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Nigeria Exchange Group PLC and Economic Growth and Development in Nigeria

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Abstract

Nigeria Exchange Group is a major empire of economic growth and development of any nation. Its role for economic growth cannot be overemphasized. This study investigated the relationship between Nigeria Exchange Group and economic growth and development of the Nigerian economy. Four research questions were used for this research work. Questionnaire was used to collect data from respondents, industrialists, economic and financial experts in the South-East Zone of Nigeria. The options were scaled with a Likert Scale Rating Model with a 2.5 bench mark. Result showed that there is a strong positive relationship between Nigeria Exchange group and economic growth and development in Nigeria with a mean score of 3.5 which is quite high as compared to 2.5 bench mark. Also, it was desired that Nigeria Exchange Group had no significant impact on economic growth and development in Nigeria. Hence, poor economic growth of Nigeria. Other findings show that Macroeconomic instability, capital flight, foreign exchange volatility, political uncertainty, policy uncertainty, domestic investor aversion, one price dependency is some of the constant factors that militates against the Nigerian Exchange Group Performance. Among the recommendations is that Government should pursue policies that will encourage the positive performance of the Nigerian Exchange Group.

Keywords: exchange group, economic growth and development industrialist, economic and financial experts, macroeconomic investor aversion, foreign exchange.

INTRODUCTION

The Nigeria Stock Exchange (NGX), officially, Nigeria Exchange Group is a leading integrated market infrastructure in Africa servicing the continent's largest economy. The exchange provides capital access to companies seeking to take advantage of the financial markets to find their business expansion. Likewise, NGX provides its pool of domestic, regional and international investors with an array of regulated securities to achieve their investment objectives. In March 2021 the Nigerian Stock Exchange was demutualized from a member owned, not for profit entity into a shareholder owned, profit making entity, Nigerian Exchange Group PLC (Akinwunmi, 2021; Oteh, 2021). The NGX publishes the bench mark, value weighted All Share holder (ASI), formulated in January 1984 with a base value of 100. The ASI tracks the general market movement of all listed equities on the exchange, including those listed on the growth board regardless of capitalization (Olowe, 2023). Additionally, indices are the NGX30 and NGX50 which respectively track the top30 and 50 companies in terms of market capitalization and liquidity. Both indices, in which only fully paid-up common shares are admitted, are weighted by adjusted market capitalization – the number of a company listed share multiplied by the closing price and multiplied by a capping factor. The Nigerian Exchange Group maintains three categories of listing. The Premium Board, the Elite

Group of companies that meet Stringent Corporate Governance, Capitalization, and Liquidity Criteria; Main Board, the larger companies who are admitted to the bourse-based of profitability or market capitalization and Alterative Securities Market (ASEM), the smaller high growth emerging business (Okafor, 2024).

The stock market performance is one of the most controversial and well-studied propositions in the literature of capital market. Even if there have been a number of researches and journal articles, economists have not yet reached a consensus whether the stock market performance has an impact on the growth of the economy, ongoing debate exists as to whether stock markets are like casinos, where more and more players are coming to place their bets or they are actually linked to economic growth (Levine, 2022; Merton, 2023).

Barro (1990) reported that in the case of U.S., stock market variables and stock returns, can largely explain the subsequent aggregate investments, he proved this by regressing the average growth rate in per capita output on the market capitalization and he discovered that the stock market accounts for a larger part of the aggregate investment in U.S.

Harris, (1997) analyzed data for forty-nine countries over the period from 1980-91 for the growth in GDP per unit of effective labor, investment as a percent of GDP, the growth of total employed labor and the total value of shares traded on the stock market as a percent of GDP. The study reported that the level of stock market activity has little explanatory power in the sample of developing countries and weak explanatory power for the sample of developed countries.

In the work of Seyyed (2006), he studied the effect of the stock market performance on the growth of Iran economy, using the quarterly real GDP and the Iran stock market index as his variables, covering the period from 1997:3-2006:3. He conducted causality test within the vector error correction model framework, he also used Johansen co-integration analysis to investigate whether the variables are co-integrated of the same order taking into account the maximum eigenvalues and trace statistics test. He applied the granger causality test in order to find the direction of causality between the examined variables of the estimated model. He concluded, by stating that the level of real economic activity is the main factor in the movement of stock prices in the long run and stock market plays a role as a leading economic indicator of future economic growth in Iran, in the short run.

In a study by Levine and Zervos (1996), they applied regression analysis to the data compiled from 41 countries for the years 1976 through 1993 to see the relationships between financial deepening and economic growth. One of the financial deepening indicators used in the analysis was the level of development of stock exchange measured by a composite index, liquidity and diversification indicators. Economic growth indicator selected, on the other hand, was the real growth rate in per capita GDP. Levine and Zervos reported a very strong positive correlation between stock market development and economic growth.

Despite the fact that Nigeria has thousands of salient business men in the informal sector of the economy pursuing business interests ranging from the importation of refined crude oil to selling of repackaged table water, it is still plagued by the poor economic growth and development. The Nigeria GDP is still at single digit and it is not encouraging. In other words, mobilization of resources for national growth and development has long been the central focus of growth and development. It is now increasingly being recognized that the growth process of the Nigeria economy depends to a considerable extent on the effects of the stock market. The main objective of this research work is to examine the role which the stock market plays in the growth and development of the Nigerian economy.

RESEARCH QUESTIONS

1. Is there any relationship existing between Nigerian Exchange Group performance and economic growth and development in Nigeria?
2. What major factor militates against Economic growth and development in Nigeria?
3. What are the constraint factors that militates against Nigeria Exchange Group performance in Nigeria?
4. Has Nigerian Exchange Group impacted on economic growth and development in Nigeria?

METHODOLOGY

A survey research design was adopted in this study. This is because, it is a fact-finding technique that focuses on people. The area of study was the South-East Zone of Nigeria which comprises Anambra, Imo, Ebonyi, Enugu, and Abia states. The use of this zone is informed by the existence of large industrialists' brokers, economic and financial experts. The population of this study was all industrialists, economic and financial experts (brokers) in the South-East Zone with over 5 years' experience in the stock market activities and industrial growth and development of Nigeria. A simple random sampling method was used to draw the sample for the study. Both male and female respondents are involved. The total sample used was 500 member brokers, economic and financial experts. The instruments for data collection for this study are questionnaires in a fixed response type with a Likert type response format. Mean and frequency count were used in analyzing the data for the study. In discussing the questionnaire items, any mean score above the 2.5 bench mark was accepted while any mean score that is below 2.5 was not accepted.

RESULTS

Research Question 1: Is there any relationship existing between Nigeria Exchange Group Performance and economic growth and development in Nigeria.

Table 1: Mean response of respondents on the relationship between the Nigerian Exchange Group Performance and economic growth and development in Nigeria.

S/N	ITEM	MEAN	SD	REM
1	Increase in the Nigeria Exchange Group Performance increases Economic growth and development.	3.50	2.1	A

Source: Research Survey 2026

The table above reveals that increase in the performance of Nigeria Exchange Group increases economic growth and development. It has a mean score of 3.5 signifying a very high strong and positive relationship between the two variables.

Research Question: What major factor militates against Economic growth in Nigeria?
Table 2: Mean response of respondents on the major factor that militates against economic growth and development in Nigeria.

S/N	ITEMS	MEAN	SD	REMARK
1	Poor performance of the Nigeria Exchange Group PLC reduces economic growth and development in Nigeria.	3.21	1.42	A

Source: Research Survey 2026

Table 2 above shows that when the performance of the Nigeria Exchange Group is poor or reduced, consequently economic growth and development will also drop. This is in agreement of the opinions of the respondents with the mean response of 3.21 and standard deviation of 1.42 respectively. Since the item served a mean of 3.21 that is greater than the cut off mean of 2.5, it was accepted as Agree.

Research Question 3: What are the constraint factors that militates against Nigeria Exchange Group Performance in Nigeria?
Table 3: Mean response of respondents on the constraint factors responsible for poor performance of the Nigeria Exchange Group in Nigeria.

S/N	ITEMS	MEAN	SD	REMARK
1	Macro-economic instability	3.24	1.48	A
2	Capital flight	3.35	1.75	A
3	Foreign Exchange Volatility	3.21	1.42	A
4	Political Uncertainty	3.15	1.29	A
5	Policy Uncertainty	3.35	1.75	A
6	Domestic Investor Aversion	3.15	1.29	A
7	Oil Price Dependency	3.15	1.29	A
8	High Inflation eroding real returns	2.55	0.744	A
9	Insecurity	2.73	0.896	A
10	Restructure monetary policies	2.59	0.88	A
11	Overreliance on oil export	2.95	1.18	A
12	High Interest rates	3.12	2.04	A

Source: Research Survey 2026

The above table indicates that all the items with the mean scores of 3.24, 3.35, 3.21, 3.15, 3.35, 3.15, 3.15, 2.55, 2.73, 2.59, 2.95 and 3.12 agree that Macroeconomic instability, Capital flight, Foreign exchange, Volatility, Political Uncertainty, Domestic Investor Aversion, Oil Price Dependency, High Inflation which erodes real return, Insecurity of life and property, Restrictive Monetary Policies, Over Reliance on Oil Export and Domestic high interest rate. Some of the constraint factors responsible for poor performance of the Nigeria Exchange Group PLC.

Research Question 4: Has Nigerian Exchange PLC any impact on economic growth and development of Nigeria?

Table 4: Mean response of respondents on the impact of Nigerian Exchange Group on economic growth and development in Nigeria.

S/N	ITEMS	MEAN	SD	REMARK
1	Poor performance of the Nigeria Exchange. Group PLC reduces economic growth and development in Nigeria.	2.15	-1.61	D

Source: Research Question 4

The data in the above table reveals that item 1 in the above table has lower mean score of 215 which is below the agreed limit of 2.5 which shows that Nigerian Exchange PLC have not impacted on the Nigerian economic growth and development.

DISCUSSION OF FINDINGS

The findings of this study show that the performance of the Nigerian Exchange Group (NGX) is closely linked to economic growth and development in Nigeria, as improved market performance tends to enhance investment, capital formation, and overall economic activity. Conversely, weak performance of the NGX reduces economic growth by limiting access to long-term finance and discouraging investment. This supports the findings of Levine and Zervos (1996), who established a strong positive relationship between stock market development and economic growth, and Barro (1990), who found that stock market indicators significantly influence aggregate investment and output growth.

Similarly, the study reveals that several macroeconomic and structural factors constrain both NGX performance and economic growth in Nigeria. These include macroeconomic instability, capital flight, foreign exchange volatility, inflation, political uncertainty, high interest rates, and overdependence on oil revenues. This agrees with Harris (1997), who observed that stock markets in developing economies often have weak effects on growth due to structural limitations. It also supports Ogunleye (2023), who identified exchange rate instability and inflation as major constraints to capital market development in Nigeria, while Sanusi (2022) emphasized that high interest rates and policy inconsistency discourage investment participation in the stock market.

Furthermore, the findings show that despite its potential, the Nigerian Exchange Group has not significantly impacted economic growth and development in practice, as reflected in respondents' perceptions. This is consistent with Ajakaiye (2024), who argued that Nigeria's capital market remains underdeveloped and has limited influence on real sector growth, and Harris (1997), who reported similar weak effects in developing countries due to shallow financial systems and low market depth.

CONCLUSION

The study concludes that there is a positive relationship between the performance of the Nigerian Exchange Group (NGX) PLC and economic growth and development in Nigeria. Improved stock market performance enhances investment, capital formation, and overall economic activities, while poor performance reduces economic growth. However, the study also concludes that the actual impact of the NGX on Nigeria's economic growth is still limited due to macroeconomic instability, exchange rate volatility, inflation, political uncertainty, high interest rates, and overdependence on oil revenue. These challenges weaken investor confidence and reduce the effectiveness of the capital market in driving development.

RECOMMENDATIONS

Based on the findings of the study, the following recommendations are made;

1) Government should put in place conducive economic environment for the storage of Macroeconomic Instability in Nigeria.
2) Government through its Agencies EFCC and ICPC should fight capital flight and all monies moved out of this nation should be recovered and channeled into the Nigerian Exchange Group to encourage economic growth and development in Nigeria.
3) Government should put in place policies that will end exchange volatility in order to encourage foreign direct investment.
4) Government should put in place good policies that would end political uncertainty in Nigeria.
5) Government should put in place policies that would encourage domestic investors to invest in the Local Exchange Group PLC.
6) Government should diversify the economy in order to avoid dependency on oil price in Nigeria.
7) Government should encourage environment that will boost production in other to bring down prices of goods and services as this will reduce high Inflation in the economy.
8) Government should fight insecurity in other to protect life and properties of the Nigerian citizens as this affects the performance of the Nigerian Exchange PLC.
9) Government should avoid restrictive monetary policies to improve the performance of the Nigerian Exchange Group, hence economic growth and development.
10) Government should through its CBN Monetary Policy Rate Committee bring down the bench mark rate in order to bring down high interest rate and control inflation in Nigeria.

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