

STOCK MARKET DEVELOPMENT AND MANUFACTURING SECTOR OUTPUT IN NIGERIA.

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ABSTRACT

The study examined the effect of stock market development on Nigeria's manufacturing sector output from 1987 to 2024, using secondary data from the Central Bank of Nigeria Statistical Bulletin and the Nigerian Exchange Group. Specifically, it assessed the influence of market capitalization, value of transactions, and total new issues on manufacturing output. An ex post facto research design was adopted, and the Autoregressive Distributed Lag (ARDL) bounds testing approach was used to estimate short-run and long-run relationships. The findings showed that total new issues positively and significantly influenced manufacturing output, market capitalization had a significant negative effect, and value of transactions was insignificant. The error correction model confirmed a long-run equilibrium with a moderate adjustment speed of 35%. These results indicate that primary market financing drives manufacturing growth, whereas overall market size and liquidity have not translated into productive gains. The study recommends that regulators strengthen policies to channel capital market funds into manufacturing, including tax incentives, stricter monitoring of speculative trading, and encouraging more firms to access equity financing through simplified listing procedures.

Keywords: ARDL, Manufacturing Sector Output, Market Capitalization, Nigeria, Stock Market Development, Total New Issues.

Introduction

The manufacturing sector is widely recognized as a major driver of economic transformation because of its capacity to promote value addition, employment generation, industrialization, and export diversification. In many developing economies, a vibrant manufacturing sector serves as the foundation for sustainable economic growth and structural transformation (Chinedu & Yusuf, 2024; Eze & Okafor, 2023). For Nigeria, strengthening the manufacturing sector is particularly important for reducing the country's heavy dependence on crude oil exports and imported manufactured goods. A well-developed manufacturing base can stimulate technological development, expand productive capacity, and improve the overall competitiveness of the economy. Despite this strategic importance, the performance of the manufacturing sector in Nigeria has remained unstable over the years (Adedipe et al., 2024).

Historically, the contribution of manufacturing to Nigeria's Gross Domestic Product (GDP) has fluctuated significantly. Following the introduction of the Structural Adjustment Program (SAP) in 1986, the sector accounted for approximately 34.94% of GDP. However, this contribution declined sharply to 22.84% in 1990 and further to about 10.17% in 1995. Although the sector experienced gradual improvements in recent years, its overall performance has remained relatively low and inconsistent. For example, manufacturing contributed about 9.65% of GDP in 2018, 11.52% in 2019, 12.67% in 2020, and 14.61% in 2021. While the sector recorded about 16.04% growth in 2023 compared to 13.49% in 2022, its contribution to national output still falls short of the levels observed in emerging industrial economies (National Bureau of Statistics, 2023). These statistics indicate that Nigeria's manufacturing sector has not fully realized its potential as a catalyst for economic development.

One major factor responsible for the weak performance of the manufacturing sector is the persistent challenge of inadequate long-term financing (Oke & Adebayo, 2024). Traditionally, Nigerian manufacturers depend largely on the banking sector for funding. However, commercial banks mainly provide short-term credit, which is often unsuitable for large-scale industrial investments that require long-term capital. In addition, high interest rates and strict collateral requirements have further constrained manufacturers' access to bank financing (Ogunleye & Akinlo, 2024). As a result, many manufacturing firms struggle to expand production capacity, adopt modern technology, or compete effectively in both domestic and international markets.

In response to these financing challenges, attention has increasingly shifted to the stock market as an alternative source of long-term capital. The Nigerian capital market, currently operating under the Nigerian Exchange Group, plays a crucial role in mobilizing savings and channeling funds toward productive investment. Over time, the market has recorded significant growth in key indicators such as market capitalization, value of transactions, and total new issues. Market capitalization reflects the overall size and depth of the stock market and indicates the potential capacity of firms to raise equity capital (Chukwu & Oladapo, 2024). A higher level of market capitalization generally suggests improved access to long-term funds for business expansion and technological advancement (Olaniyan & Olaniyi, 2024).

Similarly, the value of transactions represents the level of trading activity and liquidity in the stock market. A liquid market enables investors to buy and sell securities more easily, thereby increasing investor confidence and improving the allocation of financial resources within the economy (Ayomide & Tobi, 2022). Total new issues, on the other hand, measure the amount of fresh capital raised by firms through new equity offerings in the primary market. This indicator reflects the ability of companies to obtain financing directly from investors for business expansion and productive investment (Ajayi et al., 2022).

Although these indicators suggest improvements in Nigeria's stock market development, the expected impact on the manufacturing sector has not been fully realized. The

country still relies heavily on imported manufactured goods, and domestic manufacturing output remains relatively low. This situation raises concerns about whether stock market development has effectively translated into increased industrial production. Empirical studies on the relationship between stock market development and manufacturing sector performance have produced mixed results. While some studies report a positive relationship between stock market indicators and industrial growth, others find weak, negative, or insignificant effects (Awe, 2023). These inconsistent findings indicate the existence of a research gap regarding the specific channels through which stock market development influences manufacturing output in Nigeria.

Given these inconsistencies, it becomes necessary to examine how key indicators of stock market development influence manufacturing sector performance. Specifically, this study assesses the effect of the value of transactions on manufacturing sector output in Nigeria, ascertains the effect of total new shares on manufacturing sector output, and determines the effect of market capitalization on manufacturing sector output. By focusing on these indicators, the study contributes to the existing literature by providing clearer empirical evidence on the role of stock market development in promoting industrial growth. The findings are expected to provide useful insights for policymakers, investors, and financial regulators seeking to strengthen the capital market and enhance the growth of the manufacturing sector in Nigeria.

The specific objectives of this study are to:

- i. To examine the effect of value of transactions on manufacturing sector output in Nigeria.
- ii. To determine the effect of total new issues on manufacturing sector output in Nigeria.
- iii. To evaluate the effect of market capitalization on manufacturing sector output in Nigeria.

Literature Review

Manufacturing Sector Output

Manufacturing sector output refers to the total value of goods produced by industries that transform raw materials into finished products within a given period. It is commonly measured through indicators such as manufacturing value added, contribution of manufacturing to Gross Domestic Product (GDP), and capacity utilization levels. The sector includes firms engaged in mechanical, chemical, or physical processes that convert inputs into new products. In developing economies, manufacturing output is widely recognized as a key indicator of industrial development because it contributes to employment generation, technological progress, and export diversification. According to Smith et al. (2023), sustained manufacturing output supports long-term economic transformation by increasing domestic production and reducing dependence on imports. Similarly, Brown and White (2024) argue that strong institutional and structural frameworks are necessary to enhance manufacturing productivity and maintain competitiveness in global markets.

Stock Market

The stock market, also referred to as the equity market, is a formal financial platform where companies raise long-term capital through the issuance and trading of securities. It serves as an important channel for financial intermediation by linking investors who have surplus funds with firms that require financing for productive investment. Through capital formation, liquidity provision, and efficient allocation of financial resources, the stock market contributes to economic growth and industrial development. Williams et al. (2024) emphasize that a well-functioning stock market improves firms' access to long-term funds, thereby reducing financing constraints and supporting business expansion. Chinedu and Yusuf (2024) further note that stock market development enhances industrial performance when financial resources are effectively directed toward productive sectors such as manufacturing.

Value of Transactions

Value of transactions refers to the total monetary value of securities traded in the stock market over a specific period. It is widely used as an indicator of market liquidity and trading activity. Higher transaction values generally reflect increased investor participation and improved circulation of capital within the financial system. Market liquidity is important because it enables investors to buy and sell securities easily without causing significant price changes. According to Chukwu and Oladapo (2024), liquid markets improve price discovery and strengthen investor confidence, thereby encouraging firms to raise capital through equity financing. However, fluctuations in transaction value may indicate market volatility or structural weaknesses within the financial system, which can limit its contribution to real sector growth.

Total New Issues

Total new issues represent the total value of new securities issued in the primary market within a specific period. These securities may include equities or other long-term financial instruments offered to investors to raise fresh capital. This indicator reflects the ability of firms to access new financing for expansion, modernization, and technological improvement. Ogunleye and Akinlo (2024) note that an increase in new issues can stimulate industrial growth by providing firms with the financial resources needed to increase production capacity. However, the effectiveness of new issues in promoting economic development largely depends on the efficient use of the funds raised and the strength of regulatory oversight within the capital market.

Market Capitalization

Market capitalization refers to the total value of all listed shares in the stock market and is commonly used as a measure of market size and financial development. It represents the aggregate market value of companies listed on the stock exchange and reflects overall investor confidence in the economy. Eze and Okafor (2023) argue that rising market capitalization indicates improved financial depth and greater potential for mobilizing long-term capital. Nevertheless, the impact of market capitalization on real sector performance depends on how effectively firms channel these financial resources into productive investments. Where financial intermediation is efficient, increased market capitalization can support industrial expansion and enhance manufacturing sector performance.

Empirical Review

Samuel (2025) examined the impact of stock market performance on the growth of Nigeria's manufacturing sector between 1981 and 2022. The study used secondary data obtained from the Central Bank of Nigeria Statistical Bulletin and the World Bank database. Using econometric techniques such as unit root tests, Johansen cointegration tests, Vector Error Correction Model (VECM), and Vector Autoregressive (VAR) model, the study assessed the relationship between several stock market indicators and manufacturing output growth. The results showed that market capitalization, value of shares traded, and the All Share Index were statistically insignificant in the long run. However, the number of deals, gross domestic product, and exchange rate were significant and positively influenced manufacturing output growth. In contrast, market capitalization and value of shares traded exhibited negative relationships with manufacturing output. In the short run, some variables such as market capitalization and GDP had positive effects, while value of shares traded and the All Share Index showed negative relationships. These findings suggest that certain stock market indicators may not directly translate into improved manufacturing performance.

Similarly, Adegoke et al. (2025) investigated the effect of stock market development on Nigeria's economic growth from 1996 to 2023 using the Vector Error Correction Model. The study incorporated market capitalization, All Share Index, total value of traded shares, number of listed securities, and number of deals as explanatory variables. The results indicated

that market capitalization had a negative effect on economic growth, while the All Share Index, total value traded, and number of deals had positive effects. However, the number of listed securities recorded a strong negative impact. The short-run dynamics showed weak adjustments toward long-run equilibrium. Although the study focused on economic growth rather than manufacturing output specifically, the findings provide evidence that stock market indicators may have varying impacts on real sector performance.

Other studies have focused more directly on the relationship between capital market development and manufacturing sector output. Onyebuchi (2023) examined the effect of the capital market on manufacturing sector output in Nigeria using data from 1990 to 2021. The study employed the Autoregressive Distributed Lag (ARDL) and Error Correction Model (ECM) techniques. The results revealed that market capitalization had a positive and significant effect on manufacturing sector output. Based on these findings, the study recommended policies aimed at strengthening the capital market and improving stock market performance in order to support manufacturing growth.

Rosemary (2023) also investigated the role of the Nigerian capital market in financing the manufacturing sector between 2008 and 2020. Using multiple regression analysis and Ordinary Least Squares estimation, the study examined the effects of market capitalization, equities, and corporate bonds on manufacturing output. The results showed that market capitalization had a positive and significant impact on manufacturing output. Corporate bonds had a negative but insignificant effect, while equities exhibited a significant negative relationship with manufacturing output. These findings indicate that different capital market instruments may influence manufacturing output in different ways.

Awe and Tope (2022) explored the nexus between stock market performance and manufacturing growth in Nigeria using data from 1985 to 2020. The study employed the Vector Autoregression (VAR) model to analyze the dynamic interaction between stock market variables and manufacturing growth. Stationarity tests using the Augmented Dickey–Fuller and Phillips–Perron methods confirmed the suitability of the VAR approach. The results indicated that stock market performance has a significant influence on manufacturing growth. The authors concluded that appropriate monetary and financial policies are necessary to strengthen stock market performance and enhance the productive capacity of the manufacturing sector.

Some studies have also examined the relationship between stock market performance and industrial development outside Nigeria. For instance, Ogbulu and Ejem (2024) analyzed the causality between stock market performance and industrial output in eleven European countries using panel data from 2015 to 2022. The study employed pooled regression techniques with fixed and random effects, alongside cointegration tests. The findings revealed mixed results, with market capitalization and stock market index showing both positive and negative effects on industrial output, while volume of transactions had no significant effect. Although this study provides useful international evidence, its context differs from Nigeria's economic environment, limiting its direct applicability to the Nigerian manufacturing sector.

Theoretical Framework

This study is anchored on the Supply-Leading Hypothesis propounded by Schumpeter (1912). The theory argues that the development of financial institutions and markets stimulates economic growth by mobilizing savings, facilitating capital allocation, and improving investment efficiency. According to the hypothesis, a well-developed financial system provides the necessary funds that enable productive sectors to expand output and adopt new technologies. For the purpose of this study, the stock market represents an important component of the financial system that supports industrial growth. Indicators such as market capitalization, value of transactions, and total new issues reflect the level of stock market development and the availability of long-term financing. Higher market capitalization indicates greater capacity for capital mobilization, increased transaction value reflects improved market

liquidity, while total new issues represent fresh capital raised by firms. These mechanisms enhance access to funding for manufacturing firms, thereby promoting investment, production expansion, and improved manufacturing sector output in Nigeria.

Methodology

This study adopted an ex post facto research design to examine the relationship between stock market development and manufacturing sector output in Nigeria. The design is appropriate because it relies on historical macroeconomic data and does not involve manipulation of the study variables. The analysis is based on annual time-series data covering the period 1987 to 2024, which allows the study to capture long-term trends in stock market development and manufacturing sector performance following the financial sector reforms introduced in Nigeria.

Secondary data were obtained from credible sources, including the Central Bank of Nigeria (CBN) Statistical Bulletin, the National Bureau of Statistics (NBS) publications, and the Nigerian Exchange Group Factbook. The key variables used in the study include manufacturing sector output as the dependent variable, while stock market indicators such as market capitalization, value of transactions, and total new issues serve as the explanatory variables.

To analyze the data, the study employed several econometric techniques. The Augmented Dickey-Fuller (ADF) unit root test was used to examine the stationarity of the variables, while the Autoregressive Distributed Lag (ARDL) model was applied to estimate both the short-run and long-run relationships among the variables. The ARDL approach is suitable because it accommodates variables integrated at different orders and provides reliable estimates for time-series analysis.

Model Specification

The implicit representation of the model is expressed as:

$$MSO = f(MC, VT, TNI) \text{----- (1)}$$

The explicit form of the model in equation (2) is expressed as:

$$\Delta MSO_t = \alpha_0 + \sum_{i=1}^p \alpha_1 \Delta MSO_{t-i} + \sum_{i=0}^p \beta_1 \Delta MC_{t-i} + \sum_{i=0}^p \beta_2 \Delta VT_{t-i} + \sum_{i=0}^p \beta_3 \Delta TNI_{t-i} + \phi_1 MSO_{t-i} + \phi_2 MC_{t-i} + \phi_3 VT_{t-i} + \phi_4 TNI_{t-i} + \epsilon_t$$

Where:

MSO = Manufacturing Sector Output

MC= Market Capitalization

VT= Volume of Transaction

TNI = Total New Issue

β_0 = Constant term

ϵ_t = The error term

β_1 - β_3 Coefficients for the respective lags of dependent and independent variables

Table 1 Measurement of Variables

Variable	Nature of Variables	Measurement	Source
Manufacturing sector output	Dependent Variable	(Value Added by Manufacturing Sector / Total GDP) $\times$ 100	Adegbemi (2018)
Market Capitalization	Independent Variable	The total market value of all listed companies on the stock exchange.	Owui (2018)
Volume of transactions	Independent Variable	Total number of shares traded on the stock exchange over a specific period	Egbuche et al, (2020)
Total new issue	Independent Variable	Total value of new shares issued by companies during a specific period.	Ibitomi et al, (2020)

Source: Author's Compilation, 2026

Results and Discussions

Table 2: Descriptive Statistics

	MSO	VT	TNI	MCP
Mean	9456.138	707864.4	4267.566	11178.84
Median	1647.390	244375.1	272.4150	2506.280
Maximum	122612.4	4400000.	33066.60	75202.90
Minimum	78.20000	136.0000	2.100000	6.800000
Std. Dev.	25445.48	954892.7	7427.564	16734.28
Skewness	3.864506	1.824708	2.279264	2.091854
Kurtosis	16.54365	6.968443	7.993912	7.498613
Observations	38	38	38	38

Source: E-views 13 Outputs, 2026

The descriptive statistics revealed significant variability among the study variables over the period under review. Manufacturing Sector Output (MSO) recorded a mean value of ₦9456.14 billion, with a maximum value of ₦122612.40 billion and a minimum value of ₦78.20 billion, indicating wide fluctuations in manufacturing performance in Nigeria. The relatively high standard deviation of ₦25445.48 billion suggests substantial dispersion from the mean, confirming instability in manufacturing sector output during the study period. Value of Transactions (VT) recorded a mean value of ₦707864.40 billion, with a maximum value of ₦4400000.00 billion and a minimum value of ₦136.00 billion, indicating high volatility in stock market trading activities. The standard deviation of ₦954892.70 billion also shows inconsistent trading activities over time. Total New Issues (TNI) had a mean value of ₦4267.57 billion, with a maximum of ₦33066.60 billion and a minimum of ₦2.10 billion, indicating relatively low primary market capital raising activities. Market Capitalization (MCP) recorded a mean value of ₦11178.84 billion, with a maximum of ₦75202.90 billion and a minimum of ₦6.80 billion, reflecting growth in stock market size but with high variability. All variables were positively skewed with high kurtosis values, indicating non-normal distribution and the presence of outliers and extreme market shocks.

Table 3: Correlation Analysis

	MSO	VT	TNI	MCP
MSO	1.000000			
VT	0.398464	1.000000		
TNI	0.351259	0.555667	1.000000	
MCP	0.545876	0.620191	0.689914	1.000000

Source: E-views 13 Outputs, 2026.

The result of the correlation matrix in Table 3 shows the correlation between the dependent variable (manufacturing sector output) and the independent variables, market capitalization, value of transactions, and total new issues on one hand, and among the independent variables on the other hand. From Table 3, it can be seen that all the correlation coefficients among the independent variables are below 0.70. The table reveals a positive correlation between the dependent variable of the manufacturing sector output in Nigeria and all its explanatory variables in the study.

Table 4: Stationarity Test Results

Variables	Test	T-statistic at Intercept	Critical value at 5%	Probability	Results
LOGMSO	ADF	-3.555695	-2.963972	0.0132	I(1)
LOGMCP	ADF	-4.752056	-2.945842	0.0005	I(1)
LOGVT	ADF	-5.758791	-2.945842	0.0000	I(1)
LOGTNI	ADF	-2.954021	-2.704739	0.0339	I(1)

Source: E-views 13 Outputs, 2026.

The Augmented Dickey–Fuller (ADF) test results indicate that the variables were non-stationary at level but became stationary after first differencing, implying that they are integrated of order one, I(1). This confirms that the series exhibit a stable mean and variance after differencing. The presence of variables integrated at I(1) justifies the use of the Autoregressive Distributed Lag (ARDL) approach, which is suitable for estimating both short-run and long-run relationships among variables integrated at I(0) and I(1).

Table 5: ARDL Bound Test Co-integration Test

Test Statistic	Value	Signif.	I(0)	I(1)
F-statistic	9.980653	10%	2.26	3.35
K	5	5%	2.62	3.79
		1%	3.41	4.68

Source: E-views 13 Outputs, 2026.

The table above presents the result of the ARDL bound test approach to Co-integration. The result revealed that there is presence of co-integration among the variables. The f-statistics value of 9.980653 is greater than the lower bound value of 2.62 and upper bound values of 3.79 at a 5% level of significance. Hence, there is sufficient proof of the presence of a long-run equilibrium relationship between stock market and manufacturing sector output in Nigeria between 1987 and 2024. The result thus shows that the market capitalization, value of transactions, and total new issues have a long-run relationship with manufacturing sector output in Nigeria within the period under study.

Table 6: Long Run Relationship
Dependent Variable: LOGMSO

Variables	Coefficient	Std error	T-statistics	Prob
C	-2.66712	5.955468	4.820370	0.0085
LOGMCP	-4.410984	1.739671	-2.535528	0.0350
LOGTNI	0.327921	0.160706	2.040502	0.0416
LOGVT	-0.027356	0.166772	-0.164034	0.8738
R ²	0.7490			
Adj. R ²	0.6207			
F-Statistic	12.112			
Pro. F-statistic	0.0000			

Source: E-views 13 Outputs, 2026.

The long-run ARDL results revealed that stock market variables jointly have a significant impact on manufacturing sector output in Nigeria, as indicated by the F-statistic probability value of 0.0000. The coefficient of determination ($R^2 = 0.7490$) indicates that approximately 74.9% of variations in manufacturing sector output were explained by the stock market variables, while the adjusted R^2 of 0.6407 confirms good model fitness after adjusting for degrees of freedom. Market capitalization (LOGMCP) had a negative and significant long-run relationship with manufacturing sector output, with a coefficient of -4.41 and probability value of 0.0350. This suggests that increases in market capitalization did not translate into improved manufacturing performance during the study period. In contrast, total new issues (LOGTNI) showed a positive and significant relationship with manufacturing output, with a coefficient of 0.33 and probability value of 0.0416, indicating that primary market financing supports manufacturing growth through capital formation. Value of transactions (LOGVT) had a negative but insignificant effect on manufacturing output, with a coefficient of -0.03 and probability value of 0.8738, implying that trading liquidity alone did not significantly influence manufacturing performance in the long run.

Table 7: ARDL Error Correction Regression
Dependent Variable: D(LOGMSO)

Variables	Coefficient	Std error	T-statistics	Prob
D(LOGMCP)	-4.410984	0.739588	-5.964106	0.0003
D(LOGVTR)	-0.027356	0.094838	-0.288453	0.7803
D(LOGTNI)	0.327921	0.082759	3.962356	0.0042
ECM(-1)	-0.348172	0.238039	-9.864652	0.0000
R ²	0.7490			
Adj. R ²	0.6207			
F-Statistic	12.113			
Pro. F-Statistic	0.0000			

Source: E-views 13 Outputs, 2026.

The ARDL short-run error correction results showed that stock market variables jointly have a significant influence on short-run changes in manufacturing sector output, as indicated by the F-statistic probability value of 0.0000. The R^2 value of 0.7490 and adjusted R^2 of 0.6207

indicate that approximately 74.9% of variations in manufacturing output were explained by changes in stock market variables, confirming good model fit and explanatory power. In the short run, market capitalization (DLOGMCP) had a negative and significant effect on manufacturing output, with a coefficient of -4.41 and probability value of 0.0003, suggesting that short-term increases in market capitalization did not immediately translate into improved manufacturing performance. Total new issues (DLOGTNI) showed a positive and significant relationship with manufacturing output, with a coefficient of 0.33 and probability value of 0.0042, indicating that new capital raising activities support short-run manufacturing growth. However, value of transactions (DLOGVT) had a negative and insignificant effect on manufacturing output with a coefficient of -0.03 and probability value of 0.7803. The error correction term (ECM = -0.35) was negative and highly significant (0.0000), confirming long-run equilibrium adjustment. The speed of adjustment indicates that 35% of short-run disequilibrium is corrected annually, showing moderate convergence toward long-run stability.

Table 8: Post-Estimation Diagnostics Tests

Test	P-Value
Heteroskedasticity Test	0.7658
Serial Correlation LM Test	0.5561
JB Normality Test	0.4758

Source: Author's Computation from E-view Results, 2026.

The result as presented in the above table revealed that there was no evidence of heteroskedasticity, serial correlation, and the data are normally distributed in the estimated ARDL-ECM model and have the *p-values* of 0.7658, 0.5561, and 0.4758 respectively. They were found to be greater than the 0.05 level of significance.

Discussion of Findings

The ARDL estimations reveal mixed effects of stock market development on manufacturing sector output in Nigeria, consistent with the supply-leading hypothesis (Schumpeter, 1912), which posits that efficient financial systems promote real sector growth when resources are effectively mobilized and allocated. The models were jointly significant, with the error correction term negative and significant, indicating that deviations from long-run equilibrium are corrected at an annual speed of 35%, reflecting adjustment toward long-run stability.

Market capitalization showed a persistent negative and significant effect on manufacturing output in both the long and short run. This suggests that increases in market size alone did not translate into industrial growth, likely due to weak financial intermediation and low firm-level capacity to absorb capital efficiently. Similar results were reported by Adeoye and Adekoya (2023) and Okoye and Eze (2024), who argued that without effective mechanisms to channel stock market funds into productive investment, market expansion does not necessarily enhance manufacturing output.

In contrast, total new issues had a positive and significant effect, indicating that capital raised through fresh equity offerings effectively supports manufacturing growth by enabling firms to invest in technology and capacity expansion. Bello et al. (2022) similarly found that new share issuances enhance real output by providing long-term financing for productive investments. Value of transactions, however, exhibited a negative and statistically insignificant effect, suggesting that stock market liquidity does not automatically stimulate manufacturing output. This may reflect speculative trading patterns in Nigeria, where high transaction volumes do not translate into long-term industrial investment, corroborating findings by Ibrahim and Musa (2023).

Conclusion and Recommendations

The study found that stock market development has mixed effects on Nigeria's manufacturing sector. ARDL estimations showed that market capitalization negatively affected manufacturing output, while total new issues positively and significantly influenced performance. In contrast, value of transactions had an insignificant impact, indicating that liquidity alone does not stimulate manufacturing growth. The error correction term confirmed the presence of long-run equilibrium, with a moderate adjustment speed. These results suggest that primary market financing is more critical for industrial expansion than overall market size or trading activity.

Based on these findings, the study recommends practical measures to strengthen the link between the stock market and manufacturing growth. Regulators should ensure capital market funds are directed toward productive manufacturing investments by providing tax incentives, monitoring speculative capital, and supporting industrial listings. Manufacturing firms should be encouraged to raise equity capital through simplified listing processes, reduced issuance costs, and collaboration with development finance institutions for advisory support. Investors and policymakers should focus on long-term investment strategies by promoting strong corporate governance, market transparency, and institutional participation from pension funds and insurance companies. These measures will enhance capital formation, channel financial resources into productive activities, and improve the contribution of the stock market to sustainable manufacturing sector development in Nigeria.

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