Capital Market and Wealth Creation: The Nigerian Experience

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Abstract

To attain economic growth and achieve optimum diversification, the capital market has been widely recognized to be a major driver and catalyst. This is due to its ability to develop competence and skills for various sectors of the economy by providing access to finance to each sector for the production of goods and services. This study examined the role of the Nigerian capital market in creating wealth for individuals, firms and government. The study used data that were sourced from various annual bulletins of Central Bank of Nigeria, Securities and Exchange Commission and National Bureau of Statistics between 1990 and 2014. To capture the impact of capital market on wealth creation in Nigeria, the explanatory or independent variables used are market capitalization, value of transaction, total listed equity and gross domestic product while the dependent variables used are per capita income, rate of poverty and rate of unemployment. The results of data analysis reveal that all the explanatory variables jointly predict wealth creation. The findings of the study conform to the positions of similar previous studies that capital market variables adequately explain wealth creation indicators in Nigeria. Although, the Nigerian capital market has the potential to significantly develop the economy by creating wealth for Nigerians, little has it achieved in this regard as many Nigerians still live below poverty line. This study therefore concludes that Nigerians have not benefited immensely from the capital market despite its overwhelming potentials for economic development. Consequently, it is recommended that the regulators of the capital market embark on adequate sensitization of the public, innovate products and services that are affordable and friendly to low-income earners as well as small and medium scale enterprises. The capital market may expand its services by establishing a third tier market with more convenient and favourable listing requirements. This would further deepen the market capitalization and trigger improvements in the socio-economic indices of the country.

Keywords: capital market, wealth creation, economic development, poverty, unemployment

Introduction

Across all spectra of rankings, a significant barometer in measuring a nation's strength amongst comity of nations is the level of development. Meanwhile, a nation only witnesses development when it sustainably improves the economic, social and political well-being of its people. Poverty reduction and improvement of standard of living of citizens are thus, critical issues faced by every nation. According to Adegbaju (2008), one of the most powerful tools of reducing poverty and increasing the standard of living in developing countries is the capital market. The capital market serves as a veritable medium through which funds are efficiently channeled from providers to seekers of funds. To attain economic growth and achieve optimum diversification, the capital market has been largely recognized to be a major driver and catalyst. This is due to its ability to

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develop competence and skills for various sectors of the economy by providing access to finance to each sector for the production of goods and services. Ndako (2010) asserts that the capital market is a complex economic institution which promotes efficiency in capital formation and allocation. Thus, it provides a platform for economic growth and wealth creation through the multifarious services it renders. Notable among these services are: liquidity creation, information dissemination, savings mobilization, application of funds to reviving ailing or critical sectors and engendering sound corporate governance (Obadan, 1995 & Okereke-Onyiuke, 2000).

Awogbenle and Iwuamadi (2010) observe that Nigeria has a youth population of eighty million which represents sixty percent of her total population. Of these youths, sixty four million are unemployed while one million six hundred thousand are under-employed. Furthermore, National Bureau of Statistics (2015) reported that about 33% of Nigerians live below the poverty line of $1 per day and a large chunk of this figure are the unemployed youths. In fact, research has shown that many of these unemployed youths have entrepreneurial skills at their disposal but lack long-term capital to transform these skills into profitable projects. Majority of these entrepreneurial youths rely largely on trade credits, short term borrowings from family, friends and commercial banks to actualize their ideas. However, these funds provide little or no solution in sight as they tend to do more harm than good, particularly when repayment period is short. This situation has further exacerbated the plights of these poor unemployed Nigerians as they continue their endless search for better avenues to creating wealth.

Although, the capital market provides an avenue to meet the long term requirements for funds, particularly for wealth creation, its impact in this regard still leaves much to be desired. Hence, the general objective of this study is to investigate the contributions of the Nigerian capital market towards engendering a socio-economic development vis a vis wealth creation. Specifically, objectives of the study are to examine the impact of capital market variables on per capita income, unemployment rate and poverty rate in Nigeria. Several studies in the past had delved into examining the role of capital market as a channel for efficient financial intermediation. Many of these studies (Osamwonyi, 2005; Afees and Kazeem, 2010; Adaramola and Kolapo, 2012; Odetayo and Sajuyigbe, 2012) agree to the view that efficient financial intermediation via the capital market is crucial for economic development due to the services it renders. However, a major distinction between this present study and other previous studies lies in the variables adopted and scope covered. Findings from this study therefore seek to furnish the Nigerian government, especially capital market authorities on the need to formulate favourable financial and economic guidelines to allow the capital market perform better in increasing the standard of living of the people, particularly entrepreneurs who seek long term funds. In fact, such policies and guidelines would propel the capital market towards attaining global amiable standards.

Literature Review

In this section, the relevant literatures on capital market and wealth creation are reviewed. The section is composed of conceptual framework, theoretical framework and empirical evidences.

Conceptual Framework: Capital Market and Wealth Creation

According to Investopedia (2015), capital markets are markets for buying and selling of equity and debt instruments. It is a system created for facilitating long term credit instrument through the implementation of viable projects that help develop the economy. According to Kohn (1999), the capital market is a market for long-term finance where investors devote their money now in exchange for more returns in the future. These returns could be time bound (i.e. have maturity periods) depending on the nature of instrument and motive for the investment (Osaze, 2007). For instance, instruments such as long-term loans, mortgage bonds, federal government development stock, industrial loans and debentures have varying maturity periods while preference stocks and ordinary shares are virtually held into perpetuity except they are *ab initio* specified to be redeemable. These instruments are issued by businesses, government and individuals to source for funds from the surplus segment of the economy. The capital market is thus, a network of specialized financial institutions, series of mechanisms, processes and infrastructure that, in various ways, facilitate the bringing together of suppliers and users of medium to long-term capital for investment in socio-economic developmental projects (Gaumnitz & Dougall, 1975).

A major attribute of entrepreneurs is the ability to create wealth. Wealth creation occurs when an individual or firm systematically invests the surplus earned on current income into other income generating outlets; such surplus signifies excess income earned above what is required for survival. Such excess income is used further to acquire assets or factors of production necessary for the generation of more income. Wealth creation is therefore *"a way of amassing assets and property that is a surplus to the requirement for survival"* (Investopedia, 2015). Smith (1904) opined that wealth creation is a critical tool for any economy to tackle poverty and increase standard of living; it can be achieved through investments in physical assets and/or securities in the financial market (money or capital market). In either case, the most attractive option for wealth creation is investment in securities, especially government development stocks and bonds issued by blue-chip companies. This is because such securities are relatively safer than other traded securities, although with lower yields. Hence, they are termed 'gilt-edged' securities. Due to the various financial needs of individuals, firms and government, the capital market becomes very crucial for wealth creation in the economy. This is because the capital market facilitates the intermediation process and ensures efficient allocation of funds provided by investors (Mohamed, 2009).

Theoretical Framework

Financial theory suggests that a relationship exists between the functions of the Nigerian capital market and wealth creation. This relationship is not unconnected with the long-term debt and equity finance provided by the capital market to productive investments with a view to creating wealth. These functions, among others, are herein discussed using the financial intermediation theory.

Financial Intermediation Theory

The financial intermediation theory explains the relationship between the financial market and wealth creation; the theory is of the view that the financial market should provide a mechanism for the mobilization of savings from the surplus unit and allocation of the savings mobilized to

the deficit unit i.e. the mobilization and transfer of savings from the fund-owners to investments that promise better and higher returns on investment (McKinnon, 1973). This arrangement enhances productive activities and positively influences aggregate wealth in the economy. Capital market plays crucial roles in the financial intermediation process. It provides an avenue for bringing two or more entities into a long term contractual relationship. Its financial intermediation role also extends to providing liquidity to ailing firms when the need arises. Hence, the capital market complements the traditional lending institutions by providing equity capital and debt. This offers an opportunity for all entities to mobilize huge amounts of financial resources from the general public through the sale of financial securities.

Empirical Evidences

The role of the capital market in promoting economic development has generated many concerns in literature. Efforts are made under this subsection to highlight some of the notable empirical studies in this regard.

Osaze (2007) examined the impact of the stock market activities on economic growth in Nigeria by employing data from the period 1980 to 2007; data were analyzed using ordinary least squared regression method. The findings revealed that changes in the stock market variables adequately explained economic growth indicators in Nigeria.

Adegbaju (2008) examined the role of the Nigerian stock market in achieving vision 2020; the ultimate aim of vision 2020 is to improve the standard of living of the average Nigerian. He applied co-integration and error correction modeling to stock market performance and per capita income using time series data. His findings indicated the separate roles played by the primary capital market and the secondary capital market in the lives of Nigerians and that while activities in the secondary capital market tend to grow the Nigerian economy through its wealth effect, activities of the primary market ironically did not.

Donwa and Odia (2010) investigated the impact of the Nigerian capital market on socio-economic development from 1981 to 2008. The socio-economic development was represented by the gross domestic product (GDP) while the capital market variables used included market capitalization, total new issues, volume of transaction and total listed equities and Government stock. Data were analyzed using the ordinary least square and it was found that the capital market indices had no significant impact on the GDP.

Employing ordinary least square method of regression and the Johansen co-integration analysis in investigating the impact of capital market reforms on the Nigerian economic growth between 1981 and 2010, Oke and Adeusi (2012), found that capital reforms positively impact the economic growth.

Oluwatosin (2013) examined the impact of Nigerian capital market on economic growth and development between 1999 and 2012. Ordinary least square method of regression analysis was used to analyze the data. The study found that the capital market indices have not significantly impacted on the GDP and that the Nigeria capital market has the potential to grow the economy

but it has not contributed meaningfully in this respect due to low market capitalization, low absorptive capitalization, illiquidity, and misappropriation of funds among others.

Ngerebo-a and Torbira (2014) examined the issue of magnitude and direction of relationship between capital market performance indicators and gross fixed capital formation in Nigeria from 1980 to 2011. The Augmented Dickey-Fuller was employed and the test results indicated that the data used achieved stationarity after a first differencing at the order 1(1). The analysis revealed the existence of positive and significant long run relationship between capital market activities and gross fixed capital formation in Nigeria. The Granger causality test results also revealed that there is a unidirectional causality flowing from gross fixed capital formation (GFCF) to market capitalization which suggested that growth in GFCF could raise the value of listed securities, boost the value of the firms, increase the prices of listed equities and enlarge the size of the country's capital market.

Gimba (2015) assessed the effect of monetary policy variables on savings, national income and investment in Nigeria. The study explored the significance of this channel using VAR model, the conclusion drawn from the test was that one of the monetary variables such as money supply exert a significant impact on the real sector economy. The main implication drawn from these results was the importance of monetary policy channel in regulating real sector economy in Nigeria and that the effect of money supply shocks on real sector variables are similar and seem to be significant.

Based on the above empirical evidences, it would be observed that previous studies, particularly those within Nigeria had examined the role of capital market from a macro perspective, ignoring its influence on the wellbeing of individuals who account for the growth of the economy. The issue of development to every nation is inevitable and thus revolves around every economy in the world. It is therefore fundamental to engage in studies like this in order to create an avenue for sound policy direction aimed at promoting wealth creation amongst individuals through the capital market. Furthermore, this study seeks to widen the scope and variables covered in previous studies with a view to providing an up-to-date analysis on variables adopted. In light of this gap, this study would provide a better orientation to government and market authorities on the need to deepen the activities of the capital market in order to encourage individuals to take advantage of its numerous products.

Methodology

This study examined the roles of the capital market in wealth creation. The data used in this study were obtained mainly from secondary sources. Data were collected from the Nigerian Stock Exchange bulletin (NSE), Securities and Exchange Commission (SEC) bulletin, Central Bank of Nigeria (CBN) statistical bulletin and World Bank reports.

To capture the effect of capital market on wealth creation in Nigeria, the explanatory or independent variables used are market capitalization, value of transaction and total listed equity while the dependent variables used are per capita income, rate of poverty and rate of unemployment. The data covered the period between 1990 and 2014 with a view to examining

the impact of the capital market on wealth creation after the adoption of the structural adjustment programme introduced by the then military government in late 1980s, as part of the conditions for obtaining loan from the International Monetary Fund (IMF). All variables were taken on annual basis from various issues of Central Bank and World Bank reports. The study adopted descriptive and inferential approaches to presenting the hypothesis. The research work focused on the measurement of variables contained in the research which has to do with the assessment of the role of the capital market in wealth creation in Nigeria. The definitions of the variables that are used in the model are based on the regression model developed in the study. The three variables MCAP, VOT and TLE represent capital market, while the variable PCI, PR and UR represent wealth creation.

By way of preliminary test, the study employed Augmented Dickey Fuller (ADF) unit root tests in ascertaining the stationary state of the time series variables. In addition, to test the existence of long-run relationships among the variables, the study employed the Engle-Granger co-integration tests. Lastly, Fully Modified Least Squares Regression Techniques was used to test the hypotheses. This technique is appropriate for achieving the set objectives of the study. Choice of this technique is because it produces optimal results in predicting numeric output when properly structured (Gujarati, 2012).

The model used in this study is based on Demirgüc-Kunt and Levine (1996) theory on the relationship between stock market earnings and economic growth; it is modified to measure the role of the capital market on wealth creation in Nigeria. The models for this study are specified as follows:

$WC = f(CPM)$
$WC = f(MCAP, VOT, TLE)$
For hypothesis one:
$PI_t = \alpha + \beta_1 MCAP_t + \beta_2 VOT_t + \beta_3 TLE_t + \mu_t$……... (i)
For hypothesis two:
$PR_t = \alpha + \beta_1 MCAP_t + \beta_2 VOT_t + \beta_3 TLE_t + \mu_t$…… (ii)
For hypothesis three:
$UR_t = \alpha + \beta_1 MCAP_t + \beta_2 VOT_t + \beta_3 TLE_t + \mu_t$…… (iii)
Where:
CPM = Capital Market
WC = Wealth Creation
PI = per capita income
UR = unemployment rate
PR = poverty rate
α = constant
β = coefficient of the independent variable
MCAP = market capitalization
VOT = value of transaction
TLE = total listed equity
t = time dimension 1,…, T
α = is the constant

$\beta_1 - \beta_3$ = co efficient of the independent variables or parameters with unknown values
μ_t = error terms.
a priori expectation: $\beta_1 - \beta_3 > 0$
Decision rules: the null hypothesis should be rejected if the calculated p-value is less than 0.05 significant level, otherwise accept.

Definition of Variables
The following variables are of great concern to this study and therefore discussed below**.**

Capital Market Variables:

i. **Market Capitalization:** This is the aggregate value of all listed securities based on their current market prices. It is a unique index which portrays the economic significance of a nation. According to Olaniyi, Sakariyahu and Ariyo (2016), the market capitalization is a factor which exhibits the ability of a nation to harness both local and foreign resources with a view to diversifying risk. An increase in its value suggests an improvement in investors' confidence, capital gains for investors and by implication, economic growth. As at June 2014, total market capitalization in Nigeria stood at 11.49trillion naira (NSE, 2014).

ii. **Value of Transactions:** This refers to the total worth of trading deals consummated on the floor of the Exchange on a daily basis. The value of transaction reveals the amount of shares disposed by investors to prospective buyers through the secondary market. When there are many investors willing to dispose their shares than the prospective buyers (that is, supply is greater than demand), the price of the shares of the company may decline. Hence, an increase in value of transactions stimulates confidence in the operations of the capital market.

iii. **Total Listed Equities:** The number of listed companies in the Nigerian capital market stood at 180 as at 2014 (NSE, 2014). These are companies that have duly complied with SEC requirements for listing and have been admitted into the floor of the exchange, thereby allowing them to issue shares to members of the public. Despite over 50years of existence, the Nigerian capital market still remains shallow compared to other countries in Sub-Saharan Africa in terms of listing; although, it has witnessed significant growth in terms of equity listings overtime. Edame and Okoro (2013) observed that an increase in number of listed equities could help reduce a nation's unemployment rate. This is because listed firms have opportunities to raise funds for expansion, modernization and diversification; thus creating new jobs for the active population, improving per capita income and reducing poverty.

Wealth Creation Variables:

iv. **Per capita income:** This refers to the average income earned by an individual in a geographical area in a particular year. The capital market provides an avenue to raise funds for developmental purposes aimed at improving living standards. Hence, the use of per capita income in this study is to ascertain whether variables of the capital market have had any effect on the improvement (or otherwise) of the living standards of the people. As at 2014, average per capita income in Nigeria stood at $2,548 (NBS, 2014).

v. **Unemployment rate:** This refers to the percentage of total labour force actively seeking employment and willing to work but is unable to get job. The purpose of the capital market is to allow firms raise funds for growth; expansion brings about new or improved products which require the hiring of more hands. This study therefore adopts unemployment rate as a variable of concern in order to assess the contribution of the capital market towards reducing unemployment. Unemployment rate in Nigeria as at 2014 stood at 7.8% (NBS, 2014).

vi. **Poverty rate:** This refers to the proportion of people whose income falls below the poverty line. According to the National Bureau of Statistics (2015), about 33% of Nigerians live below the poverty line of $1 per day. Despite the presence and growth of the capital market, it is appalling to have Nigeria as one of the poorest nations in the world; hence, this study seeks to establish a nexus between the capital market and poverty rate in Nigeria**.**

Data Analysis and Findings

In this section, the study presents and interprets the results of data collected for the study. This section is divided into three: first, test for stationarity of the variables was conducted with the use of augmented dickey-fuller (ADF), followed by Johansen co-integration test which is used to test for long term variance among the variables. The last section covers the presentation and interpretation of estimated parameters with the use of fully modified least square regression analysis (co-integration regression) as specified above. From the models estimated, the research hypotheses are tested to achieve the objectives of the study.

Preliminary Analyses

Table 1: Descriptive statistics

	MCAP	VOT	TLE	PCI	UR	PR
Mean	4063.260	906344.5	893833.3	967.7545	17.83600	60.00240
Median	763.9000	59406.70	451847.0	457.3981	16.10000	58.05000
Maximum	16875.10	13347831	3535493.	3203.245	28.00000	73.91000
Minimum	15.90000	225.4000	39103.00	153.0756	7.800000	53.43000
Std. Dev.	5227.144	2658849.	1031272.	975.9532	5.820430	6.867648
Skewness	1.071752	4.341346	1.231699	1.230657	0.168740	0.859033
Kurtosis	2.809201	20.82004	3.596128	3.021229	1.717937	2.456839
Jarque-Bera	4.823971	409.3155	6.691351	6.310956	1.830811	3.382054
Probability	0.089637	0.000000	0.035236	0.042618	0.400354	0.184330
Sum	101581.5	22658613	22345832	24193.86	445.9000	1500.060
Sum Sq. Dev.	6.56E+08	1.70E+14	2.55E+13	22859634	813.0576	1131.950
Observations	25	25	25	25	25	25

Source: Author's computations 2016

Table 1 presents the descriptive statistics of the variables which include: Mean, Median Maximum, Minimum, standard deviation value of the data. Jarque-Bera figure shows the result of test of normality of the data (i.e. parametric and non-parametric test), the result shows that some of the variables do not follow normally distribution (parametric in nature).

Table 2: Result of Unit Root Test Augmented Dickey-Fuller (ADF)

Variables	t-statistics	5% Significance level	Order of integration
Market Capitalization (MCAP)	-5.2841	0.0003	I(1)
Value of transaction (VOT)	-10.7414	0.0000	I(1)
Total listed equity (TLE)	-6.1344	0.0000	I(1)
Per capita income (PCI)	-5.3453	0.0003	I(1)
Poverty rate (PR)	-6.9242	0.0000	I(1)
Unemployment rate (UR)	-3.6883	0.0115	I(1)

Source: Author's computations 2016

Most often time series data are trended and therefore in most cases are non-stationary. The problem with non-stationary or trended data is that the standard OLS regression procedures can easily lead to incorrect conclusions. It is imperative therefore, to perform unit root test in order to avoid spurious regression and also to confirm their order of integration. Regression becomes spurious when both the dependent and independent variable (s) are not stationary at level (Gujarati, 2012). A spurious regression usually has a very high R^2, t statistics that appear to provide significant estimates, but the results may have no intuitive meaning whatsoever. This is because the OLS estimates may not be consistent, and therefore the tests of statistical inference are not valid.

To avoid the aforementioned problems, augmented dickey-fuller (ADF) unit root tests was conducted in this study and the result is presented in table 1 above.

The result of ADF test indicates that all the variables MCAP, VOT, TLE, PCI, UR and PR of the series are integrated of order one i.e I(1). Based on this, the study is on the basis of the result of the ADF unit root test that all the variables series are stationary at first difference. This indicates that there is presence of short term variance among the variables.

However, as suggested by Engle and Granger (1987), there could be a form of long run relationship amongst variables in the model, even though they are first difference-stationary. This possibility informs the need to conduct the co-integration test, which is presented below.

Table 3: Johansen Co-integration Test: Unrestricted Co-integration Rank Test (Trace)

Hypothesized No. of CE(s)	Eigenvalue	Trace statistic	0.05 Critical value	Prob
None	0.9903	272.85	83.937	0.0000
At most 1	0.9317	166.25	60.061	0.0000
At most 2	0.8755	104.54	40.175	0.0000
At most 3	0.8487	56.626	24.321	0.0000
At most 4	0.4332	13.186	12.321	0.0557
At most 5	0.0056	0.1287	4.1299	0.7674

Source: Author's computations 2016

Table 3 shows the result of Johansen co-integration test among the variables, and the result shows that there is presence of co-integration among the variables at most 3. This implies that long term variance exists among the variables. At this point, it is suitable to use co-integration regression techniques in testing of the hypotheses.

Regression Results and Hypotheses Testing:

Table 4: Capital Market and Per capita income (PCI)

Variable	coefficient	Std. error	t-statistics	Prob.
Constant (C)	3.0060	1.5139	1.9855	0.0610
MCAP	0.2654	0.0656	4.0432	0.0006
VOT	0.0008	0.0003	2.1783	0.0459
TLE	7.9892	2.5826	2.2526	0.0351
R^2	0.7962			
Adj R^2	0.6656			
S.E regression	4.7806			

Source: Author's computations 2016

Table 4 shows the linear relationship between capital market and Per capita income (PCI) with the use of fully modified least squares (FMOLS) regression analysis. The results obtained from the static model indicates that the overall coefficient of determination R-squared (R^2) shows that the equation has a good fit with 79.6 percent of variations in Per capita income (PCI) explained by the variables in the equation.

In terms of the sign of the coefficient that signify the impact of capital market on Per capita income (PCI), it shows that the three variables: market capitalization (MCAP), value of transaction (VOT) and total listed equity (TLE) concur with *a priori* with positive sign, this implies that there is direct relationship between market capitalization (MCAP), value of transaction (VOT), total listed equity (TLE) and per capita income (PCI). The coefficients of market capitalization (MCAP), value of transaction (VOT), total listed equity (TLE) have significant effect on per capita income (PCI) as indicated by coefficient (0.2654, 0.008 and 7.9892) with prob (0.0006, 0.0459 and 0.0351) respectively at 5% significance level. This implies that ₦1 change in market capitalization will induce ₦0.26 positive change in per capita income, ₦1 change in value of transaction will induce ₦0.008 positive change in per capita income, and a change in listed equity will induce ₦7.99 positive change in per capita income. Overall, capital market clearly has significant effect on standard of living in Nigeria.

Table 5: Capital Market and Poverty rate (PR)

Variable	coefficient	Std. error	t-statistics	Prob.
Constant (C)	59.498	1.6992	35.016	0.0000
MCAP	-0.0246	0.0074	3.3470	0.0032
VOT	-0.1472	8.5153	-1.3430	0.1943
TLE	-8.9377	2.8894	-3.1003	0.0056
R^2	0.6180			
Adj R^2	0.5307			
S.E regression	5.6498			

Source: Author's computations 2016

Table 5 shows the linear relationship between capital market and rate of poverty, with the use of fully modified least squares (FMOLS) regression analysis. The results obtained from the static model indicates that the overall coefficient of determination R-squared (R^2) shows that the equation has a good fit with 61.8 percent of variations in rate of poverty explained by the variables in the equation.

In terms of the sign of the coefficient that signify the impact of capital market on rate of poverty (PR), it shows that the three variables: market capitalization (MCAP), value of transaction (VOT) and total listed equity (TLE) do not concur with *a priori* with negative sign, this implies that there is inverse relationship between market capitalization (MCAP), value of transaction (VOT), total listed equity (TLE) and rate of poverty (PR).

The coefficients of market capitalization (MCAP) and total listed equity (TLE) have significant effect on rate of poverty (PR) as indicated by coefficient (0.0246 and 8.9377) with prob (0.0032 and 0.0056) respectively at 5% significance level. This implies that ₦1 change in market capitalization will induce 0.02% negative change in rate of poverty (PR) and an increase in listed equity will induce 8.94% negative change in rate of poverty (PR). While value of transaction does not has significantly effect on rate of poverty as indicated by coefficient of (1.1472) with prob (0.1943) at 5% significance level. These findings therefore show that capital market activities clearly have significant effect on poverty alleviation in Nigeria.

Table 6: Capital Market and unemployment rate (UR)

Variable	coefficient	Std. error	t-statistics	Prob.
Constant (C)	0.0014	0.0008	1.7312	0.0988
MCAP	-2.0106	0.1919	10.4798	0.0000
VOT	-2.1354	0.9620	-2.2206	0.0381
TLE	-6.5865	3.2572	-2.0225	0.0567
R^2	0.7165			
Adj R^2	0.6140			
S.E regression	5.1414			

Source: Author's computations 2016

Table 6 shows the linear relationship between capital market and rate of unemployment, with the use of fully modified least squares (FMOLS) regression analysis. The results obtained from the static model indicates that the overall coefficient of determination R-squared (R^2) shows that the equation has a good fit with 71.6 percent of variations in rate of unemployment explained by the variables in the equation.

In terms of the sign of the coefficient that signify the impact of capital market on rate of unemployment (UR), it shows that the three variables: market capitalization (MCAP), value of transaction (VOT) and total listed equity (TLE) do not concur with *a priori* as shown in the negative signs; this implies that there is inverse relationship between market capitalization (MCAP), value of transaction (VOT), total listed equity (TLE) and rate of unemployment (UR).

The coefficient of market capitalization (MCAP) and value of transaction (VOT) have significant effect on rate of unemployment (UR) as indicated by coefficient (2.0106 and 6.5865) with prob (0.0000 and 0.0381) respectively at 5% significance level. This implies that ₦1 change in market capitalization will induce 2.01% negative change in rate of unemployment (UR) and ₦1 change in value of transaction will induce 6.59% negative change in rate of employment (UR). Listed equity does not have significant effect on rate of unemployment as indicated by coefficient of (6.5865) with prob (0.0567) at 5% significance level. These results therefore reveal that capital market activities clearly have significant effect on job creation in Nigeria.

Overall, the result of the R^2 at 5% level of significance revealed that capital market have significant effect on wealth creation in Nigeria. This position is consistent with the findings of Osaze (2007); Adegbaju (2008); Donwa and Odia (2010); Emeh and Chigbu (2014); Oluwatosin (2013); Ifionu and Omojefe (2013) and Ngerebo-A and Torbira (2014).

Conclusion and Recommendations

This study investigated the impact of capital market on wealth creation in Nigeria. To achieve this, models were formulated which regressed stock market performance indicators on per capita income, unemployment rate and poverty rate. The result shows that market capitalization, value of transaction and total listed equities jointly predict wealth creation. The findings of the study conform to the positions of similar previous studies that capital market variables adequately explain wealth creation indicators in Nigeria. The Nigeria capital market although has the potential to significantly develop the economy by creating wealth for Nigerians, little has it achieved in this regard as many Nigerians still wallow in abject poverty as evidenced in NBS (2015). This study therefore concludes that Nigerians have not benefited immensely from the capital market despite its numerous potentials for economic development. Consequently, it is recommended that the regulators of the capital market should embark on adequate sensitization of the public on the services rendered by the market and its capability in creating wealth for the masses. This will also help to drive the financial inclusion policy of the government as more citizens would convincingly penetrate the financial system. Furthermore, this study recommends that market authorities innovate products and services that are affordable and friendly to all, depending on the financial needs and capacity. The existence of the second tier or alternative securities market is apt but not sufficient to cater for the financial needs of some fund seekers, particularly the low and middle income small scale entrepreneurs. The capital market may expand its scope to this set of entrepreneurs by establishing a third tier market with a more convenient and favourable listing requirements. This would further deepen the market capitalization; trigger improvements in the socio-economic indices of the country and allow the capital market to compete favourably in the comity of global financial markets.

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