Abstract

The study examined the role of stock market development and foreign direct investment on economic growth in Nigeria, over the period of 1993 to 2017, using data from listed companies in Nigeria. The objectives of the study were to, investigate the trends in the stock market development, foreign direct investment and economic growth, ascertain whether there is a relationship between the level of development of Nigerian stock market and economic growth, determine whether the inflow of FDI has influenced economic growth in Nigeria or not.

The study adopted secondary data using data from the World Development Indicators (WDI) for Nigeria over a period of twenty five years from January 1993 to December 2017. Data were analyzed using E Views 10. The analysis carried out include mean, median, standard deviation, skewness, trends of the variables, unit roots and Autoregressive Distributed Lag (ARDL) bound test.

The findings established with the aids of Autoregressive Distributive Lag (ARDL) bound test that there is presence of long run relationship between the variables under consideration. It was also established that all variables were stationary and predictable at first difference for both FDI and real GDP whereas for market capitalization, variables were stationary at level. In addition, ARDL estimated model result shows that the overall coefficient of determination is 0.89. This means that the independence variable explained about 89% variation in the dependent variable while adjusted coefficient of determination accounted for 83% variation in the dependent variable.

Finally, the study has established that the level of stock market development and foreign direct investment has a positive and significant impact on the economic growth and hence the study concluded that stock market development and FDI enhance economic growth.