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# Financial Markets Investments and Economic performance: Nigerian Evidence

**Okwuosa, Galeed Idowu[1], Golley, Israel Tega[2]**

[1,2]University of Port Harcourt Nigeria.

**ABSTRACT:** This study was motivated by the need to examine the link between financial markets investments and economic performance in Nigeria. Treasury bills, commercial papers, total equity, total government securities and corporate bonds were the employed financial markets investments channels while economic performance was proxied by gross domestic product. The study employed the longitudinal research design and data sourced from the Nigerian Apex bank statistical bulletin from 1986 to 2023. The Autoregressive Distributive Lag (ARDL) with its associated bond test was employed for data estimation given that a fractional order of integration was recorded in the stationarity test. Findings from results revealed that treasury bill, total equity and total government securities were positive and significant while corporate bond was negative and insignificant. The study conclude that treasury bills, total equity and total government securities were important variables in explaining the performance of gross domestic product in the short and long run in Nigeria. The study recommends among others the need for financial markets regulators to help corporate organization to raise investment fund through the issuance of corporate bond by removing bottleneck bureaucracy and stringent policies that hinders issuance of corporate bond as such fund raised will impact the overall performance of the economy.

**KEY WORDS:** Financial Markets Investments, Economic Performance, Financial Intermediation, Keynes Multiplier Theory, Finance-Growth Theory

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**Corresponding Author: Okwuosa, Galeed Idowu*

## INTRODUCTION

The performance of every economy is deeply rooted in the prevailing economic activities within the economy which are often facilitated by activities in the financial markets. This performance is usually measured by key economic indicators like the gross domestic product which involves the value of total goods and services produced in an economy within a specific period of time. The financial markets play crucial role in the economy through their effective and efficient fund mobilization and allocation of the mobilized fund.

Globally, financial markets are seen as growth drivers (Ighoroje et al, 2022) and in present century, developed economies like USA has gradually reduced its reliance on banks loan for long term investment through the establishment of decentralized financial markets (Miller, 1998). In response to global trends, the Nigerian financial sector has experienced transformation in degree of services they render and in quality (Olubiyo, 2000). Financial markets through the capital market play significant role in infrastructural development through capital reallocation for continuous economic restructuring needed for growth support (Shin, 2013). Financial markets deal on various kinds of financial securities vital for smooth operation of economies. The failure of financial market brings about disruption in economies like unemployment rise and possible recession as witnessed in the previous financial crises. Grundl et al (2016) stressed that before the crisis, capital markets and banks were major financiers of infrastructures necessary for growth and development.

Foundationally, the work of Schumpeter in 1911 viewed finance as an integral element in economic growth (Shin, 2013). Businesses will strive if an economy can adequately mobilize savings and allocate such effectively. This foundational research works form the background to which we will rely on to empirically investigate the relationship between financial markets investments and Nigerian economic performance.

Furthermore, the World Bank (2000) observed that Nigeria's financial system is effectively not supporting the development of real sector and also presently not positioned in fulfilling its potential of economic growth and development propeller. Given the above

World Bank observation, it becomes exigent to empirically evaluate the assertion in order to examine the extent to which investments in the financial markets have influenced and contributed to Nigerian economic performance.

## LITERATURE REVIEW

### Concepts of Financial Markets Investment

Investments in the financial markets are the distribution of capital among different financial market products. The financial markets enable the distribution of money and the trading of financial assets via its infrastructure, tools and institutions. Borrowers and lenders meet in financial markets to do business (Cook & LaRoche, 1998). Its ability to facilitate the raising of money, the management of risk and investment by people, companies and the government is vital to the economic prosperity of the nation. Investors, companies and lawmakers that want to be a part of or control the country's financial system must comprehend it. The market is an ever-changing component of the economic environment, with dynamics impacted by both local and global influences. It is usual practice to classify market participants as either money market or capital market, say Cook and LaRoche (1998). Businesses, investors and policymakers in Nigeria must have a firm grasp of the money market and capital market, the two traditional subsets of the Nigerian financial system in order to make informed decisions for capital creation, risk management and resource allocation efficiency, each market is unique. These are the main ways that people invest in the market:

**Treasury Bills:** Treasury Bills are short-term debt security issued by the Central Bank on behalf of the government. They are short term financial instrument utilized by government to fund its expenditure (Tsintop & Bala, 2023). Treasury notes are acquired by banks and non-bank public (Orji et al, 2023). According to George-Anokwuru (2023), treasury notes have become an essential tool for the government to use when it needs money, and their introduction has helped gather funds.

**Commercial Papers:** To meet their short-term funding requirements, firms sometimes issue commercial papers, which are financial securities with a shorter maturity. According to Alworth and Borio (1993), defining commercial papers is impossible since the differences between them and other money market instruments are often country-specific, reflecting in legislative frameworks and market organization. Unsecured promissory notes with a set interest rate are known as commercial papers. The maturities of these documents usually range from a few days to one year and they are unsecured. Commercial papers provide a better return than other short-term investment options such as bank certificates and government bills (Rao & Pillai, 2011). Due to the short maturity and issuance by highly rated firms, these bonds provide investors protection from interest rate changes while also limiting the risk of reinvestment (Rao & Pillai, 2011).

**Equities:** One of the most important ways to invest in the stock market is via equity. A company's equity is the number of units of ownership. Shareholders are individuals who own ownership interests in a business. Most equity comes in the form of common stock, however there are variants such preferred stock. Anyone may become a partial owner of a firm by subscribing to its stock. A person's equity interest in a corporation is proportional to the number of shares they possess.

**Bonds:** Bonds are a kind of financial instrument that companies may use to obtain funds (Bovarid, 2023). To fund investments in capital, businesses in the industrial, financial and service sectors issue these loan instruments (Kumar, 2014). Bonds are a significant asset class, in the opinion of Cici and Gibson (2012). By purchasing a bond, an investor effectively lends money to a bond issuer, who will then pay interest to the investor on a monthly basis and refund the principle amount when the bond matures. Bonds are a common way for people to invest in the stock market.

**Government Securities:** The government issues debt instruments, often known as bonds, to the public as a means of raising funds. The capital market may be accessed by people and institutions via several channels. You may buy government bonds and other assets on the Nigerian stock market. According to Omodero and Alege (2022), this category includes treasury bonds, development stocks, green bonds, savings bonds, and sukuk bonds. Investors looking for stability and capital preservation often seen in government securities, which are backed by the government's credit and taxation authority, to be low-risk investments.

### Concept of Economic performance

A country's economic performance may be defined as the degree to which its economy has grown and improved during a certain time frame. It measures the extent to which development, stability, employment and fair distribution of wealth are occurring in an economy. In order to evaluate economic performance and make educated choices, analysts, governments and policymakers utilize a wide range of indicators, including GDP, unemployment rate, inflation rate, balance of payments, income distribution, and output, among many others. It is affected by important factors such as economic policy, technical progress, human capital, natural resources, political stability, and world economic circumstances. The efficiency, stability, and development potential of an economy are all aspects of its performance, which is a multi-faceted notion. The research used GDP as a stand-in for economic performance as it tracks the overall monetary worth of a nation's output over a certain time period.

### Link Between Financial Markets Investments and Economic Performance

What we mean when we talk about the connection between investments in financial markets and economic performance is the effect that these kinds of investments may have on the economy as a whole. knowing the power of the financial sector to affect economic activity is crucial, as is knowing that, generally speaking, finance has a positive and monotonic effect on production (Popov, 2017).

The distribution of capital to various economic areas is mostly dependent on financial markets. Markets in financial assets contribute to economic expansion (Greenwood & Smith, 1997). Based on their expectations and risk choices, investors distribute their capital across several industries. The whole economy's performance and growth may be impacted by this allocation. Businesses, politicians and investors must have a firm grasp of the interplay between monetary policy, financial market investments and economic output. Forecasting trends, mitigating risks and making educated judgements on resource allocation and economic well-being are all aided by it. Since the financial system is created to permit money flow from surplus units to units desiring finance for investment purposes, a well-functioning financial market with different financial instruments to fit the requirement of borrowers and lenders is crucial for economic development (Duisenberg, 2001). According to Gladstone Williams, a former prime minister of Britain, "the financial sector is the organs' stomach" (Duisenberg, 2001).

Because it facilitates the accumulation of capital, a robust financial market is often seen as an essential component of industrialization. The financial market's intermediation role may offer money that different parts of the economy are looking for so they can increase their productive capacity and overall economic output. There seems to be a positive first-order correlation between growth and finance, according to the empirical data. A country's degree of financial development is a good indicator of its future growth rate (Levine, 1999). Additionally, Popov (2017) found that financial factors had a beneficial effect on GDP growth.

**Theoretical Underpinning**

In order to shed light on behavioural science and establish a connection between growth and finance, academics have relied on a number of economic and financial theories. Several theories provide light on the connection between investments in financial markets and economic performance. These include the finance-led growth hypothesis, Keynes's multiplier theory, and the financial intermediation theory.

One theoretical framework that attempts to explain the function of financial intermediaries in the economy and how they facilitate the transfer of cash from savers to borrowers is financial intermediation theory. Olokoyo et al. (2016) defines financial intermediation as the transfer of funds from the saving part of the economy to the borrowing part. Ngere-A and Torbira (2014) state that the financial intermediation theory stress that the financial markets facilitate the mobilization of savings and the subsequent investment of these mobilized funds. By accepting deposits from investors and then making those funds accessible to economic units looking for financing, it pools money and spreads risk (Rother, 1999). Institutions such as financial markets, banks, and credit unions mediate between those with surplus money (savers) and those with deficit funds (borrowers). The theory delves into the ways these middlemen impact economic performance by enhancing the stability and efficiency of the financial system.

Central to macroeconomics is the idea of the Keynesian multiplier, which economist John Maynard Keynes devised. Changes in expenditure may have multiplied impacts on GDP, according to the paper (Boyes, 2014). An increase in investment at the outset may, according to the multiplier effect, have a greater influence on economic production as a whole as a result of its circulation. It is predicated on the idea that a rise in autonomous expenditure, such as investment or government spending, triggers a domino effect of further spending throughout the economy. The chain reaction begins with a rise in expenditure, which raises income for someone else, who in turn spends some of that money, which raises income and spending even more, and the cycle continues indefinitely.

According to the finance-led growth theory, sometimes called the financialization of the economy. The financial sector and financial markets are the primary engines of economic expansion. A well-established and expanding financial sector, according to this theory, may boost economic growth up to a point. Joseph Schumpeter argued that financial intermediaries' services were critical to the advancement of technology and the economy (King and Levine, 1996). Financial systems impact savings rate, investment decisions and long-term development, according to Levine (2021), who went on to say that these systems determine the incentives, limitations and opportunities that people and businesses face.

**Empirical Review**

Using an ex-post facto research strategy, Iyke-Ofoedu et al. (2024) examined the impact of the Nigerian capital market on the country's economic development from 1985 to 2018. The research made use of time series data retrieved from the following sources: the fact book of the Nigerian stock exchange, the market bulletin of the securities and exchange commission, the statistics bulletin of Nigeria's central bank, and the yearly account statements of different issues. Study explanatory factors were market capitalization, all-share index, and traded stock value each year, with real gross domestic product per year serving as a surrogate for economic growth. Data behaviour was described using descriptive statistics and the test of unit root, and the link between the involved variables was determined using autoregressive distributive lag. A negative correlation between the all-share index and GDP growth was found, but a positive correlation between value traded and GDP growth was recorded. Based on metrics like market capitalizations, all-share index, and value traded, they draw the conclusion that the capital market is crucial to Nigeria's economic development and suggest ways to make it even better, such luring more international investors.

Chowdhury and Ahmed (2024) used quarterly time series data from 2011 to 2022 to investigate the impact of Bangladesh's capital market efficiency on the country's economic growth. Using GDP as a surrogate for economic growth, the research used multiple regression as its method of analysis and used market capitalizations, market turnover, and the general index of the Bangladesh stock market as its independent variables. The study found that market capitalizations and market turnover had a statistically significant

positive impact on Bangladesh's economic growth, but the general index had no such effect. Based on the study's findings, regulators and market organizations in Bangladesh should prioritize attracting more local and international investment via listing, trading, and investments in order to boost the country's capital market and its economy.

From 1980 to 2020, George-Anokwuru (2024) used secondary time series data from the statistics bulletin of the Nigerian apex bank to study the instruments of the country's money market and its economic development. Bankers' acceptance, commercial papers, treasury bills and monetary policy rate were the study' independent variables while real output which proxied economic expansion was the study's dependent variable. The study utilized analytical techniques such as stationarity test, cointegration test, and the error correction model. The results demonstrated that money market tools had a positive impact on Nigerian output during the study period, while monetary policy had a negative and insignificant influence. Policymakers should devise measures to improve the functioning of the money market in order to increase the availability of short-term securities, since the study's findings indicate that the instruments used by the money market impact economic development in Nigeria.

Using an ex-post facto research strategy that allowed for the collecting of secondary data from the statistics bulletin of the Nigerian apex bank for the period extending from 1990 to 2020, Mboto et al. (2023) investigated the instruments of the money market's effect on Nigeria's economic development. For their analysis, they used the ordinary least square analytical technique. The study used treasury bills, commercial papers, and bankers' acceptance as its money market instruments; economic growth was measured by national output as a proxy; and the results revealed that treasury bills and commercial papers had a positive and significant influence on economic growth, while bankers' acceptance had a negative and significant influence. They came to the conclusion that the money market is a crucial intermediary for short-term financing that is very similar to money and advocated for the need of regulators enacting rules that might aid in the development and strengthening of the money market.

Tsintop and Bala (2023) used a correlational study methodology and secondary data to look at the impact of the Nigerian money market on the country's GDP growth. From 1981 to 2021, the data used for the research came from the national statistics bureau and the statistical bulletin of Nigeria's central bank. The study looked at treasury bills value as an indicator of money market activities, commercial papers value as an indicator of commercial paper value, the acceptance value of bankers as an indicator of bankers' value, and the rate of monetary policy as a proxy for economic growth. The results showed that treasury bills value was significantly positive, but commercial papers and bankers' acceptance values did not influence economic growth. The research suggests legislative changes that will enhance the development of the money market and finds that the value of treasury bills and commercial paper affects economic growth, with the acceptability of bankers showing an indirect impact in the long term.

Ogunsanwo et al (2023) investigated influence of financial market intermediation on Nigeria's economic development from 1981 to 2017 utilizing market capitalization, money supply, private sector credit and total reserve as variables for financial market intermediation and real output as proxy economic growth. In order to establish if the data was stationary, the research used a stationarity test; for estimate, it used the structural vector autoregressive approach. The results indicated that after initial differencing, the data were stationarized. Market capitalizations and money supply had a positive and substantial impact on economic growth. On the other hand, private sector credit had an inverse connection with growth, and total reserves had a negative impact. Findings indicate that financial market intermediation has a substantial impact on GDP development in Nigeria.

Using a quasi-experimental research design and yearly data collected from the following sources: the Exchange fact book, the Nigerian apex bank's statistical bulletin, the capital market statistics report, and the debt management office's report from 2015 to 2021, Oriakpono et al. (2022) empirically investigated the effect of securities investment on growth of the Nigerian economy. In the first model, the value of treasury bills, deposit certificates, bankers' acceptance, and commercial papers was modelled against GDP, which was used as a proxy for economic growth. In the second model, common stock, bonds, and debentures were modelled against GDP. While the stationarity test was useful for early analysis, the study's estimate tools were the causality and cointegration tests. The results showed that investments directly affect economic growth. According to the first model, investments in money market instruments have a strong positive effect on both the short- and long-term growth of the Nigerian economy, while investments in capital market securities only have an impact on the economy in the long-term. The researchers came to the conclusion that investments in financial securities have a mixed impact on economic growth in Nigeria. They also suggested that market regulators should do more to fortify market securities by disseminating accurate information and encouraging more people to participate.

## MATERIALS AND METHODS

### Research Design

The longitudinal research design which involves the collection of data from a phenomenon over extended period of time was employed.

### Nature, Source and Method of data Collection

Published annual secondary time series data from 1986 to 2023 on gross domestic product, treasury bills, commercial papers, corporate bond, total equity and government securities obtained from CBN's Statistical Bulletin was employed for this study. The survey of existing document data collection method also referred to as document review method which involves gathering information from already existing sources aided the data collection process.

**Model Specification**

The financial intermediation theory suggests that investments in various financial markets instruments provides the funds for productive activity in the economy. In this perspective therefore, we state that;

Economic Performances = *f* (Investments in Financial Markets).

Proxing economic performance by national output, we have one dependent variable. Our study's financial market investment variables are Treasury bill value, commercial papers value, traded equity value, aggregated government securities and corporate bond value which constitutes the study's independent variables. Given this, we can now proceed to state our model.

NOP = *f* (TBS, CPS, TEQ, TGS, CBS) …… (1)

Where:

NOP = National Output

TBS = Treasury Bills

CPS= Commercial Papers

TEQ = Traded Equity

TGS = Total Government Securities

CBS = Corporate Bonds

For the purpose of estimation, equation (1) is re-written as;

$NOP = \beta_o + \beta_1 TBS_t + \beta_2 CPS_t + \beta_3 TEQ_t + \beta_4 TGS_t + \beta_5 CBS_t + ..... + \ell_i$ …… (2)

Where:

$\beta_o$ = Constant

$\beta_1$ - $\beta_6$ = Coefficient for financial markets investment channels

$\ell_i$ = Error Term of the Estimate for the model

To mitigate the influence of outliers and enhancing our model's performance and interpretability, the above equation (2) can be transformed into a log linear model as stated below.

$Log(NOP) = \beta_o + \beta_1 Log(TBSt) + \beta_2 Log(CPSt) + \beta_3 Log(TEQt) + \beta 4 Log(TGSt) + \beta_5 Log(CBSt) + ..... + \ell_i$ ……..…. (3)

Where;

Log implies the logarithm of the individual variables and every other thing remains as earlier defined.

**Methods of Data Analysis**

The aim of this study has been to empirically determine the interrelationship which prevail between economic performance and the varied forms of financial market funding instruments/investments employed. In achieving that, the following statistical tools with the aid of econometric software (EViews 10) was employed in aid our analysis. They are thus stated below;

**a. Stationarity Test**

To prevent false estimating, which occurs when the R-squared value is higher than the Durbin-Watson statistics, we used the stationarity test to make sure the time series data we used for the study were trustworthy. At the 1%, 5%, and 10% significance levels, the ADF statistics must be larger than the provided McKinnon critical values in order for the series to be considered stable. According to the stationarity hypothesis,

Null Hypothesis: series contain unit root

Alternate Hypothesis: series do not contain unit root

Decision Rule: reject null hypothesis if $P < 0.05$

**b. Autoregressive Distributive Lag (ARDL) Model**

An econometric model known as the Autoregressive Distributed Lag (ARDL) may be used to examine the ever-changing correlation between several independent variables and a dependent variable. Time series data lend themselves well to this method since it allows one to capture the short-term as well as the long-term dynamics of the variables. The ARDL models are able to depict the time-dependent response of the dependent variable to changes in the independent variables. A long-run connection (cointegration) between the variables may be tested using ARDL models. Cointegration indicates a steady long-term equilibrium connection even when the variables' levels are non-stationary. An important benefit of ARDL models over other cointegration methods, such as the Johansen test, is that they do not need that the variables be integrated of the same order. One common tool in econometrics' toolbox is the Autoregressive Distributed Lag (ARDL) limits test, which looks for a long-run connection between variables in a time series setting. The ARDL limits test shines in cases when the underlying variables have an integrated order of zero, one, or a combination of the two. This test compares the two hypotheses, one proposing a long-run connection and the other rejecting the idea that there is no such thing. Using the two sets of critical values, we compare the computed F-statistic for the combined importance of the lagged levels of the variables:

Upper bound critical values: Assume all variables are I(1).

Lower bound critical values: Assume all variables are I(0).

**Data Presentation and Analysis**

**Table 1: Unit Root Test Result at Levels**

| Variables | ADF Statistic | Mackinnon Critical value at | | | Probability | Order of Integration |
|---|---|---|---|---|---|---|
| | | 1% | 5% | 10% | | |
| NOP | -4.139531 | -3.621023 | -2.943427 | -2.610263 | 0.0025 | 1(1) |
| TBS | -1.622861 | -3.621023 | -2.943427 | -2.610263 | 0.4611 | I(0) |
| CPS | -2.270838 | -3.621023 | -2.943427 | -2.610263 | 0.1863 | I(0) |
| TEQ | -2.031216 | -3.621023 | -2.943427 | -2.610263 | 0.2728 | I(0) |
| TGS | -0.102303 | -3.626704 | -2.943427 | -2.610263 | 0.9416 | I(0) |
| CBS | -0.939520 | -3.63290 | -2.948404 | -2.612874 | 0.7634 | I(0) |

***Source: Extract from E-views 10 Output (2024)***

Except for GDP, the preceding table shows that, according to the Augmented Dickey Fuller (ADF) statistics value and the corresponding Mackinnon critical values of1%,5%, and 10%, the stationary test at levels was not stationary. As may be seen in the table below, the findings required a first-level differencing unit root test.

**Table 2: Unit Root Test Result at First Differencing**

| Variables | ADF Statistic | Mackinnon Critical value at | | | Probability | Order of Integration |
|---|---|---|---|---|---|---|
| | | 1% | 5% | 10% | | |
| NOP | -3.314409 | -3.626784 | -2.945842 | -2.611531 | 0.0215 | I(0) |
| TBS | -5.528046 | -3.626784 | -2.945842 | -2.611531 | 0.0001 | I(1) |
| CPS | -7.274906 | -3.626784 | -2.945842 | -2.611531 | 0.0000 | I(1) |
| TEQ | -5.070278 | -3.626784 | -2.945842 | -2.611531 | 0.0002 | I(1) |
| TGS | -3.796686 | -3.626784 | -2.945842 | -2.611531 | 0.0065 | I(1) |
| CBS | -5.501226 | -3.639407 | -2.950125 | -2.614300 | 0.0001 | I(1) |

***Source: Extract from E-views 10 Output (2024)***

The table above demonstrates that all the variables were stationary at 1%, 5% and 10% correspondingly with the exception of gross domestic product which was only stable at 1%. This means that the variables displayed a mixed order of integration or a fractional order of integration. Given this, the Auto Distributive Lag Model with its related bond test will be further applied to estimate the short and long run influence of financial markets investing variables on Economic performance proxied by gross domestic product.

**Table 3: ARDL Short Run Result**

Dependent Variable: LOG(NOP)
Method: ARDL
Fixed regressors: LOG(TBS) LOG(CPS) LOG(TEQ) LOG(TGS) LOG(CBS) C

| Variable | Coefficient | Std. Error | t-Statistic | Prob.* |
|---|---|---|---|---|
| LOG(NOP(-1)) | 0.661522 | 0.069415 | 9.529906 | 0.0000 |
| LOG(TBS) | 0.164515 | 0.043929 | 3.745034 | 0.0008 |
| LOG(CPS) | 0.007768 | 0.010450 | 0.743356 | 0.4632 |
| LOG(TEQ) | 0.115177 | 0.048904 | 2.355173 | 0.0255 |
| LOG(TGS) | 0.029398 | 0.012102 | 2.429255 | 0.0216 |
| LOG(CBS) | -0.005726 | 0.014618 | -0.391700 | 0.6981 |
| C | 1.353351 | 0.267273 | 5.063552 | 0.0000 |

| | | | |
|---|---|---|---|
| R-squared | 0.998926 | Mean dependent var | 9.685583 |
| Adjusted R-squared | 0.998703 | S.D. dependent var | 1.998740 |
| S.E. of regression | 0.071976 | Akaike info criterion | -2.252310 |
| Sum squared resid | 0.150235 | Schwarz criterion | -1.944403 |
| Log likelihood | 47.54157 | Hannan-Quinn criter. | -2.144842 |
| F-statistic | 4493.558 | Durbin-Watson stat | 1.940623 |
| Prob(F-statistic) | 0.000000 | | |

***Source: Extract from E-views 10 Output (2024)***

The R-squared value, which indicates the extent to which the independent variable can explain the dependent variable, is 0.998926 (99.8%), as can be seen from the aforementioned Autoregressive Distributive Lag (ARDL) result. Therefore, the employed financial market investment variables account for 99.8 percent of the variance in Nation Output.

In order to determine if the model in question is statistically significant, an F-statistic of 4493.558 was used. A good match between the model and the data is indicated by a large F-statistic. To find out how statistically significant the model's goodness of fit is, look at the P-value that goes along with the F-statistics. The null hypothesis is rejected when the P-value is less than 0.05, suggesting that the regression model gives a superior fit. With a P-value of 0.00000, which is less than 0.05, we were able to reject the null hypothesis in our ARDL result. An F-statistics value of 4493.558 suggests that our used model is reasonably fitting. One or more of the predictor variables must have had a statistically significant relationship with the response variable for this to be true. Thus, it can be concluded that at least one of the factors used to invest in the financial market is substantially connected to gross domestic product.

With all other variables held constant, the coefficient shows how much the dependent variable is expected to vary for a one-unit change in the related independent variable. Treasury Bills (TBS) had a positive coefficient of 0.164515 (16.4%) according to the results shown above. If all other factors remain the same, this means that a one-unit rise in the value of treasury bills will lead to a 16.4 percent gain in economic output. The coefficient for Commercial Papers (CPS) was 0.007708, or 0.7%. What this means is that, everything else being equal, a one-unit increase in the value of commercial papers will cause a variation of approximately 0.7% in GDP, whereas a one-unit change in total equity (TEQ) will cause an 11.5% positive change in GDP, according to the total equity positive coefficient of 0.115177. With all other factors kept constant, the negative coefficient for corporate bonds (CBS) indicates that for every one unit increase in CBS, GDP falls by 0.5 percentage points, whereas the positive coefficient for total government securities (TGS) stands at 0.029398, meaning that GDP rises by 2.9 percentage points.

**Table 4: ARDL Long Run and Bond Test Result**

ARDL Long Run Form and Bounds Test
Dependent Variable: DLOG(NOP)
Selected Model: ARDL(1)

| Conditional Error Correction Regression | | | | |
|---|---|---|---|---|
| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
| C | 1.353351 | 0.267273 | 5.063552 | 0.0000 |
| LOG(NOP(-1))* | -0.338478 | 0.069415 | -4.876124 | 0.0000 |
| LOG(TBS) | 0.164515 | 0.043929 | 3.745034 | 0.0008 |
| LOG(CPS) | 0.007768 | 0.010450 | 0.743356 | 0.4632 |
| LOG(TEQ) | 0.115177 | 0.048904 | 2.355173 | 0.0255 |
| LOG(TGS) | 0.029398 | 0.012102 | 2.429255 | 0.0216 |
| LOG(CBS) | -0.005726 | 0.014618 | -0.391700 | 0.6981 |
| F-Bounds Test | | Null Hypothesis: No levels relationship | | |
| Test Statistic | Value | Signif. | I(0) | I(1) |
| | | | Asymptotic: n=1000 | |
| F-statistic | 13.00768 | 10% | 3.8 | 3.8 |
| K | 0 | 5% | 4.6 | 4.6 |
| | | 2.5% | 5.39 | 5.39 |
| | | 1% | 6.44 | 6.44 |
| Actual Sample Size | 36 | | Finite Sample: n=40 | |
| | | 10% | 3.955 | 3.955 |
| | | 5% | 4.96 | 4.96 |
| | | 1% | 7.22 | 7.22 |
| | | | Finite Sample: n=35 | |
| | | 10% | 3.98 | 3.98 |
| | | 5% | 4.945 | 4.945 |
| | | 1% | 7.35 | 7.35 |

***Source: Extract from E-views 10 Output (2024)***

Our dependent and independent variables' long-term connection may be better understood with the use of the ARDL bond test. According to the data in the table, the Fisher's statistic of 13.00768 is more than the asymptotic values of the I(0) and I(1) bonds, which are 10% (3.8), 5% (4.6), 2.5% (5.39) and 1% (6.44) correspondingly. This points to the existence of a long-term link between investments in Nigeria's financial markets and its output. Importantly, while commercial papers were found to be positively but insignificantly correlated with GDP in the long run, treasury bills, total equity, and total government securities were found to be positively and significantly correlated with GDP. The findings also demonstrated that corporate bonds had no long-term positive effect on GDP and were statistically insignificant.

## DISCUSSIONS

From estimations results, we observed that treasury bills showed positive coefficient suggesting that investment made in treasury bills influenced gross domestic product positively given that treasury bills provide investors investment channel to invest idle funds temporary and earn moderate return. Tsintop and Bala (2023), Mboto et al (2023) and Hoffman (2023) findings in their various studies supported our findings of treasury bills positively impacting output.

Commercial papers were seen to influence the services sector positively suggesting issued commercial papers by business units helped them to raise short term financing needs that in turn improve gross domestic product. Mboto et al (2023), Etale and Ayunku (2017) and Aminu et al (2017) findings that commercial papers influence economic growth positively agrees with our findings of commercial papers showing positive impact gross domestic product. Commercial papers as instruments of money market influence output performance positively as seen in Aminu et al (2017) who described employed indicators of money market like commercial papers, treasury bills among others to be relevant in explaining economic growth.

Total equity was seen to influence gross domestic product positively. Equity which connotes units of ownership in a company occurs when companies issue part or units of its shares to the public in form of common stock through initial public offers. This occurs when the company requires fund to finance its business expansion or other investments. Equity is reported to impact positively on gross domestic product. Aniefor and Amahalu (2022), Briggs (2015) and Ayodeji and Ajala (2018) reported positive influence of equity on economic growth which agrees with our findings of equity impacting gross domestic product positively. Also, Nwaolisa et al (2013) reported equity value as indicator of capital market to be a potential growth enhancer.

Government securities showed positive influence gross domestic product suggesting that funds raised by government through securities impacts the overall economic performance positively as further stated by Oko et al (2021), Aladelusi (2021) and Abdul-Kemi (2014) that government bonds related positively with economic growth.

## CONCLUSION AND RECOMMENDATIONS

From our results, it is concluded that treasury bills, equities and government securities were positive and significant in explaining gross domestic product in the short and long run while commercial paper was positive but insignificant in explaining the overall economic performance in both the short and long run and also, that corporate bond is negative and insignificant in explaining the overall economic performance of Nigeria in the short and long run.

Given the above results, it is therefore recommended that;

i. Emphasis should be made in creating more awareness on treasury bills to ensure that individuals as well corporate bodies are fully aware of its issuance to ensure full participants and it benefits the government who uses it to bridge short tern funding gap and also the subscribers who earn moderate risk-free income by investing in them.

ii. Corporate organizations to be encourage to issue commercial papers through the financial markets as this will help to provide more liquidity in the market and also help them to bridge short term financing gap and as well help investors to earn moderate income by investing in them

iii. Financial markets regulators to help corporate organization to raise investment fund through the issuance of corporate bond by removing bottleneck bureaucracy and stringent policies that hinders issuance of corporate bond as such fund raise will impact the overall performance of the economy.

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