Global Journal of Finance and Business Review | *ISSN 1694-450X*
Published by AIR JOURNALS | *https://airjournal.org/gjfbr*
16/18 Avenue des Longaniers, Quatre Bornes, Mauritius
airjournals@gmail.com; enquiry@airjournal.org

RESEARCH ARTICLE

Effects of Global Economic Recession on Capital Market Development, 1981-2021. Short and Long Run Approach from Selected West African States

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Accepted: December 22nd, 2021	Published: December 31st, 2021

Citations - APA

Ndunagu, Victor Chidi & Ezema, Clifford Anene (2021). Effects of Global Economic Recession on Capital Market Development, 1981-2021. Short and Long Run Approach from Selected West African States. *Global Journal of Finance and Business Review, 4(2), 1-8.*

ABSTRACT

The broad objective of this study was to investigate the effect of global economic recession on capital market development in selected African countries. The specific objectives of this study are to measure the effect of global economic recession on total market capitalisation in selected African countries, to determine the effect of global economic recession on all share indexes of in selected African countries, ascertain the effect of global economic recession on the stock market value in selected African countries. Investigate the long-term relationship between global economic recession and capital market development in these selected African countries. Panel least square regression method was used for this analysis. Global economic recession significantly affected total market capitalization of capital market development of these selected African Countries within the period. Global economic recession significantly affected all share index of capital market development of these selected African countries for the period. Global economic recession significantly affected the stock market value of capital market development of these selected African countries for the period. There is a long-run relationship existing between the global economic recession and capital market development in these selected African countries of Nigeria, South Africa and ghana for the period under review. The effect of global economic recession on capital market development could not change the incentive structure and the challenge to develop a near-perfect capital market that will prevent risk-taking behaviour of investors for quick profit-taking on stock market deals so as to enhance government policy in mitigating the economic recession, efforts should be driven by the stimulus to increase capital gains to sustain the stability of the weak global economy of African countries. In order to bring the growth level back to the pre-recession level, all share indexes should be adjusted to reduce higher borrowing costs and lower the levels of credit and capital flow to developing countries. Government should create consumption-driven policies rather than proposing a new economic recession strategy or macro-economic development policy that are not driven by the stock market value of the capital market. Drive for self-subsistence and sustenance by these selected African countries will further be enhanced by taking advantage of the interplay of these capital market development indicators that have shown long-run relationships existing between them so as to improve economic growth in both the short and long run

Keywords: *Economic Recession; Capital Market Development; Stock Market Value*

1. Introduction

The Capital market is at the centre of the economic and financial system and the development of the capital market will lead to growth in the private sector which in turn increases the overall wealth of the economy through wage increase, higher standard of living of employees, business expansion and more tax funds to Governments (Abayaawien & Hussoin, 2018; Abdul, Nor, Abdu & Che, (2017). Capital market represents numerous economic players and entities such as companies and pools of capital because it links the surplus and deficit units of the financial system. An average stock market declines during the economic recession with intense focus and pressure that capital market development will help to improve any economy because it is linked to the surplus and deficit unit of the financial system.

Abebrese & Kamasa (2013) and Acharya, & Richardson, (2010) see the capital market as a component of economic growth which represents numerous economic players and entities such as companies and pools of capital. A recession affects the companies whose shares make up the stock market and it affects the people who invest in those companies' stock because a recession is a slowdown or halt to the economic growth of a country. This can lead to unemployment and lower spending by individuals and companies. Bebrese,(2015).opined that all factors in a recession are interwoven, such as unemployment which leads to less spending by companies and individuals. Companies suffer from lower revenue, lower profits and weaker growth in future. All these factors come into play to determine the value of a stock on a fundamental level. As the companies' businesses suffer, so does their stock market price, leading to the whole capital market crash.

Unfortunately, it is more likely that a break in the economic chain and the other unforeseen factors may cause an arbitrary effect on the overall financial system. An economic recession affects the companies whose shares make up the stock market and also affects the people who invest in those companies' stock as shareholders. Arieff, & Jones (2014), Arodoye (2012) stated that recession is a slowdown or halt to the economic growth of a country which in turn leads to unemployment and lower spending by individuals and companies. All factors in recession are interwoven such as lower revenue, lower profit and weaker growth in the economy. All these factors come into play to determine the value of a stock in a fundamental lend because as the companies' business suffers, so does their stock market price, leading to the whole capital market crash. This has not been so because of the economic recession. Even if a company is weathering the storm of recession, investors might not trust these companies' results and might not trust the overall market because the entire capital market tends to have a general trend. Therefore, when the whole capital market is declining, individual stocks decline as well and it might be considered to have moved to a cash position and liquidate all investments. The resultant effect is a large-scale shift of money out of the capital market and this will cause further stock market declines. (Adebamowo, 2011) and (Adebayo,2016).

The largest players in the capital market are Institutional Investors that have capital pooled from numerous individuals. As a recession is going on, people pull money out of the capital market to meet basic needs, especially, if they are unemployed. Without a job, investment capital can quickly become savings. Investors, who lose faith in the capital market as a viable investment, might abandon the stock market investment option. (Adamu, 2017). Ako, (2018) Akpan, (2017) expressed that government can cushion the effect of global economic recession on Capital Market Development by introducing stimulus packages that will attempt to reverse the recession. This can be done by infusing cash to individuals, local governments and companies to get the economy going, while the recession is also regressing.

The broad objective of this study was to investigate the effect of global economic recession on capital market development in selected African countries. The specific objectives of this study are to: Examine the effect of global economic recession on the market capitalization of capital market development in selected African countries. Determine the effect of global economic recession on all share indexes of capital market development in Selected African countries/ ascertain the effect of global economic recession on the stock market value of capital market development in selected African countries. Investigate the long-term relationship between global economic recession and capital market development in these selected African countries.

2. Review of Related Literature

2.1 Conceptual Framework

Capital Market Development

Adajasi, & Biekpe. (2016) sees capital Market Development as the provision of an avenue where investors meet companies and governments who are interested in raising long-term capital in form of equity and debt. Adamopoulos, (2010). Equally feels that Capital Market Development fulfils the main financial intermediations roll of distributing funds from surplus use to deficit needs. In terms of structure, the capital market is divided into a primary market for new issues and a secondary market for the trading of these securities between investors aimed at expansionary developmental strides.

Capital market development defines how a developed financial system operates, especially in relation to the integration of the capital market with international financial institutions. The development also directly relates to capital market activities of market capitalization, trading and turn-over of securities. In a bid to clearly understand capital market development and decide what constitute a developed and developing or emerging capital market development. (Acquah-Sam, & Salami.2014)

Total Market Capitalization

CBN (2016) defines Total Market Capitalization as the aggregate valuation of a company based on its current share price and the total number of outstanding stocks. It is calculated by multiplying the current market price of the company's share with the total outstanding shares of the company, (Olagunde, Elumilade and Asaolu 2006). It is one of the most important characteristics that help the investor determine the returns and the risk in the share. It also helps investors choose the stock that can meet their risk and diversification criteria. It is also the sum of long-term debt and all other types of equity, such as common stock and preferred stock which forms part of companies' capital structure. It is also the market value of a company's outstanding shares which is stock price multiplied by the total number of shares outstanding. TMC measures the capital market size and it is used to ascertain the level of capital market development relative to the growth of the economy.

All Share Index

Owusu, (2016) defines All Share Index as total market (broad-base) index reflecting a total picture of the behaviour of the common shares quoted on Stock Exchanges and is calculated on a daily basis, showing how the prices have moved. It is a quick measure to judge the overall direction of the market and the scope of its movement. It is an average of share prices of all companies quoted on the stock exchange market, often used as a guide to compare the performance of the different companies, industries and also show the changing average value of the share prices of all companies on the stock exchange which is used as a measure of how well a market is performing. A market index is a quick measure to judge the overall direction of the market and the scope of its movement. Even in the most bullish or bearish markets, there must be stocks that do not move in the same direction as the overall market trend.

Stock Market Value

The Nigerian Stock Exchange (NSE) defines Stock Market Value as the value of the Company based on the Stock Market and it is calculated by multiplying the current market price of a company's stock by the total number of shares traded during the period under review. SMV indicator complements the Total Market Capitalization ratio by showing whether market size is matched by trading volume.

Global Economic Recession

International Monetary Fund (IMF) defines the Global Economic Recession as a drop in the global output which must coincide with a weakening of other macroeconomic indicators, like trade, capital flows and employment. Dickson and Ezirim, (2017) define the Global economic recession as a period of world economic decline and is basically accompanied by a drop in the stock market, an increase in unemployment and a decline in the housing market.

Real Gross Domestic Product (RGDP)

Real GDP is an inflation-adjusted measure that reflects the value of all goods and services produced by an economy in a given year expressed in base-year prices and is often referred to as "constant price", or inflation corrected GDP

or constant dollar GDP. It also accounts for changes in price levels and provides a more accurate figure of economic growth. Real GDP is a measure of a country's total economic output, adjusted for price changes and makes a comparison of GDP from year to year and from different years more meaningful because

2.2 Theoretical Review

Economic Growth Theory

This is a theory propounded by R.M. Solow in 1956. This theory focused on the contribution of capital resources to economic growth. Economic growth is here defined as a process whereby the real per capita income of a country increases over time. This increase is reflected in the amount of goods and services produced in a country over time. Several theories have existed that elucidated the thinking of early scholars and writers on the causes of economic fluctuations and recessions. Tejvan, (2017) stated that the early articulated theories such as the sunspot theory development In Jevons (1884), the cobweb theory in Ezekial (1938) and the Malthusian theory (1798) in addition to early monetary theories by Hawtrey (1913), the under-consumption theory by John A. Hobson, the Marxist theory by Karl Marx, the profit margin and investment theories by Mitchell (1927) and Wicksell (1936) among others. The concept of the drivers of Economic growth has been existing from time immemorial. The models developed by schools of thought of different views can be grouped into exogenous and endogenous.

2.3 Empirical Review

Mesagan, Ogbuji., Alimi, and Odeleye,(2020) The study analyses the growth effect of financial markets in Ghana between 1991-2017. They used Auto Regressive Distributive Lag ARDL bond testing approach to analyse data on Real Gross Domestic Product (RGDP) per capita income of government policy on stock traded, bank credit, market capitalization and Gross Investment. Findings showed the existence of a long-run relationship between both short and long-run financial market indicators and economic growth. Results further confirmed that long-run financial instruments performed better than the short-run instruments in boosting the country's economy in the short-run and positively impacted economic growth in Ghana. The authors recommended that the Bank of Ghana should consider lowering the bank rate to enhance credit, boost domestic investment and improve growth in the long run.

Dzimiri, M. M.(2019) The paper evaluates the contribution of the capital market to the economic growth of Botswana. It dealt with the bond market and stock market using the Botswana Bond Index and the domestic company's Index as proxies respectively. The GDP is a measure of economic growth. A six-year quarterly time series data from 2012-2017 was used in the analysis. Multiple regression models were employed followed by a cointegration test to establish the significance and long-run relationship respectively between capital market and economic growth. Vector Error Correction (VER) model was also employed to check for short term discrepancies in the data series used. The findings showed that the capital market in Botswana does not contribute to economic growth in the short run. However, the long-run capital markets do not contribute to economic growth through further capital market development.

Arteta and Kasyanenko (2019) The tenth anniversary of the 2009 global economic recession was marked by both emerging markets and developing economies that weathered the global economic recession. The global economy and emerging markets and developing economies have suffered a decade of weak growth, despite unprecedented monetary policy accumulation and several records of fiscal stimulus in major economies. Therefore, the authors decided to take the first comprehensive stock-taking of the decade since the global economic recession. It reviewed the impact and experience of emerging markets on developing economies during and after the recession. The authors used the Moment Decomposition model to control the effects of the recession and unanticipated components controlled by a crisis when recession is decomposed to have a negative effect in developing world economies. They observed that the financial commitments of these world economies have become more vulnerable to economic shocks and Governments should adopt policy options for world economies to strengthen their growth and also be prepared should another global economic recession occur.

Alam and Hussein (2019) This study investigated the effect of capital market on Omani economic growth using real Gross Domestic Product (GDP) as representative for economic growth. The main objective of the paper is to scan the impact of the Muscat Security Market (MSM) on economic growth in Oman. The data were collected from the different official MSM annual reports, Central Bank of Oman annual reports and the World Bank Development

Reports. The technique applied involved the use of multiple regression analysis to find the influence of the capital market on the Omani GDP. The analysis so far confirmed that there is a positive relationship between capital market and economic growth in Oman for the investigated period. So, it is recommended that Oman should place greater emphasis on financial sector development with a special focus on capital market development to ensure economic growth.

Ofurum, Ogunyemi, Madumere and Okolo (2019) This study examined the existence of a long-run association between capital market components and economic growth in Nigeria between 1981 and 2017. Data were sourced from the Central Bank of Nigeria Statistical Bulletin. The study also established the direction of a causal relationship between the variables and a Cointegrating regression approach was adopted for analysis. Granger causality test was also conducted and in the cointegration model, we placed GDP as the endogenous variable while capital market components served as the exogenous variables. Johansen test indicates three cointegrating equations using unrestricted cointegration rank test (Trace). The findings from the canonical cointegrating regression technique further confirm the existence of a long-run relationship between the variables. More so, on the direction of causal relation, we found no homogeneity among the variables. The study recommended that government should increase the amount of securities they issue in the market as its increase will positively and significantly improve the overall economic growth of the country.

Bruno (2019) The Author examined the impact the World Economic Forum employed on a Step Two Selection Method to determine and shortlist potential target Countries and the likely hood of impact. The author investigated the size of the country's economy, the need to develop capital markets and commitments of local policy makers to capital market development, The Step Two selection method was introduced by World Bank for the assessment of World economic performance for a global economic recession. The result showed that the Colombia equity market and Indonesia corporate bond market were based on the size of the opportunity to accelerate capital market development, potentials for near-term progress and potentials to embrace both the public and private sector. The results showed that the world economies require the establishment of financial instruments, regulatory and legal framework, market infrastructures and many emerging economies. There is no longer a need to have options to postpone or neglect their capital market development because; the capital market remains significantly underdeveloped.

Ngo and le (2019). The study empirically investigated the casual relationship between Banking Efficiency and Capital Market Development in (86) Eighty-six countries between 2006-2011. The authors followed a two-stage framework. Data Environment Analysis (DEA) with the use of financial ratios to arrive at efficiency sources of the Banks in the first stage. Efficiency sources were linked with the determinant level of the capital market of the corresponding country in the second stage. The study used the generalised method of moments in a simultaneous equation model. The authors found that banking systems around the world were still indifferent and will take time for the banking system to recover after the global economic recession. The findings further demonstrated that the larger the capital market, the less efficient, the banking system would be. In contrast, banking efficiency can positively influence the development of the capital market.

Iyo, Ekpete, and Marshall (2019) The study examined the effect of Capital Market performance indicators, financial development on economic growth in Nigeria from 1981-2017. The study adopted a time series research design relying on secondary data. The research method used was Augmented Dick-Fuller (ADF) unit root test regression analysis. The study also applied Multi variant co-integration test and the Vector Error Correction model to examine the characteristic of time series data. Findings revealed that the market capitalization ratio was positive and significantly related to Real Gross Domestic Product (RGDP) growth and the market turnover ratio was negative but not significantly related to RGDP growth. Financial development exhibited positive and significantly related to RGDP growth and these findings could stimulate the Nigerian economy. The study also recommended financial inclusion strategy framework which should be introduced in Nigeria financial system.

Salam, S M. and Olabode, A. (2018) The study examined the impact of Capital Market performance on economic growth in Nigeria. It used time-series secondary data which covered the period 1986- 2017 and relied on Ordinary Least Square (OLS) method to analyse the long-run relationship. It also used the Pair wise Granger Causality test to examine the direction of casuals between expletory variables and dependent variables. The Empirical result showed

that there exists a relationship between economic growth and market capitalization and also a degree of openness, while a negative relationship exists between Stock Market Value and Portfolio Investments. The study then recommended that government should liberalise the economy to encourage foreign investors and also deepen the equity market as well as encourage funds injection into the economy.

Klagge and Zademach (2018) examined the relationship existing between financial system development and capital market development the existence of varying Stock Exchange with the different financial reports was determined and the study introduced the Panel Least Square method of regression to assess Sub- Sahara African Countries Stock Exchanges. It was discovered that the majority of these Exchanges were institutional weak, small, illiquid and unattractive to most Institutional Investors and this resulted in low portfolio investment inflows to Sub-Saharan Africa. It was concluded that the initiative will not only serve as a tool for sustainable development but also as a promoter and facilitator of new international investment opportunities to enlarge and diversify portfolios for Sub-Saharan Stock Exchanges and their local shareholders.

Korkpoe and Amarteifio, (2018) investigated the casual relationship between volatility of financial time series and margin clusters of capital market development. They introduced Panel Vector Auto-Regressive and general moment technique. It was discovered that in an observed financial times series, volatility clusters are characterized by a sequence that is observed to be time-varying too. This they concluded to account for the random variations in the conditional expectations and the conditional variation separately. According to Bechir, (2010), the objective of grouping is to differentiate workgroups. There are studies for developed countries, or advanced countries, major emerging countries, developing countries and Africa in particular. The major geographic grouping is developed countries, namely European Union and the United States. However, major emerging countries include China, India and Japan, Greece, Italy, Spain etc. The developing countries include South Africa, Nigeria, Kenya, Egypt, Ghana etc.

Tsaurai, (2018) The Author explored the impact of Human Capital Development (HCD) in emerging markets using Panel Data Analysis Framework with data ranging from 1994- 2014. The result showed that economic growth, Foreign Direct Investment (FDI), financial development, trade openness and infrastructural development had a significant and positive influence but insignificant impact on human capital development.

Bujari, Martinez and Lechuga (2017) investigated the stock market capitalization and the banking spread and economic growth (as a proxy of economic development) in the major Latin America Economies during the period 1994-2012 The authors used a Panel Data model for estimation with both system and differentiate generalized method of moments. The main empirical findings were that economic growth in the countries under study is positively impacted by the stock market capitalization and negatively impacted by the banking spread. It was also observed that typical problems of multi-linearity and auto-correlation that appeared on the Panel Data analysis were corrected under the proposed methodology.

Gallaghu and Tian (2017) This paper empirically investigated the extent to which the Financial Crisis had on IMF independent support for Capital Control. They applied a credited database of IMF Article iv report which examined the extent to which economic recession had on IMF support for Capital Control for the period under review. The authors discovered that the IMF level of support increased as a result of the global economic recession in addition to vulnerabilities associated with capital flows.

Tejvan (2017) examined the problem of recession in economies and the global economic recession and the risk of Sovereign Debt default and market capitalization. The study also examined the possibilities of government debt default and the demand of higher bound yield to compensate for the risk factor that determines Bond yield. The study applied the exponential triple smoothing algorithm to forecast the possibilities of the yield for 10 years bond and also applied the Error Trend Seasonality (ETS) and Holt Winter method to access yield forecast. The result showed that the increasing internationalization of world economies has significantly impacted on overall economic development of all countries around the world. Therefore, the forecasting for bond yield should be a long term development project.

2.4 Knowledge Gap

looking at the volume of empirical literature in the empirical review, one can understand that most of the reviews differ by location (Country/Geography of study), methodology (The model adopted for the study) and time (Scope

and Coverage of research) The African continent has been compared with empirical evidence which seems to have some bearing but unfortunately, the results from empirical reviews above are yet to develop acceptable and conclusive evidence on how to handle global economic recession in developing economies in African countries.

The current investigations and techniques on global economic recession and its effect on capital market development are still a subject of debate due to disputes arising in the measurement of capital market development indicators. The Gap in Literature derived from this study on how government can use capital market development to cut on the effect of future global economic recession in these selected countries in particular and the African Continent in general.

3. Methodology

Research Design

The research design for this study was ex-post facto which enables the researcher to rely heavily on already existing data devoid of any manipulation. This study employed data of three selected African countries which are among the leading emerging capital markets in Africa namely, Nigeria, South Africa, and Ghana, to examine the relationship between capital market development and global economic recession. This data covers a period of 26 years from 1995 to 2021.

Model Specification

The statistical method of multiple regression approach was adopted in line with that applied by Olawoye, (2011) Ikeke, (2017) which their study infers that economic recession is significantly influenced by capital market performance indicators, with regards to the merit of ordinary least square (OLS) modelling method. The multiple linear regressions applied with the dependent variables for the empirical analysis of the nexus between stock market development and economic growth in Ghana, their model is specified in a more general form to express the dependent variable as GER/RGDP while the exploratory variables are TMC, ASI and SMV. Based on this, the study was anchored on the above research works. Global Economic Recession is expressed as a function of Real Gross Domestic Product and set capital market development indicators as control variables and this is expressed by the equation.

GER /RGDP = ƒ (TMC, ASI, SMV, CMD) ---------- Eq. 3

This function is specified in a model, thus:

$GER/RGDP_t = \beta_o + \beta_1 TMC_t + \beta_2 ASI_t + \beta_3 SMV_t + \beta_4 CMD_t + \ldots\ldots\ldots \mu_t$

Where: GER/RGDP = Global Economic Recession divided by Real Gross Domestic Product. TMC=Total Market Capitalization ASI = All Share Index

SMV = Stock Market Value, CMD = Capital Market Development

β_0 = Constant, β_1, β_2, β_3, β_4 = Coefficient of Regression

μ_t = error term, t = time series

4. Data Presentation and Analysis

The Data for this study was presented for analyses using a Cross-Sectional Panel for the period 1995-2021from three selected African Countries of Nigeria, South Africa and Ghana. Hence, the raw data showing variables under study were presented in the table below.

Table 4.1 Raw Data of The Variables Under Study, 1995-2021, Year, Country, Real Gross Domestic Product (RGDP), Total Market Capitalization (TMC), All Share Index(ASI) and Stock Market Value(SMV)

Year	*Country*	*RGDP ($)*	*TMC ($)*	*ALSI*	*SMV ($)*
1995	NGA	132,230,000	7,777,000,000	6,092.20	83,580,000
1996	NGA	172,686,000.00	12,714,000,000	6,992.10	314,620,000
1997	NGA	187,866,000	12,559,000,000	6,440.50	499,030,000
1998	NGA	209,677,000	10,322,000,000	5,672.70	609,520,000
1999	NGA	57,477,000	2,940,000,000	5,266.40	112,600,000
2000	NGA	67,824,000	2,735,000,000	8,111.00	110,000,000
2001	NGA	73,128,000	2,510,000,000	10,963.10	169,200,000
2002	NGA	93,983,000	2,374,000,000	12,137.70	185,000,000
2003	NGA	102,935,000	8,620,000,000	20,128.90	1,200,000,000
2004	NGA	130,345,000	15,866,000,000	23,844.50	1,681,000,000
2005	NGA	169,645,000	22,244,000,000	24,085.80	1,954,000,000
2006	NGA	222,791,000	32,831,000,000	33,189.30	3,598,000,000
2007	NGA	262,215,000	84,895,000,000	57,990.20	17,360,000,000
2008	NGA	330,260,000	48,062,000,000	31,450.78	16,719,000,000
2009	NGA	297,458,000	32,223,000,000	20,827.17	4,493,000,000
2010	NGA	369,062,000	50,546,400,000	24,770.52	5,105,000,000
2011	NGA	414,095,000	39,028,390,000	20,730.63	3,872,000,000
2012	NGA	460,952,000	56,205,200,000	28,078.81	4,093,000,000
2013	NGA	514,965,000	80,609,900,000	41,329.19	6,228,000,000
2014	NGA	568,496,000	62,766,310,000	34,657.15	5,133,000,000
2015	NGA	493,841,000	49,973,880,000	28,642.25	4,085,000,000
2016	NGA	405,442,000	29,792,434,000	26,875.20	1,510,000,000
2017	NGA	376,361,000	37,217,020,000	38,243.19	2,206,000,000
2018	NGA	397,270,000	31,520,550,000	31,430.50	2,586,000,000
2019	NGA	405,442,000	29,792,434,000	26,875.20	1,510,000,000
2020	NGA	376,361,000	37,217,020,000	38,243.19	2,206,000,000
2021	NGA	397,270,000	31,520,550,000	31,430.50	2,586,000,000
1998	SA	137,686,000	168,536,000,000	5,127.90	52,283,000,000
1999	SA	136,550,000	259,739,000,000	8,555.79	72,819,000,000
2000	SA	136,453,000	204,300,790,000	8,330.22	70,502,000,000
2001	SA	121,602,000	147,472,000,000	10,668.59	35,362,000,000
2002	SA	115,748,000	181,998,000,000	9,277.22	47,686,000,000
2003	SA	175,254,000	260,748,000,000	10,387.22	49,059,000,000
2004	SA	228,931,000	442,520,000,000	12,656.86	83,768,000,000
2005	SA	257,667,000	549,310,310,000	18,096.54	111,313,000,000
2006	SA	271,812,000	711,232,000,000	24,915.20	173,740,000,000
2007	SA	299,033,000	828,185,000,000	28,957.97	257,725,000,000
2008	SA	287,095,000	482,700,000,000	21,509.20	202,637,000,000
2009	SA	297,221,000	799,024,000,000	27,666.45	217,514,000,000
2010	SA	375,304,000	925,002,150,000	32,118.89	277,224,000,000
2011	SA	416,879,000	789,037,130,000	31,985.67	225,831,000,000
2012	SA	396,332,000	907,723,200,000	39,250.24	226,864,000,000
2013	SA	366,821,000	942,812,110,000	46,256.23	232,250,000,000
2014	SA	350,901,000	933,930,700,000	49,770.60	245,697,000,000
2015	SA	317,578,000	735,945,170,000	50,693.76	233,988,000,000
2016	SA	296,273,000	951,320,328,600	50,653.54	402,439,000,000
2017	SA	349,433,000	1,230,977,190,000	59,504.67	409,717,000,000

2018	SA	368,135,000	865,327,650,000	52,736.86	295,012,000,000
2019	SA	296,273,000	951,320,328,600	50,653.54	402,439,000,000
2020	SA	349,433,000	1,230,977,190,000	59,504.67	409,717,000,000
2021	SA	368,135,000	865,327,650,000	52,736.86	295,012,000,000
1998	GHA	17,153,000	1,387,010,000	868.35	57,270,000
1999	GHA	17,756,000	920,000,000	736.16	19,890,000
2000	GHA	11,467,000	500,000,000	857.98	6,960,000
2001	GHA	12,227,000	280,000,000	955.95	12,500,000
2002	GHA	14,200,000	350,000,000	1,395.31	10,000,000
2003	GHA	17,494,000	640,000,000	3,553.42	43,990,000
2004	GHA	20,243,000	480,000,000	6,798.60	72,880,000
2005	GHA	24,521,000	610,000,000	4,778.07	51,000,000
2006	GHA	28,785,000	760,000,000	5,026.80	51,600,000
2007	GHA	33,941,000	2,401,290,000	6,595.63	145,400,000
2008	GHA	38,413,000	2,844,380,000	10,431.64	286,800,000
2009	GHA	34,254,000	2,427,020,000	5,572.34	51,800,000
2010	GHA	43,043,000	2,947,690,000	7,369.21	101,800,000
2011	GHA	53,645,000	3,095,510,000	969.03	254,100,000
2012	GHA	56,504,000	3,500,000,000	1,199.72	51,000,000
2013	GHA	63,279,000	4,208,000,000	2,145.20	192,900,000
2014	GHA	53,175,000	5,520,000,000	2,261.02	128,200,000
2015	GHA	48,595,000	3,200,000,000	1,994.91	71,800,000
2016	GHA	54,989,000	2,720,000,000	1,689.09	61,402,000
2017	GHA	58,978,000	3,780,000,000	2,579.72	121,800,000
2018	GHA	65,557,000	5,529,000,000	2,572.22	143,670,000
2019	GHA	54,989,000	2,720,000,000	1,689.09	61,402,000
2020	GHA	58,978,000	3,780,000,000	2,579.72	121,800,000
2021	GHA	65,557,000	5,529,000,000	2,572.22	143,670,000

Sources: Statistical Bulletin of the Central Bank of Nigeria, Annual Report and Accounts of The Nigeria Stock Exchange and World Bank=https://data.worldbank.org (2021); Statistical Bulletin of Central Bank of South Africa, Annual Report and Accounts of The Johannesburg Stock Exchange and World Bank=https://data.worldbank.org and southafricainvesting.com (2021); Statistical Bulletin of the Central Bank of Ghana, Annual Report and Accounts of The Ghana Stock Exchange and World Bank=https://data.worldbank.org (2021).

Table 4.2 Log-Transformation of the Raw Data of Variables Under Study

	LNRGDP	**LNTMC**	**LNASI**	**LNSMV**
NGA – 95	18.7000	22.7744	8.7147	18.2413
NGA – 96	18.9666	23.2659	8.8525	19.5668
NGA – 97	19.0512	23.2537	8.7703	20.0281
NGA – 98	19.1610	23.0575	8.6434	20.2281
NGA – 99	17.8668	21.8016	8.5691	18.5393
NGA – 00	18.0324	21.7293	9.0009	18.5159
NGA – 01	18.1077	21.6435	9.3022	18.9465
NGA – 02	18.3586	21.5878	9.4040	19.0358
NGA – 03	18.4496	22.8773	9.9094	20.9055
NGA – 04	18.6856	23.4874	10.0796	21.2434
NGA – 05	18.9492	23.8253	10.0893	21.3931
NGA – 06	19.2217	24.2146	10.4099	22.0036
NGA – 07	19.3846	25.1646	10.9680	23.5774
NGA – 08	19.6158	24.5957	10.3561	23.5398

NGA – 09	19.5107	24.1959	9.9440	22.2257
NGA – 10	19.7264	24.6461	10.1172	22.3534
NGA – 11	19.8416	24.3875	9.9393	22.0770
NGA – 12	19.9488	24.7522	10.2424	22.1325
NGA – 13	20.0596	25.1128	10.6295	22.5523
NGA – 14	20.1585	24.8626	10.4532	22.3589
NGA – 15	20.0177	24.6347	10.2626	22.1305
NGA – 16	19.8204	24.117	10.1989	21.1353
NGA – 17	19.7460	24.3400	10.5517	21.5144
NGA – 18	19.8001	24.1739	10.3555	21.6733
NGA – 19	19.8204	24.117	10.1989	21.1353
NGA – 20	19.7460	24.3400	10.5517	21.5144
NGA – 21	19.8001	24.1739	10.3555	21.6733
SA – 98	18.7404	25.8504	8.5424	24.6799
SA – 99	18.7326	26.2829	9.0543	25.0112
SA – 00	18.7314	26.0428	9.0276	24.9789
SA – 01	18.6164	25.7169	9.2750	24.2889
SA – 02	18.5669	25.9272	9.1353	24.5879
SA – 03	18.9817	26.2868	9.2483	24.6162
SA – 04	19.2489	26.8157	9.4459	25.1513
SA – 05	19.3671	27.0319	9.8034	25.4356
SA – 06	19.4206	27.2902	10.1232	25.8808
SA – 07	19.5166	27.4425	10.2736	26.2751
SA – 08	19.4753	26.9026	9.9762	26.0346
SA – 09	19.5094	27.4066	10.2272	26.1055
SA – 10	19.7432	27.5530	10.3771	26.3480
SA – 11	19.8483	27.3940	10.3730	26.1430
SA – 12	19.7977	27.5344	10.5773	26.1476
SA – 13	19.7203	27.5721	10.7419	26.1710
SA – 14	19.6760	27.5626	10.8151	26.2273
SA – 15	19.5762	27.3244	10.8335	26.1785
SA – 16	19.5067	27.5811	10.8327	26.7208
SA – 17	19.6718	27.8388	10.9934	26.7387
SA – 18	19.7239	27.4863	10.8730	26.4102
SA – 19	19.5067	27.5811	10.8327	26.7208
SA – 20	19.6718	27.8388	10.9934	26.7387
SA – 21	19.7239	27.4863	10.8730	26.4102
GHA – 98	16.6576	21.0504	6.7665	17.8632
GHA – 99	16.6922	20.6398	6.6014	16.8057
GHA – 00	16.2549	20.0301	6.7544	15.7556
GHA – 01	16.3191	19.4503	6.8627	16.3412
GHA – 02	16.4687	19.6734	7.2408	16.1180
GHA – 03	16.6773	20.2769	8.1756	17.5994
GHA – 04	16.8233	19.9892	8.8244	18.1043
GHA – 05	17.0150	20.2289	8.4717	17.7473
GHA – 06	17.1753	20.4488	8.5225	17.7590
GHA – 07	17.3401	21.5992	8.7945	18.7949
GHA – 08	17.4639	21.7686	9.2525	19.4742
GHA – 09	17.3493	21.6099	8.6255	17.7629
GHA – 10	17.5777	21.8042	8.9050	18.4385

GHA – 11	17.7978	21.8532	6.8762	19.3537
GHA – 12	17.8498	21.9760	7.0898	17.7473
GHA – 13	17.5777	21.8042	8.9050	18.4385
GHA – 14	17.7978	21.8532	6.8762	19.3537
GHA – 15	17.8498	21.9760	7.0898	17.7473
GHA – 19	17.8226	21.7238	7.4319	17.9329
GHA – 20	17.8926	22.0529	7.8554	18.6178
GHA – 21	17.9984	22.4332	7.8525	18.7830

Source: Researchers Computation Based on E-Views 9, 2020 Platform

The table below shows the logged data for selected capital market development indicators and model proxies. Data were logged-transformed to reduce the information to a meaningful and manageable size for the statistical presentation of results. Logged transformed data are used for easy interpretation of results, introduce Linearity and Elasticity and also address diagnostic problems.

Stationary Properties of Data Set Using ln, Persiaran and Chui Test of a Unit Root

Literature has established that it is not economically acceptable to carry out a Panel regression on non-stationary time series data with Cross-Sectional variables as it will ultimately lead to spurious regression results. Therefore, using non-stationary variables in the model might lead to spurious regression which cannot be used for precise prediction. Hence, the first step is to examine the characteristics of the time-series data used for estimation of the model to determine whether the variables have Unit Root, whether it is stationary and the order of the integration. Hence, a variable is considered stationary if the absolute P. value is significant as used in Mackinnon panel estimation. In order to address the problem, the Ln, Persaran and Chu**i** Unit Root test was employed on the chosen data set to ascertain the stationary of the data as follows:

Table 4.3 Logged Panel Unit Root of the Variables Under Study

VARIABLES	t-STATIS	P. VALUES	TREND	ORDER OF INTEGRA	REMARKS
LNRGDP	-2.6255	0.0046	1(1)	1.1t	Stationary
LNTMC	-3.3366	0.0004	1(1)	1.1t	Stationary
LNASI	-3.7676	0.0001	1(1)	1(1)t	Stationary
LNSMV	-3.8142	0.0001	1(1)	I(1)t	Stationary

Source: Researchers result extracted from E-Views 9 platform

From table 4.3, a null hypothesis of non-significant probability value is rejected in favour of significant probability value. Hence, PV= >0.05 and non-significant PV=<0.05 is significant all for individual intercept and trend. Based on the table above, it was concluded that variables of interest are stationary because the probability values are all significant.

Table 4.4 Descriptive statistics showing Normality Distribution of Selected Capital Market Development Indicators on Global Economic Recession of Selected African Countries from 1995 – 2018

	LNRGDP	LNTMC	LNASI	LNSMV
Mean	18.55719	23.92312	9.084715	21.46852
Median	18.77559	24.14571	9.191824	21.45380
Maximum	20.15850	27.83883	10.99381	26.73873
Minimum	16.25498	19.45030	5.758807	15.75569
Std. Dev.	1.140516	2.525499	1.367315	3.387886
Skewness	-0.518012	0.027459	-0.607867	0.100234
Kurtosis	2.034519	1.695900	2.491649	1.614513
Jarque-Bera	6.016490	5.111078	5.209288	5.879282
Probability	0.049378	0.077650	0.073929	0.052885
Sum	1336.118	1722.465	654.0995	1545.733
Sum Sq. Dev.	92.35518	452.8484	132.7380	814.9216
Observations	72	72	72	72

Source: E-Views 9 Platform Results

Descriptive Statistics of the variables were presented in Table 4.4 showing that the variables are normally distributed. The Mean, Median, Maxima and Minima were all normally represented. LNRGDP and LNASI are negatively skewed; meaning it is moving to the left, while LNTMC and LNSMV were positively skewed. In the Kurtosis, LNASI was Leptokurtic; meaning that it was highly peaked at 2.49. The result also showed that LNRGDP was Mesokurtic; meaning that it has a middle distribution of the Kurtosis; while LNSMV was of Leptokurtic; meaning that it is the least in the peaks of the variables. However, the Jarque-Bera of the variables are in line with apriori; meaning that the variables must be greater than 3. Under the Jarque-Bera, LNRGDP is 6.01; LNTMC=5.1, LNASI=5.2 and LNSMV=5.9; meaning that all the variables are normally distributed.

Hypotheses Statement

Statement of Hypothesis 1

H_0: Total annual market capitalization did not positively and significantly effected economic growth rate of selected African countries for the period 1995-2018

H_1: Total annual market capitalization positively and significantly affected economic growth rate of selected African countries for the period 1995-2018

Statement of Hypothesis 2

H_0: All share index did not positively and significantly affected economic growth rate of selected African countries for the period 1995-2018

H_1: All share index positively and significantly affected economic growth rate of selected African countries for the period 1995-2018

Statement of Hypothesis 3

H_0: Stock market value did not positively and significantly affected economic growth rate of selected African countries for the period 1995-2018

H_1: Stock market value positively and significantly affected economic growth rate of selected African countries for the period 1995-2018

Statement of Hypothesis 4

H_0: There is no long run relationship existing between economic recession and capital market development of selected African countries for the period 1995-2018

H_1: There is long run relationship existing between economic recession and capital market development of selected African countries for the period 1995-2018

Data Analyses and Testing of Hypothesis 1

Table 4.5 Panel Least Square Regression Method

Dependent Variable: LNRGDP				
Method: Panel Least Squares				
Date: 01/22/20 Time: 21:32				
Sample (adjusted): 1996 2018				
Periods included: 23				
Cross-sections included: 3				
Total panel (balanced) observations: 69				
Variable	**Coefficient**	**Std. Error**	**t-Statistic**	**Prob.**
C	0.866148	0.459941	1.883172	0.0641
LNTMC	0.034886	0.018560	1.879603	0.0023
LNRGDP (-1)	0.910893	0.041173	22.12368	0.0000
R-squared	0.966372	Mean dependent var		18.58063
Adjusted R-squared	0.965353	S.D. dependent var		1.137217
S.E. of regression	0.211677	Akaike info criterion		-0.225006
Sum squared resid	2.957271	Schwarz criterion		-0.127871
Log likelihood	10.76271	Hannan-Quinn criter.		-0.186469
Ountries	948.3377	Durbin-Watson stat		1.825330
Prob(F-statistic)	0.000000			
Dependent Variable: LNRGDP				
Method: Panel Least Squares				

Source: Researchers Computation Based E-views 9.0 Platform

Data Analysis and Testing of Hypothesis 2

Table 4.6 Panel Least Square Regression Method

Date: 01/23/20 Time: 17:20				
Sample (adjusted): 1996 2018				
Periods included: 23				
Cross-sections included: 3				
Total panel (balanced) observations: 69				
Variable	**Coefficient**	**Std. Error**	**t-Statistic**	**Prob.**
C	1.524837	0.506431	3.010950	0.0037
LNASI	0.112183	0.034428	3.258456	0.0018
LNRGDP(-1)	0.865062	0.040141	21.55079	0.0000
R-squared	0.969482	Mean dependent var		18.58063
Adjusted R-squared	0.968557	S.D. dependent var		1.137217
S.E. of regression	0.201653	Akaike info criterion		-0.322032
Sum squared resid	2.683819	Schwarz criterion		-0.224897
Log-likelihood	14.11010	Hannan-Quinn criteria.		-0.283495
F-statistic	1048.325	Durbin-Watson stat		1.935356
Prob(F-statistic)	0.000000			

Source: Researchers Computation Based On E-Views 9 Platform

Data Analysis and Testing of Hypothesis 3

Table 4.7 Panel Least Square Regression Method

Dependent Variable: LNRGDP				
Method: Panel Least Squares				
Date: 01/23/20 Time: 17:48				
Sample (adjusted): 1996 2018				
Periods included: 23				
Cross-sections included: 3				
Total panel (balanced) observations: 69				
Variable	**Coefficient**	**Std. Error**	**t-Statistic**	**Prob.**
C	1.114113	0.503207	2.214026	0.0303
LNSMV	0.027265	0.012725	2.142667	0.0358
LNRGDP(-1)	0.910875	0.037595	24.22856	0.0000
R-squared	0.966876	Mean dependent var		18.58063
Adjusted R-squared	0.965873	S.D. dependent var		1.137217
S.E. of regression	0.210085	Akaike info criterion		-0.240109
Sum squared resid	2.912943	Schwarz criterion		-0.142974
Log-likelihood	11.28376	Hannan-Quinn criteria.		-0.201572
F-statistic	963.2712	Durbin-Watson stat		1.827023
Prob(F-statistic)	0.000000			

Source: Researchers' Computation Based On E-Views 9 Platform

Data Analysis and Testing of Hypothesis 4

Table 4.8 Kao Residual Cointegration Test

Series: LNRGDP LNTMC LNASI LNSMV				
Date: 01/23/20 Time: 18:18				
Sample: 1995 2018				
Included observations: 72				
Null Hypothesis: No cointegration				
Trend assumption: No deterministic trend				
User-specified lag length: 1				
Newey-West automatic bandwidth selection and Bartlett kernel				
			t-Statistic	**Prob.**
ADF			-2.957869	0.0015
Residual variance			0.028874	
HAC variance			0.028731	
Augmented Dickey-Fuller Test Equation				
Dependent Variable: D(RESID)				
Method: Least Squares				
Date: 01/23/20 Time: 18:18				
Sample (adjusted): 1997 2018				
Included observations: 66 after adjustments				
Variable	**Coefficient**	**Std. Error**	**t-Statistic**	**Prob.**
RESID(-1)	-0.506959	0.122108	-4.151729	0.0001
D(RESID(-1))	-0.043655	0.122802	-0.355492	0.7234
R-squared	0.272866	Mean dependent var		0.012384
Adjusted R-squared	0.261505	S.D. dependent var		0.230920
S.E. of regression	0.198443	Akaike info criterion		-0.366797
Sum squared resid	2.520291	Schwarz criterion		-0.300444

Log-likelihood	14.10430	Hannan-Quinn criteria.	-0.340578
Durbin-Watson stat	2.041386		

Source: Researchers Computation Based On E-Views 9 Platform

Statement of Decision Criteria

Accept H_0 if the P.Value is non significant P.V>0.05 then, reject H_1. Reject Ho if the P. Value is significant P.V.< 0.05 then accept H_1

Decision on Result of the Hypothesis One

Taking decision on the result of the analysis above, the P.Value of Total Market Capitalization (TMC) is 0.0023 which is less than 0,05 and is statistically significant. Under this arrangement, H_0 is rejected and H_1 accepted. This means that Global Economic recession significantly affect Total Market Capitalization in these selected African Countries from the period 1995-2018.

Decision on Result of the Hypothesis Two

Taking decision on the result of the analysis above, the Probability Value of All Share Index is 0.0018 which is less than 0.05 and it is statistically significant. Therefore, under this arrangement, H_0 is rejected and H_1 accepted. This means that Global Economic Recession had a significant effect on All Share Index in these selected African Countries for the period 1995-2018.

Decision on Result of the Hypothesis Three

Taking decision on the result of the analysis above, the Probability Value of Stock Market Value (SMV) is 0.0358 which is less than 0.05 and it is statistically significant. Therefore, under this arrangement, H_0 is rejected and H_1 accepted. This means that Global Economic Recession had a significant effect on Stock Market Value in these selected African Countries for the period 1995-2018

Decision on Result of the Hypothesis Four

Taking decision on the results of the analysis above, the Probability Value of 0.0015 which is less than 0.05 therefore, the result is statistically significant. Under this arrangement, H_0 is rejected and H_1 accepted. This means that there is a long –run relationship existing between Global Economic Recession and Capital Market Development in these selected African Countries for the period under review.

5. Results, Conclusion and Recommendation

Global Economic Recession significantly affected Total Market Capitalization of Capital Market Development of these selected African Countries within the period 1995-2021. Global Economic Recession significantly affected All Share Index of Capital Market Development of these Selected African Countries for the period 1995-2021. Global Economic Recession significantly affected Stock Market Value of Capital Market Development of these Selected African Countries for the period 1995-2021. There is a long-run relationship existing between the Global Economic Recession and Capital Market Development in these Selected African Countries of Nigeria, South Africa and Ghana for the period under review.

In line with the specific objectives of this study, we recommend as follows:

1. The effect of Global Economic Recession on Capital Market Development could not change the incentive structure and the challenge to develop a near-perfect capital market that will prevent risk-taking behaviour of Investors for quick profit-taking on stock market deals and enhance government policy in mitigating the economic recession and should be driven by a stimulus to increase capital gains to sustain the stability of the weak global economy of African Countries.

2. In order to bring the growth level back to the pre-recession level, All Share Index should be adjusted to reduce higher borrowing costs and lower the levels of credit and capital flow to developing countries.
3. Government should create consumption-driven policies rather than proposing a new economic recession strategy or macro-economic development policy that are not driven by the Stock Market Value of the Capital Market.
4. Drive for self-subsistence and sustenance by these selected African Countries will further be enhanced by taking advantage of the interplay of these capital market development indicators that have shown long-run relationships existing between them so as to improve economic growth in both short and long-run

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