

An Assessment of the Contribution of Managed Fund on Capital Market Development and Economic Growth: The Nigerian Experience

Orbunde Bemishima Benjamin

Department of Accounting
Bingham University, Karu, Nasarawa State.

Abstract

The study examines the contribution of managed fund on Capital market and Economic Development in Nigeria, aimed at measuring the extent to which Managed Funds Nets Assets Value (MFNAV) has contributed to the growth and development of capital market and economics proxy by MCAP and GDP respectively. The study employed longitudinal research, design using descriptive statistics. Regression analysis is used to test the hypothesis stated for the study. The study reveals that Managed Fund Nets Assets Value (MFNAV) has significant and positive contribution on capital market and economic growth and development in Nigeria. The study recommend that, the Securities and Exchange Commission (SEC), Central Bank of Nigeria (CBN) and Nigeria Stock Exchange (NSE) as apex regulatory bodies of the financial market should encourage the mobilization of managed fund firms such as mutual fund, Units Trust Scheme to register and participate in the financial market through investment in equities, Stock and Bonds at the Nigeria Stock Exchange in Other to increase the Net Value of managed funds and in turn contribute significantly to market capitalization and Gross Domestic Product.

Keywords: managed fund, capital market, economic development, market capitalization, gross domestic product, net assets value, financial market, equality market.

INTRODUCTION

In the last decades, the equity market in Nigeria has grown significantly as a result of privatization, new issues by companies listed on the Nigerian stock Exchanges (NSE) and price increase. But beyond this, an urgent need, exist to increase the component of the Nigerian businesses because of the increased vulnerability of Enterprise as a result of increasing interest rate and rising of debt/equity ratio; Anyanwu (1998). He opined that if corporate managers in the country can take a cue from their counterpart in the developed economics and cut down on debt obligation their businesses will be better. Equity Financing is regarded as one of the cheapest and flexible sources of finance from the capital market.

According to Araw (2010), there is no advanced remarkable economics development without the establishment of capital market. Thus, an emerging economy which aspires to emulate the achievement of advanced economics must establish and develop its capital market. Globalization and capital market development in the third world countries are also nexus of economic growth. Liberalization is also one of the catalysts that increase as opportunities, especially among the third world countries.

According to Okoye and Nwisiemp (2014), the growth and development of an economy, depends greatly on

how the country's capital market thrives. The capital market can be an important facilitator of economic growth (Applegarth 2004). Osaze (2000) is of the view that capital market drives economy growth and development because of the formation stem from it. The role of capital market in the economics developments of Nigeria has continued to attract increasing attention among policy makers Nnanna et al, (2004). This derives from the recognition that a deeper, broader and better functioning capital market provides long term finance market, provides long – term finance, which is necessary for economic growth and development.

A capital market is a network of financial Institutions and facilities that interact to mobilize and allocate long – term saving in any economy. The long – term funds are exchanged for financial assets issued by borrower or traded by holders of outstanding eligible instruments. Therefore, it provides services that are essential to a modern economy mainly by contributing to capital formation through, financial intermediation, financial advisory service and managerial skill development. In addition, the capital market facilitates portfolio diversification that allows savers to maximize returns on their assets and reduce risk consequently, an efficient capital market optimizes the amount of saving that

finances investment at any level of saving Nnnana et al (2004).

Nnnana et al (2004) and Orbunde (2010) are of the view that, in Nigeria, capital market provides funds to industries and government to meet their long term capital requirement for fixed investment like building plant, and others public infrastructure. Empirical – evidence however, indicates that the role the capital market play in Nigeria is limited as compared to other developed economy. This is shown by how its contribution to the level of capital mobilization and investment as evidenced by the low market capitalization over the years.

This study thus examined the contribution of managed fund to capital market and economic development in Nigeria, specifically how the Net asset of managed funds has contributed to market capitalization and Gross Domestic Product (GDP) as variable for measuring the level of economic growth.

The study covered the period of 2000 to 2014, due to the availability of data collected from Securities and Exchange Commission (SEC) department of collective Investment Scheme (CIS) and also published in SEC quality magazine of various editions.

The remaining part of the paper is made up of section two which is literature review will focus on conceptual, empirical and theoretical framework work, second, three is the methodology, section four deals with data analysis, interpretation and discussion of the findings while section five conclusion and recommendations.

Statement of the Problem

The situation in the Capital Market where the investors cannot access it directly except through market operators/intermediaries has made many people to be skeptical about securities transaction, many others are discouraged and therefore would not want to trust their money to someone for a business they don't understand its operation, yet others believe that big companies inflate the profit stated in their financial statement thereby misleading investors in the choice of investments in the securities markets. Our problem here is to determine the contribution of alternative sources of capital for business enterprises in Nigerian Capital Market. What is a Managed Funds? How has this unit been able to influence the Nigerian Capital Market? These and other questions are what this research work seeks to answered. The study examine how effective Managed Funds have been use to develop the Nigerian Capital Market and the overall financial economy.

Research Hypothesis

The hypotheses are stated in the null form that:

H01: Managed Fund Net Asset: has no significant contribution to market capitalization.

H02: Managed Fund Net Asset has no significant contribution to Gross Domestic Product (GDP)

The results of the tested hypothesis enabled the researcher to conclude whether managed funds has contributed to the development of the Nigerian capital market and economy in general as compared with other developed nations like U.S, U.K, etc.

Significance of the Study

This paper is aimed at assessing the impact of the Managed Fund on Capital Market development in economic growth and its significance to the Nigeria Economy hence it provide avenue for low income earners to mobilize their funds to together to be managed by expert funds managers for investment in different instruments in the financial market. Managed funds firms invest their fund into capital market instrument (i.e.) (Equities and bonds) Money market instruments i.e. Treasury Bills Commercial papers) and other sectors of the financial economy. This being an margining sector in the Nigeria Economy for the past three decade it become relevant to the theme of the conference because the sector is relevant to development the financial market and sustainability the Nigeria economy. The study is specifically significance to capital market operators, regulators economic and the potential investors in the financial market.

REVIEW OF RELEVANT LITERATURE

The Concept of Managed Fund

The Investment and Securities Act N0 29 of 2007 which regulate the Nigeria capital market defined Managed Fund which is also known as Collective Investment Scheme as any arrangement in which participant pool their resources for the purpose of sharing the profit or income arising from the management of their money or property solely from the effort of a third party.

Onogwu (2003) further gave a layman definition, which is more helpful in this respect. He define Collective Investment Schemes as "schemes into which members contributes their money to be managed by professional managers, who generate and share the profits that arise from investing and managing such funds and property for the fund holders. Also Itseuwa and Uwaleke (2014) defined collective investment scheme as a way of investing in a pool of fund along side other investors in order to share from the gain of been part of investors group. The Securities and Exchange Board in India described collective investment Scheme (CIS) as any

scheme of arrangement made or offered by any company under which a contributions or payment made by the investors are pooled and utilized with a view to receive profit, income, produce or property, and is managed on behalf of the investors.

Collective Investment Scheme therefore, involve s collecting money from different investors and then combining all the money collected to fund an investment on behalf of the investors. Such money are invested in stocks, bonds, money-market instruments or other securities according to the investment objectives that have been identified for the scheme. Depending on the Jurisdictions, collective Investment Schemes are referred to as mutual funds, investments funds, managed funds, or simply funds. By pooling resources through collective Investment Schemes, investors gain advantages of professional investment management, diversification of the portfolio to reduce risk, volume discounts on large brokerage commission and liquidity. Collective Investment Scheme provides almost absolute control of the investment in company pooling and investing the money, (Itseuwa and Uwaleke 2014, Ako 1999).

The Role of Managed Fund to Capital Market Development

Akele (2001) opined that, the low level of development of the Nigerian Capital Market has continued to be of concern to investors, government and the institutions in the market. Inspite of the size of the Nigerian economy, the Nigerian Capital Market is characterized by low liquidity; lack of depth, low level of infrastructure development, few listings etc. He said that, effort have been on by the both government and investors to redress the situation in the Nigerian Capital Market. Akele describe the roles and contributions of each of the Collective Investment Schemes to include unit trusts.

A Unit Trust Scheme manager raises funds from shareholders and invests in stocks, bonds, options, future or money market instruments. The shareholders, who own units of the fund share in the dividends accruing to the Unit Trusts on the basis of the units that they own. Costs of the operations are divided among all shareholders and are deduced from earnings before distribution.

While there was an initial euphoria over unit trusts, resulting in the establishment of several of them a few years back, some of the unit trust companies became either victims of the bank failures or were mismanaged. However, the fact that several of them survived and are still making profits for unit holder is some testimony to

the fact that unit trusts have become part of the Nigerian Capital Market.

Unit Trust Schemes are essential for the development of the Capital Market. By virtue of the fact that they pool investments of several investors, (many of whom may not have been able to invest directly in the market because of the high unit price of shares). Unit Trust encourages more participation in the Capital Market by making more funds available. Unit Trust companies can be major investors in the Capital Market. The investments that they make obviously entitles them to monitor corporate performance of the companies that they invest in. the monitoring and the voting rights of the Unit Trusts become significant when they are used to directly or indirectly influence corporate governance in the right direction for profitability. This obviously helps to engender confidence in the Capital Market and encourages more investors to participate in it.

Unit Trusts are managed by professional managers who keep proper records about the market. These records are positive contributions to the Capital Market as they are often done on the basis of individual companies and sectors. Since Unit Trusts also diversify their investments, many sectors benefit from it for productive purposes. Unit Trusts have indeed become a major vehicle for developing the Capital Market especially as they are able to enhance participation of small investors who would otherwise not have been able to participate. The Unit Trust Scheme either is open – ended or close – ended (Akele 2001).

Empirical Review on Managed Fund Capital Market Development and Economic Growth in Nigeria

The study of Ricky (2014), on institutional investors, stock repurchases and information asymmetry seek to determine if institutional investors influence stock repurchases specifically his study tested whether institutional investors encourage stock repurchases in firm with high information asymmetry. Risky study employed firm and year fiscal effect regressions to examined these effects of changes in institutional investor levels to subsequent changes in stock repurchase levels. He also run regressions using difference – GMM – regressions and regressions for different time periods on the same relationship for testing the robustness of stock repurchases of institutional investors. His study revealed that, institutional ownership leads to increase in stock repurchases and this relationship is stronger in firms with higher information asymmetry. The results of this study indicate that institutional investors encourage management to increase repurchases so as to exploit their informational advantage over less informal

investors about the true value of the firm. Investors are the dominant force in US Stock ownership. The results of Risky paper also indicate that institutional investors are using their informational advantages in firm that are difficult to value in an attempt to boost their return at the expenses of their less informal shareholders.

The study on the impact of managed funds on capital market development in Nigeria will serve as a medium for the encouragement of institutional investors in Nigerian stock market repurchases. Managed Fund otherwise known as collective investment scheme form the major category of institutional investors firms in Nigeria, if information about their existence is publicized to the potential investors, it will boost the Nigerian stock market.

According to Serpil and Mehmet (2014), financial system play key role in fostering growth by efficiently channeling the funds to investment, however, financial system is also considered as the source of instability especially during crisis periods. How to redesign financial system globally and nationally in order to achieve and maintain global financial stability without sacrificing the benefits of it is. One of the priority issues for policy makers.

Serfil and Mehmet study surveys the benefits obtained from and damages caused by the financial system. The survey further overviews policy implications and suggestion about improving the financial system which help achieve long term global financial stability.

The role of finance for a well-functioning economy has been a discussion issue for a long time for financial economist. It is well documented that financial system plays a key role in economic growth by efficiently channeling the funds to investments (Serpil and Mehmet 2014) they are also of the opinion that both theoretical and empirical works indicate a positive impact of financial sector development on economic growth.

The works of Wasean et al (2014) on the determinant of economic growth in Pakistan used GDP as the major dependent variable while independent variables were identified to include export, import and government expenditure. The study finds a high significant result between government expenditure and GDP while the effect of export and import was less significant. This might be in construct with the research which is based on assessing the impact of managed fund on capital market and economic development in Nigeria making use of managed fund total investable funds and net asset of managed funds as independent variables while market capitalization, managed fund investment such as

equities and bonds and GDP at both 1990 basic price and current price were used as dependent variable. The result of the study will measure the extent to which managed total investable fund and net assets affect the capital market and economic development in Nigeria. (Anyanwu 1998, Ariyo and Adelegun 2005).

Okoye and Nwisiennyi (2013) study examined the impact that capital market has on the Nigerian economy, using time series data for 10 years period 2000 – 2010. The model specification for the analysis of the data was multiple regression and ordinary least squares estimation techniques, their study identify gross domestic product as the dependent variables. The result of their study shows that there are significant relationship between share index, market value and market capitalization on the GDP. This implies that the GDP is affected by the movement of the capital market's share index, market value and market capitalization which means that capital market has impacted significantly on the economy for the years under the study.

The findings of the study on the assessment of the contribution of managed funds on capital market and economic development in Nigerian will also serve as basis for measuring the extent of the growth of capital market and economic development in Nigeria.

Ewah et al (2009) appraised the impact of capital market efficiency on economic growth in Nigeria, using time series data on market capitalization, money supply, interest rate, total market transaction and government development stock that ranges between 1961 to 2014. The model specification for the analysis of data was multiple regression and ordinary least squares estimation technique. The result shows that the capital market in Nigeria has the potentials of growth inducing, but it has not contributed meaningfully to the economic growth of Nigeria. They opined that, it is as a result of low market capitalization, low absorptive capitalization, illiquidity, misappropriation of funds, amongst other. The study submit that capital market remain one of the mainstream in every economy that has the power to influence economic growth, hence, the organized private sector such as managed fund is encouraged to invest in it. This will enable the capital market improve its illiquidity status for economic growth and development.

Orbunde and Jata (2011) study on the impact of portfolio mix on returns seek to ascertain the actual impact a portfolio mix of different investment will affect returns. The study adopted both primary and secondary data by used questionnaire and observation

for primary source of data while secondary data was taken from the Nigerian Stock Exchange Fact Book. The study employed content analysis and simple percentages to analyze the content of financial statement of quoted insurances companies and other selected financial institutions. The study found a strong and positive relationship between portfolio mix and returns and therefore investor both institutional such as managed funds and individual should pay particular attention to the type of investment they wish to hold in a portfolio as this could further increase or decrease their returns and in turn affect the level of capital market and economy development in Nigeria.

The study of Obazevbanu (2012) on the impact of capital market reforms on asset pricing characteristics of the Nigeria stock market was concern with an appraisal of the impact of various capital market reforms on the efficiency of the market with special interest on asset pricing characteristic. The paper have a comparative book at military vis-à-vis civilian eras. The researchers made use of daily stock prices of twenty nine sampled firms for the period of January 1995 to December 2009 divided into two sub-period were collected. The paper use non-parametric runs test and found that asset pricing is not efficient in the two sub-periods and over the entire period. The researchers opined that, the results of the study was because stock prices were found to exhibit regularities which can easily be exploited for abnormal returns without assummsurate level of risk. All of statistic values were statistically significant and negative, implying that, assets prices exhibit positive serial correlation and sequence of past prices were consequential in assessing distribution of future prices. The paper submit that there is need for more securities should be listed by relaxing listing requirement and cost of listing for small and medium scale enterprises as well as managed funds firms so as to deepen the stock market.

Hsim, Land Alani R (2007) in the research on economic growth and financial sector developments estimated an Odedokun-type “supply-leading” model of Financial Sector Development (FSD) which incorporates both banking and capital market variable as potentials drivers of economic growth. The findings illustrate the impact on economic growth of various measures of FSD which includes basic intermediation services, as measures by M^2 and money market mutual funds, and more advanced financial products such as stock market development and risk management services. The empirical findings of this study document an important shift from an exclusive reliance on basic banking services, among emerging/developing countries towards an expanding role for the capital markets. An even stronger emphasis

on the role of capital markets is documented for a group of advanced countries.

Tsai and Wu (1999) find that countries which adopt more effective public policies tend to experience more rapid financial development and economic growth than countries which do not. Levine and Zeros (1998) examine the impact of capital market development using total stock market capitalization and various measures of market liquidity, they also calculated the value of recent trading activity and measures of international integration at the global level. The study also shows that stock market liquidity and banking development both positively predict economic growth, capital accumulation, and productivity improvement. Suleiman and Aamar (2008) examine the casual relationship between financial development and economic growth for six Middle Eastern and North African countries (Algeria, Egypt, Israel Morocco, Syria and Tunisia) within a quadrates vector auto regressive framework. They employ four different measures of financial development and apply the augmented Vector Auto Regression (VAR) methodology to do and Yamamoto to test for Granger causality, their empirical result strongly support the hypothesis that finance lead to growth in five out of the six countries, only in Israel could weak support be found for causality running from economic growth to financial development but no causality in the other direction.

The findings suggest the need to accelerate the financial reforms that have been launched since the mid 1980s and to improve the efficiency of these countries financial systems to stimulate saving/investments and consequently long-term economic growth.

According to Susanne (2004), the June 2001 summit, the group of 15 (G15) Heads of State emphasized the importance of stable financial market through reform. The Committee on Trade, Investments and Technology requested the Cairo and Alexandria Stock Exchange to coordinate the efforts of the G15 countries in the area of capital markets. Susanne reveals that, in March 2001, experts from the G15 Stock Exchange met to emphasize cooperation in capital market development. Also the advancement of technology in promoting global financial services has been tremendous are largely irrelevant, as investors now have the potential to move their network to whatever jurisdiction offers, the highest reward with the lowest risk. Susanne submits that without a strong national financial system, a set of international standards will be hard to implement. She identify four tools that can generally promote stable national financial systems amongst which include (1) having independent rating agencies (2) having some

safety net (3) reducing government control of national financial assets and (4) allowing capital market participants to offer a wide-range of services.

The study of Xiaoling (2010) on the revelations of US financial crisis for the financial development of China reveals that, the financial crisis of 2008 occurring in US not only largely destroyed the financial system and the macro economic system of US but also directly impacted the economy of China because of the increasing mutual infiltration of global capital markets. As viewed from financial regulation and financial innovation, the relation of the financial crisis for the financial development of China were respectively analyzed in the paper. Xialing is also of the opinion that, the financial institution and the financial market of China are in key stage continually developing and deepening. He opined that after the financial crisis of 2008 in US, the revelations and lessons of the crisis offer a good change for the learning and self-examination of the financial development in China.

Nicholas (2008) study examine the direction of causality between financial development and economic growth in Kenya using a dynamic Granger causality model. The study has been motivated by the current debate on the inter-temporal causal relationship between financial development and economic growth in developing countries. He opined that, the trust of the debate has been whether there exists a finance-led growth response or a growth-led finance response between the two variables. The study made use of three proxies of financial development against real GDP per capita as proxy for economic growth. The empirical result of the study reveals that, although the causality between financial development and economic growth in Kenya is sensitive to the choice of measure for financial developments, on balance the demand following response tends to predominate. The study submits that, the argument that financial developments unambiguously leads to economic growth can only be taken with a pinch of salt.

According to Fatih (2009) financial development and trade openness policies reduce inefficiency in the production process and positively influence economic growth. This argument is strengthened by the fact that growth rates in countries with trade openness and financial policies outperform those with restrictive financial and trade policies. Fatih (2009) in his study on the causal relationship between financial development, trade openness and economic growth the case of Turkey examine the causality relations between financial development trade openness and economic growth (GDP) of the Turkish economy he employed

Augmented Dickey-Fuller (APF) for unit root, Ohusen and Juselius for cointegration and Granger causality test for causal relationship. The study reveals that while trade openness has a positive effect, financial development has a negative effect on growth. He opined that grander causality test results revealed the same of bicausal relationship between financial development, trade openness and growth, indicating that economic policies aimed at financial development and trade openness have a statistically significant impact on economic growth. Fatih is also of the opinion financial development follows economic development, economic growth causes financial institutions to change and develop and finance as well as credit market to grow.

Nikolaos and Antomos (2004) study empirically examine the causal relationship between the degree of openness of the economy, financial development and economic growth by using a multivariate auto regressive (VAR) model in Greece for the examined period 1960 – 2000, in the findings, the result of cointegration analysis suggest that there is one cointegrated vector among GDP, financial development and the degree of openness of the economy. Granger causality test based on error connection models show that there is a causal relationship between financial development and economic growth; but also between the degree of openness of the economy and economic growth.

Managed Funds Global Cases

Khapper, Sulla and Vittas (2004) in their study on the development of mutual funds around the world revealed that, with few exception, mainly in Asia, mutual funds grew explosively in most countries around the world during the 1990s. Equity funds pre – dominate in Anglo – American countries and in bond funds in most of continental, Europe and middle – income countries. their study revealed that capital market development (reflecting investors' confidence in market integrity, liquidity and efficiency) and financial system orientation are found to be the main determinants of mutual fund development.

The work Nanli and Yanlin (2011) on Understanding Emerging Market Equity Mutual funds; the cases of china contributions to individual investment by investigating the characteristics if the Chinese stock market through a study of the Chinese equity funds. The study revealed that Chinese funds outperform the stock market benchmark significantly with their shape ratio values, but when performance is measured by asset pricing models, the evidence fines, also large funds, outperform small or medium sized funds, regardless of the model and measurement selection. They results

suggest individual investors should choose indexed funds if market – risk adjusted return is the objective. Investors should generally prefer larger equity funds over smaller funds when investing in Chinese stock market.

Sarish and Ajay (2011) in their study on an analysis of financial instrument and mutual fund aimed at to compare and contrast the performance of various schemes (managed funds). They revealed that, mutual funds can be win – win option available to the investors who are willing to take any exposure directly to the security markets as well as it helps the investors to build their wealth over a period of time. They also submit that, the Indian Equity market has grown significantly during the last three year; mutual funds are not left far behind. Both the avenues have created wealth for the investors, they are of the opinion that, for the creation of wealth through this avenue a proper understanding of the mutual funds is must.

Sarish and Ajay view mutual funds as a trust that pools the saving of a number of investors who share a common financial goal. The money thus collected is then invested in capital market instruments such as share debentures and other securities. The income earned through these investments and capital appreciation realized is shared by its unit holders in proportion to the number units owned by them.

Theoretical Framework

Financial intermediation theory was first formalized in the works of Goldsmiths (1969), McKinnon (1973), and Shaw (1973) who see financial market as playing a pivotal role in economic development, attributing the difference in economic growth across countries to the quantity and quality of services provided by financial institutions.

These contrasts with Robinson (1952), who argued that financial market such as capital markets are essentially hand maidens to domestic industry, and respond passively to other factors that produce cross country different in growth.

“There is general tendency for the supply of finance to move with the demand for it. It seems to be case that where enterprise leads, finance follows. The same impulses with in an economy, which set enterprises on foot, make owners of wealth venture some, and when a strong impulse to invest is fettered by lack of finance, devices are invented to release it and habits and institutions are developed.”

The Robinson school of thought therefore believes that economic growth will lead to the expansion of the financial sector Goldsmith (1969) attributed the positive correlation between financial development and the level of real per capital /GNP to the positive effect that financial development has on encouraging more efficient use of the capital stock. In addition, the process of growth has feedback effect on financial (capital) markets by creating incentives for further financial development.

Though the McKinnon – Shaw framework informed the design of financial sector reforms in many developing countries, however, country experiences later showed that while the frame explains some of the quantitative changes in savings and investments at the aggregate level, it glosses over the micro level interactions in the financial markets and among financial markets and among financial institutions which affect the supply of savings and the demand for credit by economic agents, and the subsequent effect on economic growth.

Methodological Framework

The research design for this study is longitudinal research design using descriptive statistic of 52 managed fund registered with the department of collective of investment scheme and published in SEC quarterly magazine of various editions for the period 2000-2013.

The study make use of main economic and capital market indicators like GDP and 1990 basic price, market capitalization and managed fund Net Asset Value (NAV) to assess the contribution of managed funds on capital market and economic development in Nigeria.

The study employed regression analysis using Ordinary Least Square (OLS) to test the impact of independent variables on the dependent variables. Augmented Dickey Fuller test is also to test for unit roots of the data to establish the stationarity of the data.

Model Specification

The model specification for this study is stated as:

$$MCAP = f(MFNAV) \text{-----1}$$

$$GDP = f(MFNAV) \text{-----2}$$

Thus, linear equation (1 and 2), we obtain:

$$MCAP = \beta_0 + \beta_1 MFNAV + \mu \text{-----3}$$

$$GDP = \beta_0 + \beta_2 MFNAV + \mu \text{-----} 4$$

Where;

β_0 = The intercept or autonomous parameter estimate

β_1, β_2 = Parameter estimate representing the coefficient of MFNAV

MFNAV = Representing Managed Fund Net Asset Value

MCAP = Representing the Market Capitalization

μ = Error term (or stochastic term).

We then differentiate partially with respect to of each variable to obtain *a priori* sign expectation of equation (3 and 4);

$$\frac{\partial MCAP}{\partial MFNAV} = \beta_1 > 0 \text{-----} 5$$

$$\frac{\partial GDP}{\partial MFNAV} = \beta_2 > 0 \text{-----} 6$$

Table 1: Summary of Normality Statistics

	GDP	MFNAV	MCAP
Mean	24081.51	13.77119	19.21598
Median	11517.60	13.50000	18.30625
Maximum	105689.6	26.00000	29.80000
Minimum	102.0000	6.125000	13.54250
Std. Dev.	28360.77	4.218255	3.544055
Skewness	1.320090	0.715393	1.262441
Kurtosis	4.210445	4.374826	4.830062
Jarque-Bera	8.435730	3.937293	9.724161
Probability	0.014730	0.039646	0.007734
Sum	577956.3	330.5086	461.1835
Sum Sq. Dev.	1.85E+10	409.2546	288.8876
Observations	14	14	14

Source: Authors Computation, 2015 (E-views 7.0)

Unit Root Test

Macroeconomic time series data are generally characterized by stochastic trend which can be removed by differencing. Unit root test therefore is a test of stationarity or non-stationarity of series data used in the model. This is to find out if the relationship between economic variables is spurious or nonsensical. This test is conducted by adding the lagged values of the

dependent variable so that the error term is serially uncorrelated. Thus, the study used or adopted Augmented Dickey-Fuller (ADF) Techniques to test and verify the unit root property of the series and stationarity of the model.

EMPIRICAL RESULTS AND DISCUSSION OF FINDING

Pre-Estimation Diagnostics Tests

Normality Statistics (Descriptive Statistics)

This test is necessary for checking whether the variables have normal distribution. The normality statistics for the variables: MCAP, GDP and MFNAV, are as shown in Table 1. The mean for MCAP, GDP and MFNAV are all different. This indicates that the variables exhibit significant variation in terms of magnitude, suggesting that estimation of the variables in levels will not introduce some bias in the results. The Jarque-Bera statistics for all the variables are significant as all their probability values are all less than 0.05; hence we reject the null hypothesis and conclude that the series are normally distributed (or have a normal distribution).

The variables tested are: MCAP, GDP and MFNAV and are presented in table 4.1.2 below;

Table 2: Summary of Unit Root Test Results

Variables	ADF Test Statistic(at first difference)	Order of Integration
MFNAV	-3.965454(-3.673616)**	I(0)
GDP	-3.653371(-3.622033)**	I(0)
MCAP	-4.003974(-3.710482)**	I(1)

Source: Authors Computation, 2015 (Eview-7.0); Note:

MacKinnon critical values for the rejection of hypothesis of unit root are in parenthesis in Columns 1 and 2 and the tests include intercept with trend; * significant at 1%; ** significant at 5%;*** significant at 10; Mackinnon critical

From the table 2 above, it was discovered that MFNAV and GDP were found stationary levels. That is the ADF test statistic of 3.965454 and -3.653371 are greater than the tabulated values of -3.673616 and -3.622033 respectively at 10% level of significance. However, MCAP was found stationary at first difference as seen in table 2. It shows that the ADF test statistics of -4.003974 is greater than the critical values of -3.710482

respectively at 5% and 1%. These stationary variables were subsequently used for further analysis in computing and analyzing of our results. The next specification test that shall be computed is the co-integration test of these variables.

Co-Integration Estimate

If two or more time series are not stationary, it is important to test whether there is a linear combination of them that is stationary. Economically, variables are cointegrated if they have a long term, or equilibrium relationship between them. It is a pretest to avoid spurious regression situations. Since the variables were found to stationary at first difference (that is at order 1(I)), it was safe for us to employ and proceed with Johansen co-integration test.

Table 3: Summary of Co-integration Estimates

Date: 03/08/15 Time: 16:45				
Sample (adjusted): 2000 2013				
Included observations: 14 after adjustments				
Trend assumption: Linear deterministic trend				
Series: MCAP, GDP and MFNAV				
Lags interval (in first differences): 1 to 1				
Unrestricted Cointegration Rank Test (Trace)				
Hypothesized		Trace	0.05	
No. of CE(s)	Eigenvalue	Statistic	Critical Value	Prob.**
None	0.597023	36.87063	47.85613	0.3537
At most 1	0.410278	16.87539	12.79707	0.0493
At most 2	0.199541	25.257101	15.49471	0.0009
At most 3	0.016256	0.360567	3.841466	0.5482
Trace test indicates twocointegration at the 0.05 level				
* denotes rejection of the hypothesis at the 0.05 level				
**MacKinnon-Haug-Michelis (1999) p-values				
Unrestricted Cointegration Rank Test (Maximum Eigenvalue)				
Hypothesized		Max-Eigen	0.05	
No. of CE(s)	Eigenvalue	Statistic	Critical Value	Prob.**
None	0.597023	19.99525	27.58434	0.3415
At most 1	0.410278	22.61829	21.13162	0.0056
At most 2	0.199541	17.896534	14.26460	0.0049
At most 3	0.016256	0.360567	3.841466	0.5482
Max-eigenvalue test indicates two cointegration at the 0.05 level				
* denotes rejection of the hypothesis at the 0.05 level				
**MacKinnon-Haug-Michelis (1999) p-values				

Source: Authors Computation, 2015 (Eview-7)

From the co-integrated result in table 3, the trace test indicates two cointegrating equation at 5% level. Moreso, the Max-eigenvalue test equally confirms that there are two cointegrating equation at 5 %level. Thus, the model shows that there exists a long-run equilibrium relationships among the four variables used in the analysis. It shows that the variables move together in the long run.

Model Evaluation and Test of Hypothesis

The two hypotheses formulated in this study were tested using student t-statistics. The level of significance for the study is 5%, for a two tailed test. The decision rule is that we shall accept the null hypothesis if the critical/t-value (± 1.96) is greater than the calculated

value, otherwise reject the null hypothesis. That is, using the student *t*-test (*t*-statistic), we say that a variable is statistically significant if t^* (*t*-calculated) is greater than the tabulated value of ± 1.96 under 95% (or 5%) confidence levels and it is statistically insignificant if the t^* is less than the tabulated value of ± 1.96 under 95 % (or 5%) confidence levels. Thus;

$H_0: \beta_0 = 0$ (Null hypothesis)

$H_1: \beta_1 \neq 0$ (Alternative hypothesis)

Hypotheses One: H_{01} : Managed Fund Net Asset has no significant contribution to market capitalization

Model one:

$$MCAP = \beta_0 + \beta_1 MFNAV + \mu \text{-----} 7$$

Table 4: Regression Result MCAP and MFNAV

Dependent Variable: MCAP

Method: Least Squares

Date: 03/08/15 Time: 20:54

Sample: 2000 2013

Included observations: 24

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	10.021365	0.432042	2.049451	0.0010
MFNAV	12.120554	0.030051	4.011663	0.0006
R-squared	0.522473	Mean dependent var		1.638810
Adjusted R-squared	0.396221	S.D. dependent var		0.782376
S.E. of regression	0.607931	Akaike info criterion		1.922146
Sum squared resid	8.130772	Schwarz criterion		2.020317
Log likelihood	-21.06575	Hannan-Quinn criter.		1.948191
F-statistic	16.09344	Durbin-Watson stat		2.157207
Prob(F-statistic)	0.000586			

Source: Authors Computation, 2015 (Eview-7.0)

$$MCAP = 10.02 + 12.12MFNAV \text{-----} 8$$

$$SEE = 0.43 \quad 0.03$$

$$t^* = 2.04 \quad 4.01$$

$$F^* = 16.09; \text{Prob (F-statistic)} = 0.000586$$

$$R^2 = 0.5224; \text{Adj. } R^2 = 0.3962$$

$$DW = 2.15$$

Test of Hypotheses One: H_{01}

From the regression result in table 4, the calculated t-value for MFNAV is 4.01 and the tabulated value is ± 1.96 . Since the t-calculated is less than the t-tabulated ($4.01 > 1.96$) it thus falls in the rejection region and hence, we reject the first null hypothesis (H_{01}). The

conclusion here is that **Managed Fund Net Asset has significant contribution to market capitalization**

The coefficient of determination (R-square), used to measure the goodness of fit of the estimated model, indicates that the model is reasonably fit in prediction.

The R^2 (R-square) value of 0.5224 shows that the MFNAV has a very good impact on MCAP. It indicates that about 52.24 per cent of the variation in MCAP is explained by MFNAV, while the remaining unaccounted variation of 47.76 percent is captured by the white noise error term

Durbin Watson (DW) statistic was used to test for the presence of serial correlation or autocorrelation among the error terms. The model also indicates that there is no

autocorrelation among the variables as indicated by Durbin Watson (DW) statistic of 2.15. This shows that the estimates are unbiased and can be relied upon for policy decisions.

Hypotheses Two: H_{02} : Managed Fund Net Asset has no significant contribution to Gross Domestic Product (GDP).

Model two:

$$GDP = \beta_0 + \beta_2 MFNAV + \mu \text{-----} -9$$

Table 5: Regression Result on MFNAV and GDP

Dependent Variable: GDP

Method: Least Squares

Date: 06/13/15 Time: 21:02

Sample: 1990 2014

Included observations: 24

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	15.22435	2.079188	7.322257	0.0000
MFNAV	2.333091	1.106479	3.128216	0.0049
R-squared	0.707866	Mean dependent var		8.823686
Adjusted R-squared	0.576405	S.D. dependent var		2.127562
S.E. of regression	1.809797	Akaike info criterion		4.103962
Sum squared resid	72.05807	Schwarz criterion		4.202133
Log likelihood	-47.24755	Hannan-Quinn criter.		4.130007
F-statistic	9.785736	Durbin-Watson stat		2.226069
Prob(F-statistic)	0.004891			

Source: Authors Computation, 2015 (Eview-7.0)

$$GDP = 15.22 + 2.33MFNAV \text{-----} -10$$

$$SEE = 2.07 \quad 2.10$$

$$t^* = 7.32 \quad 3.12$$

$$F^* = 9.78; \text{Prob}(F\text{-statistic}) = 0.004891$$

$$R^2 = 0.7078; \text{Adj.}R^2 = 0.5764$$

$$DW = 2.22$$

Test of Hypotheses Two: H_{02}

From table 5, the calculated t-value for MFNAV is given as 2.13 and the tabulated value is given as ± 1.96 , under 95% confidence levels. Since the calculated t-value is greater than the tabulated value ($3.12 > 1.96$), we therefore, reject the null hypothesis (H_{02}). We conclude that Managed Fund Net Asset has significant contribution to Gross Domestic Product (GDP).

More so, the R^2 (R-square) value of 0.7078 also showed that the model has a good fit. It indicates that about 70.78 per cent of the variation in GDP is explained by MFNAV, while the remaining 29.22 percent is captured by the error term.

Durbin Watson (DW) statistics which is also used to test for the presence of autocorrelation indicates that there is no autocorrelation among the variables as captured by (DW) statistic of 2.22. This shows that the estimates are unbiased and can also be relied upon for policy decisions.

DISCUSSION OF FINDINGS

The parameter estimate of MFNAV in equation 8 was found to have a positive and significant relationship with market capitalization. It shows that the higher the MFNAV, the higher the market capitalization. The investment behaviour of a firm depends crucially on its financial structure since apart from technology, managerial and demand problems the only completely exogenous constraint on the diversified firm is the stock market via its impact on company valuation and cost of capital. The functioning of the capital market affects liquidity, acquisition of information about firms, risk diversification, savings mobilization and corporate control (Anyanwu, 1998). Altering the quality of these services can alter the rate of economic growth through the functioning of the capital market. The function thus shows that, a unit change in MFNAV, on the average had increased market capitalization by 12.12 million between 2000 and 2013

Finally, it was further observed from equation 10, that MFNAV also has positive and significant relationship with economic growth in Nigeria. It showed that as MFNAV increases, Nigerian economy grows. This is in agreement with the findings of Ariyo and Adelegan (2005) who noted that the liberalization of capital market led to the growth of the Nigerian capital market and its impact at the macro-economy has been on the increase. More so, Levine and Zeros (1998) examined the impact of capital market development using total stock market capitalization and various measures of market liquidity. Their study also shows that stock market liquidity and banking development both positively predict economic growth, capital accumulation, and productivity improvement. The function thus shows that a unit change in MFNAV, on the average, Nigeria's GDP grows by 2.33 million between 2000 and 2013.

The finding from hypothesis one which revealed that managed funds has significant contribution to capital market capitalization through investment in equity and bonds investment in the capital market is consistent with the study of Khapper et al (2004) which revealed that mutual fund grew explosively in most countries around the world during the 1990's they submit that capital market development (reflecting investors confidence in market integrity, liquidity and efficiency) and Financial system orientation are found to be the main determinants of mutual development. Nanil and Yanlin (2011) study on understanding Emerging market equity mutual fund in China revealed that Chinese funds outperform the stock market benchmark significantly with their shape ratio.

The study of Sarish and Ajay (2011) also agree with over study that mutual funds serve a trust that pool the saving of a number of investors who share a common financial goal. The money thus collected is then invested in capital market instrument such as Shares, Debentures, and other Securities and income carried through these investments and capital appreciation realized is shared by its units holders in proportion to the of units owned by them.

CONCLUSION AND RECOMMENDATIONS

Based on the result of our analysis and test of hypothesis, the study concludes that management fund net assets contributed positively and significantly on market capitalization and Gross Domestic Product (GDP) which are indicators for the measurement of capital market growth and economic development in both developed and developing economy.

We therefore conclude that for Nigerian Capital Market and Economy to grow, institutional investors like mutual funds which manage managed funds should be encouraged to grow in Nigerian capital market.

In line with the findings, the study recommends that:

- i. The apex regulatory body of the Nigerian capital market and financial market. The Securities and Exchange Commission (SEC) should allow for more registration of mutual funds, Bond funds Venture capital financing to mobilize funds from low income earners to participate in the stock market, which will in turn facilitate the growth of Nigeria capital market and economy in general.
- ii. The study also calls for Central Bank of Nigeria (CBN) as apex regulator of financial markets to establish financial institutions that would mobilize community savings scheme so as to invest the funds in the financial market investment like capital market stock, and bonds.
- iii. The Nigerian Stock Exchange (NSE) which is the Self-regulatory body of the Nigerian Capital market should make the listing quotation requirement of stocks at the floor of the Exchange flexible to enable managed fund firms to be quoted on the exchange so that investors will have access to the mutual funds securities and in turn increase Managed Fund Net Assets Value.

CONTRIBUTION TO KNOWLEDGE

This study will add to target audience from middle and low income developing nations who are yet to discover the potentials of institutional investors such as managed funds who manage funds pooled by different investors for the purpose of investment in different instruments in the financial market. Managed funds have been an emerging sector in Nigeria and Africa, it will add to the knowledge of listeners and readers of this paper about its existence in Nigeria and Africa for the development of the economic and the capital in particular.

LIMITATION OF THE STUDY

The study is limited based on the scope and the demand by the theme of the conference also the rent of the paper. The study is also limited to the impact of managed funds on capital market development by way of investment in equities and debt and the overall economic proxy by Market capitalization (MCAP) Gross Domestic Product (GDP) respectively.

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