial production have positive impact on China stock market index, negative position was established in the case of India. From the empirical works reviewed, there were limited empirical study that address the impact of macroeconomic components on the composition of stock market capitalization. Hence, the study intends to examine the impact of macroeconomic components on market capitalizations in Nigeria.

## **2.4 Research Hypotheses**

- H1: Gross Domestic Product has significant relationship with market capitalization in Nigeria.
- H2: There is a significant relationship between Domestic Credit and market capitalization in Nigeria.
- H3: Portfolio Investment has significant relationship with market capitalization in Nigeria.
- H4: Macroeconomic variables have significant effect on market capitalization in Nigeria.

**3. METHODOLOGY**

The data used in this study were secondarily sourced. The secondary data utilized in this work spans from a period of 1981 to 2018 and retrieved from the CBN bulletin of various years.

**3.1 Model Specification**

This study is modelled after the work of Chude, Ifurueze and Chude (2015) who studied selected macroeconomic variables and stock market returns in Nigeria and they gave the model thus;

$$ASI = a_0 + a_1 GDP + a_2 INFR + a_3 MPR + U_t \dots (1) \dots \dots \dots \text{ (Chude, Ifurueze\&Chude, 2015).}$$

Where, ASI = All Share Index, GDP = Gross Domestic Product, INFR = Inflation Rate, MPR = Monetary Policy Rate, Adjusting the above model after this work, we have;

$$MC = a_0 + a_1 GDP + a_2 DC + a_3 PI + U_t \dots (2)$$

MC = Market Capitalization, GDP = Gross Domestic Product, DC = Domestic Credit, PI = Portfolio Investment

**4. PRESENTATION OF RESULTS AND ANALYSIS**

**4.1 Test for Stationarity**

**Table 2.** Unit Root Tests for Stationarity

Variables	ADF Test Statistics	Critical Values @5%	P-value	Order of Integration
MC	-6.119416	-2.945842	0.0000	I(1)
DC	-4.317436	-2.948404	0.0017	I(2)
RGDP	-6.460924	-2.948404	0.0000	I(2)
PI	-4.553422	-2.948404	0.0009	I(2)

Source: Researcher’s E-view 10.0 Computation

Table 2 reports the tests for stationarity properties of the series following the Augmented Dickey Fuller (ADF) statistics. All the variables were found to be stationary at Order two (2) except MC which is stationary at order one (1). At both the second and first differences as reported, the ADF statistics for all the critical values of the respective variables were all negative at 5% significance level. The reported P-values were all less than 0.05 chosen significance level for which cause, the absence of stationarity are convincingly rejected. The ADF statistics was used to ascertain the stationarity of the variables while the ARDL bound test affirm co-integration position since the variables are fractionally integrated (that is combination of I(2) and I(1)). The error correction model was used to establish the short run relationship among the variables.

**4.2 Tests for Cointegration**

**Table 3.** ARDL Cointegration Test Result @ 5% level

F-Bounds Test		Null Hypothesis: No levels relationship		
Test Statistic	Value	Signif.	I(0)	I(1)
Asymptotic: n=1000				
F-statistic	6.104281	10%	2.37	3.2
K	3	5%	2.79	3.67
		2.5%	3.15	4.08
		1%	3.65	4.66
Finite Sample: n=40				
Actual Sample Size	37	10%	2.592	3.454
		5%	3.1	4.088
		1%	4.31	5.544
Finite Sample: n=35				
		10%	2.618	3.532
		5%	3.164	4.194
		1%	4.428	5.816

Source: E-view 10.0 Output

The results of the ARDL bounds testing approach as shown in table 3 indicates that the F-statistic with a coefficient of 6.104281 is more than the lower bound value 2.79 and upper bound value of 3.67 at 5% level of confidence. Thus, there was presence of long run relationship established in the study. This is also evidenced in the case 2 of the table 3. Also, all of the variables have significant t-bound distributional relationship. Therefore, the empirical findings provide that there is long run relationship between macroeconomic components and Nigerian capital market.

**Decision rule:** We reject null hypothesis of no co-integration relationship. We thus, accept and conclude that the macroeconomic variables have long-run equilibrium effect on Nigerian capital market.

### 4.3 Test of Hypotheses

**Table 4.** Error Correction Regression Model Result for RGDP and MC

Dependent Variable: MC				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
<b>RGDP</b>	<b>237.1041</b>	<b>40.09806</b>	<b>5.913107</b>	<b>0.0000</b>
DC	471.8026	248.8925	1.895608	0.0671
PI	0.808760	0.350033	2.310523	0.0275
ECM(-1)	0.383906	0.165997	2.312720	0.0273
C	-4600623.	907602.3	-5.068986	0.0000
R-squared	0.952909F-statistic			161.8829
Adjusted R-squared	0.947022Prob(F-statistic)			0.000000
Durbin-Watson stat 1.823790				

Source: E-view 10.0 Output

In table 4, the  $R^2$  and Adjusted  $R^2$  both showed 95.29% and 94.70% respectively. This shows that the chosen regression model best fits the data at 95.29%. Hence, the goodness of fit regression model of 95.29% implies that chosen explanatory variables explain variations in the dependent variables to the tune of 95.29%. Also, with a high Adjusted  $R^2$  (94.70%) implies that the model can take on more variables conveniently without the  $R^2$  falling beyond 95.29%, which is high. The F-statistics of 161.8829 is considered very good being positive and significantly large enough and it shows that there is significant positive relationship between the dependent and explanatory variables. The overall probability (F-statistics) of 0.00054 is rightly signed and very significant and displays a Durbin-Watson of 1.823790 is considered good and does not show the presence of autocorrelation on the chosen data.

#### Model One

##### Test of Hypothesis One (1)

$H_1$ : Gross Domestic Product have significant relationship with market capitalization in Nigeria.

However, the component of real gross domestic product (RGDP) has t-statistic value of 5.913107, and p-values of 0.0000 was found to have a significant relationship with the Nigerian capital market and this impact is both significant and positive for RGDP at 5% significance level since its p-value is well below 0.05. Past level of economic growth position also influenced the present capital market position in Nigeria as indicated in the results. The error correction model is rightly signed as the negative result also confirm the expectations of error correction position in the result. Thus, the study holds that economic growth boost Nigerian capital market within the period of the study.

**Decision rule:** We reject null hypothesis of no significant relationship. Thereby, accepting the alternative that there is significant impact of Nigerian economic growth (RGDP) on the Nigerian capital market.

#### Model Two

##### Test of Hypothesis Two (2)

$H_2$ : There is significant relationship between Domestic Credit and market capitalization in Nigeria.

The component of domestic credit (DC) has t-statistic value of 1.895608, and p-values of 0.0671 was found to have an insignificant relationship with the Nigerian capital market and this impact is both insignificant and positive for DC at 5% significance level since its p-value is well above 0.05. Past level of domestic credit position also influenced the present capital market position in Nigeria as indicated in the results but insignificantly. The error correction model is rightly signed as the negative result also confirm the expectations of error correction position in the result. Thus, the study holds that domestic credit boost Nigerian capital market but insignificantly within the period of the study.

**Decision rule:** We accept the null hypothesis of no significant relationship between domestic credit and Nigerian capital market. Thereby, rejecting the alternative hypotheses.

#### Model Three

##### Test of Hypothesis Three (3)

$H_3$ : Portfolio Investment have significant relationship with market capitalization in Nigeria.

The component of Portfolio Investment (PI) has t-statistic value of 2.310523, and p-values of 0.0275 was found to have significant relationship with the Nigerian capital market and this impact is both significant and positive for PI at 5% significance level since its p-value is well below 0.05. Past level of portfolio investment position also influenced the present capital market position in Nigeria as indicated in the results. The error correction model is rightly signed as the negative result also confirm the expectations of error correction position in the result. Thus, the study holds that portfolio investment boost Nigerian capital market but significantly within the period of the study.

**Decision rule:** We reject the null hypothesis of no significant relationship between portfolio investment and Nigerian capital market. Thereby, accepting the alternative hypotheses which states that portfolio investment significantly Nigerian capital market.

**Model Four**

**Test of Hypothesis Four (4)**

H<sub>4</sub>: Macroeconomic variables have significant effect on market capitalization in Nigeria.

**Table 7.** Granger Causality Result for macroeconomic variables and MC

Null Hypothesis:	Obs	F-Statistic	Prob.
RGDP does not Granger Cause MC	36	14.7525	3.E-05
MC does not Granger Cause RGDP		0.34688	0.7096
DC does not Granger Cause MC	36	6.02259	0.0062
MC does not Granger Cause DC		15.1568	3.E-05
PI does not Granger Cause MC	36	3.14841	0.0569
MC does not Granger Cause PI		9.61210	0.0006

Source: *E-view 10.0 Output*

The granger causality results showed a uni-directional causality effect from RGDP to MC (with p-value of 0.00003) without a feedback effect from MC to RGDP (since all the p-value 0.710 is more than the 5% chosen level of significance). However, the other macroeconomic variables in DC and PI were also able to granger cause a significant change in MC with p-values of 0.006 and 0.056 with a corresponding granger effect of MC to DC and PI with p-value of 0.00003 and 0.0006 respectively. Hence, there is a significant causal effect from macroeconomic variables on Nigerian market capitalization.

**Decision:** the study therefore reject the null hypothesis of no significant effect to accept the alternative that states that macroeconomic variables granger cause significant effect on Nigerian capital market.

**5. DISCUSSION OF FINDINGS**

This study examined the impact of macroeconomic variables on Nigerian capital market from 1981 to 2018 with a view to affirming or refuting the nexus that macroeconomic variables in economic growth (RGDP), domestic credit (DC) and portfolio investment (PI) influences necessary change on Nigerian capital market. The discussions are made in line with the objectives of the study as follows;

**Gross Domestic Product (GDP) and market capitalization of Nigeria.**

The findings showed that real gross domestic product improve funds availability in the Nigerian capital market, and the overall impact was positive and significant on the overall market capitalization in Nigeria. This finding is supported by the findings of Chude, Ifurueze and Chude (2015) who discovered that macroeconomic components (GDP, INFR & MPR) improve the returns in the Nigerian stock market. Asekome and Agbonkhese (2015) further confirm the relevance of macroeconomic components in the development and financial sagacity of the capital market.

**Domestic credit (DC) and market capitalization of Nigeria.**

The findings showed that domestic credit improve funds availability in the Nigerian capital market, and the overall impact was positive but insignificant on the overall market capitalization in Nigeria. Thus, the position of our findings is supported by the findings of Nkechukwu, Onyeagba and Okoh (2013) who further confirm the exquisite insignificance of macroeconomic component in domestic credit to the development and financial sagacity of the capital market in market capitalization but contradicted by Chude, Ifurueze and Chude (2015) and Asekome and Agbonkhese (2015).

**Portfolio investment and market capitalization of Nigeria.**

The findings also showed that portfolio investment improve funds availability in the Nigerian capital market, and the overall impact was positive and significant on the overall market capitalization in Nigeria. This finding is supported by the findings of Mostofa and Afrida (2017) who considered gross domestic product (GDP), consumer price index (CPI), inflation rate (INFR) and foreign direct investment inflows (FDI) as proxy of macroeconomic determinants while also considering market capitalization (MC), total issued capital (TIC) and market turnover (MTR) as proxy for institutional determinants of capital market performance of Dhaka Stock Exchange discovered from multiple regression technique that both institutional and macroeconomic variables significantly influence the capital market performance. Thus, the position of our findings is supported by the findings of Mostofa and Afrida (2017), Chude, Ifurueze and Chude (2015) and Asekome and Agbonkhese (2015) further confirm the relevance of macroeconomic components in the development and financial sagacity of the capital market in market capitalization but contradicted by Garg and Karla (2018), Nkechukwu, Onyeagba and Okoh (2013) and Adekunle, Alalade and Okulenu (2016).

**Ascertain the effect of macroeconomic variables on market capitalization in Nigeria.**

The causality findings showed that macroeconomic variables affect funds availability in the Nigerian capital market, and the overall effect was positive and significant on the overall market capitalization in Nigeria and vice versa. This finding is supported by the findings of Ndlovu, Faisal, Resatoglu and Türsoy (2018) who assessed association of macroeconomic variables: inflation (INF), Money supply growth (M3), Interest rates (IR) and USD ZAR exchange rate (EX) using quarterly data from the year 1981Q1 to 2016 Q4 on stock price for the Johannesburg Stock Exchange South Africa with the results of the causality shocks in the stock price and exchange rate shocks proving to have an impact on changes in themselves, also the

impulse response function further confirmed causal relationships between the variables and the stock price. Thus, this study revealed in line with the findings of previous studies that macroeconomic variables affect the position of the capital market in Nigeria.

## 6. CONCLUSION AND RECOMMENDATIONS

Macroeconomic variables which can either be foreign or domestic components occupy a strategic position in the economies of both developing and developed countries of the world and those of the emerging capital market of the world whose interest is to achieve efficient capital market position. Thus, this study used a more dynamic and robust analytical tool that captured the time series nature of the data collected to ascertain the influence of macroeconomic variables on market capitalization of Nigeria. Based on the findings of the study and summary of findings, the study concludes that macroeconomic variables significantly influence the Nigerian capital market efficiently within the period under study. There is therefore a need for domestic actions to be taken by policy makers on macroeconomic components. The activities in the economy should be improved upon to further stir the impact of economic growth on the market capitalization in the Nigerian capital market. The Domestic credit has not improved the capital market position thus, the issue of domestic credit instruments should be reduced to boost the efficiency of activities in the capital market so as to generate further market capitalization within the economy. Policy makers should look for other measures to control possible excess flow of funds in the capital market but not necessarily domestic credit. The portfolio investment has built sagacity of the funds' availability in the capital market and this has improved the components of Nigerian capital market. Thus, government should encourage portfolio investment in the capital market by ensuring that the best support and foundation is provided for the capital market to thrive. Finally, the macroeconomic components should generally be monitored and supported in every possible means to create an efficient productivity which will enhance improved activities in the components of the capital market as a result of growing macroeconomic components in Nigeria.

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