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MACROECONOMIC DRIVERS OF STOCK MARKET PERFORMANCE: A STUDY OF NIGERIA'S INFLATION, EXCHANGE AND SAVING RATES

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ABSTRACT :

The research investigated the macroeconomic drivers of stock market performance with focus on inflation, exchange and saving rates in Nigeria. A highly liquid and functional stock market serves as one of the major determinants for economic growth, high productivity, and development. The stock market is complex and to pinpoint exactly what affect its performance have been proven to be hard. The performance and state of liquidity level is a factor that many investors take into consideration when evaluating the risk of investing in stocks. Using secondary data spanning between the years of 1986 and 2022, this study sought to determine the effect of inflation, exchange, and saving rates on stock exchange market performance in Nigeria. The study found, among others that the saving rate has a positive and significant effect on market capitalization. Inflation and unexpected exchange rate both positively and significantly impact on stock market performance. In light of the findings, one of the recommendations of the study is that the saving rate for the country should be sustained and improved upon as this can increase the fortune of the stock market, and this can be through incentivized interest rate.

Keywords: Stock Market, Inflation, Exchange Rate, Saving Rate, Macroeconomy, Liquidity

1.0 Introduction :

A stock market is the centre of a network of transactions where buyers and sellers of securities meet at a specified price, thereby playing key role in capital mobilization in both emerging and developed countries, leading to the growth of industry and commerce, as a consequence of liberalized and globalized policies adopted (Rakhal, 2015). It is one of the most vital components of a free market economy, as it helps to manage capital for the companies from shareholders in exchange for shares in ownership to the investors. And most importantly, it provides business with the facility to raise capital by selling shares to investors (Black & Moersch, 1998).

A highly liquid and functional stock market serves as one of the major determinants for economic growth, high productivity, and development. The major issue that investors consider in investment decision in different stock exchange markets across the globe is stock liquidity (Abdullahi & Fakunnoju, 2019). From the 20th century to date, stock markets are at the heart of economies. In most situation, economic crises arise from the stock market instabilities and thus, the stock markets are the focus of interest of the economy. Economists, investors, and policymakers try to predict the tendency of share prices, which substantially depend on foreign and domestic macroeconomic factors. The gauge of the stock market performance is its market index and a number of factors influence this movement ranging from economic, political, socio-cultural and international. The increase in the value of the stock resulting from an increase in market prices (Demir, 2019).

Macroeconomic variables are the aggregate indicators of an economy and they include interest rates, exchange rates, inflation rates, unemployment rates, Gross Domestic Product (GDP), among others, and the relationship among the various sectors of the economy which better reveals how the entire economy operates. Some of the macro-economic variables that can affect the economy of countries around the world with Nigeria inclusive are interest rate, inflation, exchange rate, foreign Direct Investment (FDI), to name a few. Beckman et al. (2015) opine that macroeconomic theory has identified different factors that can affect the growth of a given nation from the neoclassical, Keynesian and the new growth theories.

The consequence of macroeconomic variables on stock performance and the need in harnessing those fundamentals cannot be ignored. For instance, data from International Monetary Fund, Migration and Remittances report show that out of the total worldwide remittances of $689 billion over $529 billion went to emerging economies in 2018 with Nigeria leading in West Africa and closely trailing second in African behind Egypt (Global Financial Stability Report, 2018). In the same vein, the Central Bank of Nigeria (CBN) confirms that over 6% of her 2018 GDP can be explained by foreign workers remittances (CBN, 2018). Given the level of transactions that has taken place in the stock market over the years and the macroeconomic variables variability within the space of time, it is necessary to pry into the connection between the stock market and the macroeconomic environment of the economy.

The stock market is complex and to pinpoint exactly what affect its performance have been proven to be hard. The performance and state of liquidity level is a factor that many investors take into consideration when evaluating the risk of investing in stocks (Wang and Chen 2012). From empirical studies on the Nigerian stock market (such as Anichebe, 2019; Emmanuel, 2018; Aigbovo and Izekor, 2015), it is clear that there is a huge volume of studies that has documented the importance of a set of macroeconomic factors on stock market performance. However, the evidence documented in existing studies appears inconclusive at best. Additionally, despite the fast pace of Nigeria stock exchange performance within Africa continent, few studies have interrogated the sources of this performance. It is against this milieu that we decide to examine the macroeconomic drivers of stock market performance. In light of the foregoing, the objective of this research is to determine the effect of inflation, exchange, and saving rates on stock exchange market performance in Nigeria.

2.0 Literature Review

Conceptual Review and Clarifications

The Stock Market

The stock market serves as a vital platform for mobilizing long-term funds to facilitate investments in capital projects. Within the Nigerian context, several key institutions play a pivotal role. These include the Nigerian Stock Exchange (NSE), the Abuja Stock Exchange (ASE), issuing houses, and stockbroking firms. Evoking its prior significant contribution to establishing the Nigerian money market, the Central Bank of Nigeria (CBN) has demonstrably played a central role in fostering capital market institutions within the country. This includes the establishment of the Securities and Exchange Commission (SEC) (Ajie et al., 2006). For the purpose of this research, the size of stock market performance is used to indicate the level of stock market development. In particular, the market capitalization ratio is used as a proxy to measure the size of the stock market.

Historical Performance of the Nigeria Stock Market

As at the first quarter of 2018, the NSE is the third largest in Africa with an increase in Market Capitalization from N16.875 trillion in the fourth quarter of 2014 to N21.904 trillion and the largest exchange in West Africa (NSE fact sheet, 2018, 2014), with corresponding real interest rate of little above 11 percent which the country witnesses an FDI of over 4billion given a GDP of 5.46676E+11. The performance of the stock market as measure by market capitalization is shown in fig 2.1 below wit high degree of improvement over the years, especially after 2015.

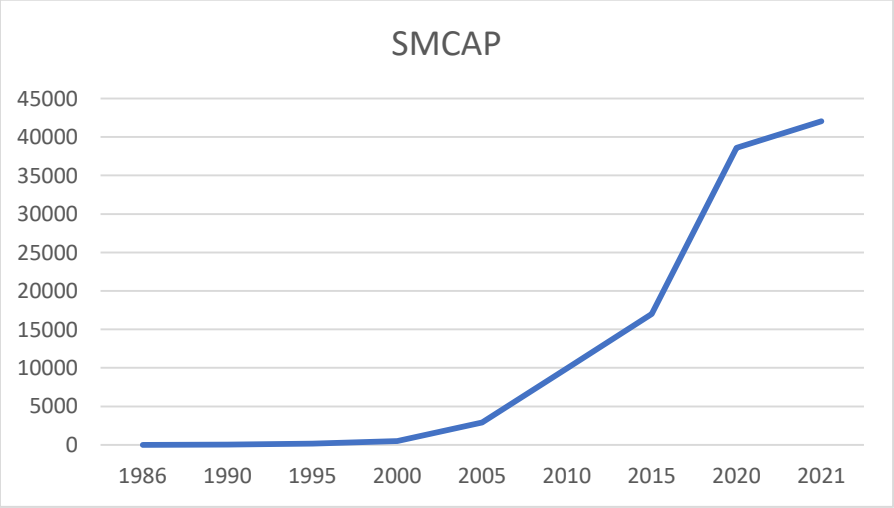

Fig 2.1 trend of stock market performance

Table 2.1: Annual data on stock market size and some macroeconomic indicators

Year	Cap. on Equity	All share Index	GDP	FDI	Real interest
1990	16.3	513.8	54035795388	587882971	17.46624
1995	23.1	783	44062465800	335842165	-31.4526
2000	31.2	1107.6	69448756933	1140167556	-1.14089
2005	47.5	1543.8	1.76134E+11	4982533930	-1.59368
2010	66.3	2205	3.61457E+11	6026253091	1.067736
2011	10275.34	20730.63	4.04994E+11	8841062051	5.68558
2012	14800.94	28078.81	4.55502E+11	7069908428	6.224809
2013	19077.42	41329.19	5.08693E+11	5562857987	11.20162
2014	16875.1	34657.15	5.46676E+11	4693828632	11.35621
2015	17003.39	28642.25	4.86803E+11	3064168904	13.59615
2016	16185.73	26874.62	4.0465E+11	3453258408	6.686234

2017	21128.9	38243.19	3.75746E+11	2412974916	5.790567
2018	21904.04	31430.5	3.9719E+11	775247400	6.055977
2019	25890.22	26842.07	4.4812E+11	2305099812	4.522188
2020	38589.58	40270.72	4.32294E+11	2385277666	5.37128

Source: CBN statistical bulletin 2020

As regards the movement of the NSE ASI index, there was a massive increase from 1990 to 2000 with an upsurge from 513.80 points to 1107.6 points, with a tremendous increase in FDI even as the real interest rate is negative, although the economy witnesses a drop of portfolio investment within this period. However, the financial crisis of 2007/2008 led to a downward trend in the ASI with more than 40%drop from 2000 to 2010. It then recovered and increased in 2011 (20730.63) to 28642.25 points in2015. More so, from 2016, it suffered a drop to 26,874.62 points which can be attributed to economic recession and later peak to 31430.5 points in 2018 and drop again in 2019 to 26842.07 due to the COVID 19 pandemic couple with the recession witnessed globally and witnessed a tremendous increase in 2020 of above 36%.

Interest Rate

Interest rate refers to the rate at which lenders are willing to extend credit to borrowers. Interest rates as set by the Central Bank of Nigeria (CBN) and have a direct relationship on the economy as a whole and hence the stock market. When the economy is stagnating and not growing as desired by the CBN and monetary authorities, the CBN has the option to use expansionary monetary policy. It implies that the CBN increases the supply of money and hence lowering the interest rates in order to, for instance, raise inflation. The expected outcome is that money will become cheaper and thus create demand for consumer goods and investors to start investing and spending, thereby stimulating the economy. If the CBN, on the other hand, wants to slow down economic activity, it can reduce the money supply in the economy and increase the bank rate (Jahan, 2012). Basic macroeconomic theory implies that interest rates should, therefore, affect the stock returns. When interest rates (borrowing rates) are low it implies that investors can get a considerably high return. Amah (2005) opines that interest rate is described as the rental payment for use of credit by the borrower or return for parting with liquidity by the lender. It may therefore be viewed as the price of money and like every other price attempt to perform a rationing function in the market place by facilitating allocation of limited supply of credits amongst the many competing demands for it. Etale and Eze (2019) highlighted different forms of interest rates that are of particular importance in economic management. These rates tend to move together. They are:

1. Lending rate: This means the rate at which banks to give credit to their borrowing customers.
2. Deposit rate: The rate at which banks pay for deposits for customers or at which they borrow money from their customers. The gap between these two rates tells a lot concerning the availability of credit and market competitiveness. It is a well-known that the high lending rate means low credit supply and / or high demand. Conversely low lending rate depicts abundant supply of credit and/or low demand for credit.
3. Pure Interest rate: This means the rate of time preference of present to future consumption. This means that it is limited to the reward for waiting which is promised by riskless investment in the economy. In terms of practicality this appears to be proxied by treasury bills rate which is the lowest in the economy ie interest rate on short term CBN debt instrument.
4. Monetary Policy Rate (MPR). It is the benchmark interest rate which supposed to drive the banks interest rate. The Monetary Policy Committee (MPC) recently maintained Monetary Policy Rate(MPR) at14% Commercial Banks are expected to fix their lending rates based on value of MPR. It is supposed to be MRP + 4% spread that is the banks' lending rate should be 14% +4=18%. This does not always follow because the banks still charge as high as 26% as lending rate. They still charge about 2%flat or more as management fee on the face value of the loan. This brings about high cost of funds which are not favourable to both Large-Scale Enterprises and SMEs.

Exchange Rate

Exchange rate is the value of one currency for the purpose of conversion to another. Exchange rate movements greatly affect the stock market return volatility owing to its information content to the investors. When there are high fluctuations in the exchange rates, there would be high movements of market return volatility. Some studies have concluded that there is a strong relationship between exchange rate movements and market capitalization, while others have not. Specifically, the information content of exchange rate movements would be carried to the securities business (Geetha et al., 2011). McDonald and Gao (1990) opine that exchange rate simply means the price of foreign currency which clears the foreign exchange market. Exchange rate of currency is therefore the link between domestic and foreign prices of goods and Services. They further observed that exchange rate can either appreciate or depreciate. Appreciation in the exchange rate occurs if less unit of domestic currency exchanges for a unit of foreign currency while depreciation in exchange rate occurs if more unit of domestic currency exchanges for a unit of foreign currency. However, exchange rate can be measured in terms of; (i) the nominal exchange rate(ii) the real exchange rate. The nominal exchange rate is the number of units of domestic currency that must be given up to get a unit of foreign currency. Hence, nominal exchange rate is the domestic price in term of foreign currency. It is indicated as E. The real exchange rate is the relative price of foreign goods in term of domestic goods. In other word, it is the exchange rate adjusted for price.

Inflation

Inflation refers to changes in general price levels. Inflation is usually something that economists take very seriously and inflation control is often the primary goal to attain (Adebayo, 2016). Arising inflation usually has a negative impact on stock returns. When inflation increases, prices get higher, and this implies that consumers no longer can afford to buy goods and services to the same extent as they could do before. This will in turn lower revenues and profits and eventually result in a decline in the stock market. Rising inflation should hence have an insidious effect on market capitalization where it could take time for consumers and producers to be acclimated (Adebayo, 2016). The effects of inflation on the economy are

diverse and can be both positive and negative. The negative effects are, however, most pronounced and comprise a decrease in the real value of money as well as other monetary variables over time. As a result, uncertainty over future inflation rates may discourage investment and savings, and if inflation levels rise quickly, there may be shortages of goods as consumers begin to hoard out of anxiety that prices may increase in the future.

Theoretical Framework

The Efficient-Market Hypothesis (EMH)

Fama (1965) proposes the efficient market hypothesis, which states that a market is efficient if prices always fully reflect all the available information. In an efficient stock market, stock prices should always be equal to the fundamental value of the stock, which is determined by all the available information in the market. In order for the stock market to be efficient, three sufficient conditions must be satisfied. First, there must be no transaction costs for stock trading. Second, all information must be available for all market participants at zero cost. And third, all market participants must have consensus on the implication of the information on current and future prices and dividends (Fama, 1965; Malkiel and Fama, 1970).

Malkiel and Fama (1970) also show that there are three forms of efficiency in the market: weak, semi-strong, and strong forms of efficiency. The main difference in these forms lies in the set of information being incorporated into asset prices. The weak form of efficiency relies only on past information on returns and prices. The semi-strong form of efficiency relies on all publicly available information in addition to past information. The strong form of efficiency uses all the information available including private information. This implicitly assumes that all market participants adopt rational expectations, in which they use all the available information to formulate those expectations (Campbell et al., 1997).

The efficient market hypothesis demonstrates that the fundamental value of a stock is determined by the rate of return and the expected future dividends. The expected future dividends are discounted by the expected rate of return to give the present value of all expected future dividends. Therefore, it is also called the present value model.

In addition, Fama (1970) constructs a more restrictive version of the efficient market hypothesis, known as the Random Walk Model. The model assumes that the successive price changes of an asset are independent of each other. The model also assumes that these successive price changes are identically distributed. If the expected dividends are constant, then a higher dividend and lower appropriate return will increase the price of an asset. However, if the expected dividends grow at a fixed rate, then the asset price will not only be affected by the current level of dividend, but also the expected growth of the dividend (please consult Gordon, 1962). This is also known as the Gordon Growth Model.

Empirical Literature Review

Nkwede, Uguru & Nkwegu (2016), studies macroeconomic determinants of corporate bond market development in Nigeria for 33 years from 1980 to 2013. Corporate bond market capitalization was used as the endogenous variable while macroeconomic variables form the exogenous variables. The time series data were analyzed using descriptive statistics, while the ordinary least square regression techniques involving multiple regression was applied to test the level of significance of the variables. From the analysis, the result reveals that fundamental macroeconomic variables like exchange rate, savings, inflation rate, banking sector development, interest rate, fiscal balance, bond yield and foreign direct investment are main drivers of corporate bond market development in Nigeria. The results further revealed that the macroeconomic factors have no common stimulating pattern in driving the corporate bond market development. Savings and exchange rate tends to be more significant than other macroeconomic variables within the period under review. Thus, macroeconomic factors matter a lot in the development of corporate bond in Nigeria.

In another development, Ernest, David & Kofi (2016), used a panel data of 41 emerging countries for the period 1996 to 2011 to study the impact of macroeconomic variables on stock market performance in emerging economies. They employed four techniques in their analysis; robust ordinary least squares (OLS), FGLS, and dynamic ordinary least squares (DOLS) and then Newey-West. They established that depreciation in exchange rate in dollars and reduction in consumer price index affects stock market development negatively, while increase in money supply does influence stock market positively.

Emmanuel (2018) examined the macroeconomic determinants of stock market performance in Nigeria using annual time series data spanning 1981 to 2016. Four macroeconomic variables: money supply, interest rate, exchange rate and inflation were used as independent variables, while market capitalization was employed as the dependent variable. The results of Augmented Dickey-Fuller (ADF) test revealed that all the variables studied were stationary at first difference except money supply which was stationary at second difference. The Ordinary Least Square (OLS) regression results showed that money supply has a significant positive effect; interest rate has a significant negative effect; whereas, exchange rate and inflation rate have no statistically significant effect on stock market performance in Nigeria. The co integration test results disclosed that there exists a co integrating relationship between the macroeconomic indicators and stock market performance. Which means there is a long-run relationship between the variables. He concluded that money supply and interest rate are the true determinants of stock market performance in Nigeria.

Etale and Tabowei (2019), investigated the effect of selected macroeconomic variables on market capitalization in Nigeria using time series data from 2001 to 2018 sourced from CBN bulletin. They adopted Nigerian stock market capitalization as the dependent variable, while macroeconomic variables such as gross domestic product, interest rate, inflation and exchange rate were used as the independent variables. They employed descriptive statistics and multiple regression analysis techniques for analysis and discovered that gross domestic product has significant positive effect on market capitalization; exchange rate has significant negative effect on market capitalization; while interest rate and inflation have insignificant negative association with market capitalization in Nigeria. And concluded that increasing national output in the economy of Nigeria would ultimately lead to an increase in market capitalization, which is good for developing economy like Nigeria, as it is likely to enhance economic growth and foster rapid development.

Candera et al. (2021), in their study on macroeconomic and capital market performance in Asia Pacific region, used variables like Inflation, interest rates, exchange rates, and foreign direct investment as independent variables. The results of the analysis show that inflation, interest rates, and foreign direct investment have a negative and significant impact on the performance of capital markets in Asia Pacific countries. Exchange rates have a

negative and insignificant impact on the performance of the capital market. While the share price at DJIA has a positive and insignificant impact on the performance of capital markets in Asia Pacific countries.

3.0 Methodology

This study adopted the expo facto research design due to the nature of the variables of the study. The data were sourced from secondary sources such as the Central Bank of Nigeria statistical bulletin of various volumes, Nigeria Stock Exchange Facts Book, and World Bank development indicators for the country. The period covered for the study ranges from 1986 to 2022, that is about thirty-seven years.

The functional and econometric models for this study are given respectively as follows:

$SMP = f(SR, UER, INF, SL)$ (Functional Model)

$SMP = \rho + \pi_1 SR + \pi_2 SL + \pi_3 INF + \pi_4 UER + \mu$ (Econometric Model)

Where SMD is stock market performance as define above, SR is saving rate, UER is unanticipated exchange rate is the difference between expected/anticipated and actual exchange rate, INF is inflation rate of the economy and SL is stock liquidity which serve as the control variable in the study, and μ is the random term. ρ is the intercept of the model, while the a-priori expectations of the variables are positive (π, $\rho > 0$). The specified model above is estimated using the ordinary least squares regression and the error correction model techniques.

4.0 Results and Discussion

In this section, the results of the model estimation are presented and discussed starting with the ordinary least squares technique.

Table 4.1: OLS Estimates of the Longrun (Model 1)

Dependent Variable: SMP Method: Least Squares				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
SMP(-1)	1.055613	0.035729	29.54516	0.0000
SR(-1)	0.012180	0.006161	1.977002	0.0573
SL(-1)	-0.013388	0.012653	-1.058084	0.2985
INF	0.005329	0.003029	1.759311	0.0887
UER(-1)	0.004516	0.002323	1.944026	0.0613
C	-0.503297	0.432198	-1.164504	0.2534
R-squared	0.993396	Durbin-Watson stat		1.975963
Adjusted R-squared	0.992295			
F-statistic	902.5135	Prob(F-statistic)		0.000000

Source: Author's Computation (2023)

The interpretation of the model will be done based on the theoretical, statistical and econometric criteria. The model included the macroeconomic factors affecting stock market performance such as saving rate (SR), stock market liquidity (SL), inflation (INF) and unexpected exchange rate (UER). All the variables in the model conform to a-priori expectations except SMP.

One lagged period value of stock market performance has a positive and significant impact on stock market performanceas one percent increase in it leads to 1.055613 percent increase in stock market performance. Likewise, saving rate has a positive and significant impact on stock market performance as a percent increase in SR causes stock market performance to rise by 0.012180 percent. Stock market liquidity has a negative impact on stock market performance as a percent increase in SL leads to 0.013388decrease in stock market performance. Furthermore, inflation and unexpected exchange rate have a positive impact on stock market performance, a one percent change in each of them will cause stock market performance to increase by 0.005329 and 0.004516 respectively.

The R-squared value of 0.992295showed that about 99% of the systematic changes in stock market performance can be explained by saving rate (SR), stock market liquidity (SL), inflation (INF) and unexpected exchange rate (UER) while the remaining 1% are explained by the stochastic error term. The adjusted R-squared value of 99% implies that the model has a very high predictive value. The Durbin-Watson statistic of 1.975963 showed that the model does not suffer from serial correlation.

Table 4.2: Error Correction Model Estimates (Model 1)

Dependent Variable: D(SMP) Method: Least Squares				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
D(SMP(-1))	1.002020	0.291381	3.438871	0.0018
D(SR(-1))	0.016199	0.005414	2.991983	0.0057
D(SL(-1))	-0.032575	0.014828	-2.196919	0.0365
D(INF)	0.004872	0.002933	1.660948	0.1079
D(UER(-1))	0.002432	0.002656	0.915698	0.3676
ECM(-1)	-0.966248	0.352251	-2.743070	0.0105
C	0.016164	0.081369	0.198656	0.8440
R-squared	0.413711	Adjusted R-squared		0.288078

F-statistic	3.293005	Prob(F-statistic)	0.014040
Durbin-Watson stat	1.978779		

Source: Author's Computation (2023)

The short run model estimation result for model 1 is presented in table 4.2 above. From the result of the OLS estimates, the error correction term (ECM) is negative and statistically significant which is in line with econometrics theory. This implies that last period deviation from equilibrium, is corrected up to 96 percent in the current period.

Diagnostic Test for Model 1

Table 4.3: Test for Normality, Heteroske dasticity and Autocorrelation

Test	F-Statistics	P-value
Normality Test	0.638659	0.726636
Serial correlation LM Test	0.001551	0.9689
Heteroskedasticity	2.059496	0.0985

Source: Author's Computation (2023)

From the table 4.3 above, it is evident that the model formulated and estimated for the study is robust and devoid of any bias. The result for the test of normality with the use of Jarque-Bera Statistics showed that the residuals are normally distributed. The observed Jarque-bera statistic is 0.638659 with a p-value of 0.726636. Since the p-value is greater than the 5% level of significance, we cannot reject the null hypothesis, so this implies that the residuals are normally distributed. There is no serial correlation as well as the hetero scedasticity in the model based on the probability values of 0.9689and 0.0985 respectively which is clearly greater than the 5% level. The null hypothesis of the presence of autocorrelation and hetero scedasticity is therefore rejected. The CUSUM and CUSUM of Squares test for stability presented in figure 1 and 2 below showed that the model formulated for the study is stable as the 5% plot was not exceeded.

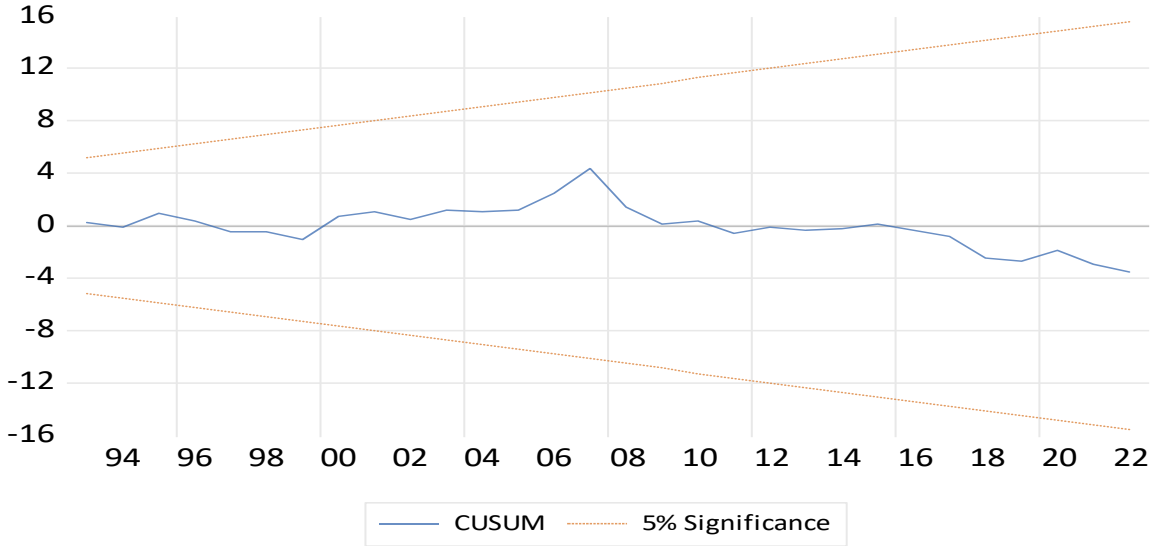

Figure 4.1: CUSUM

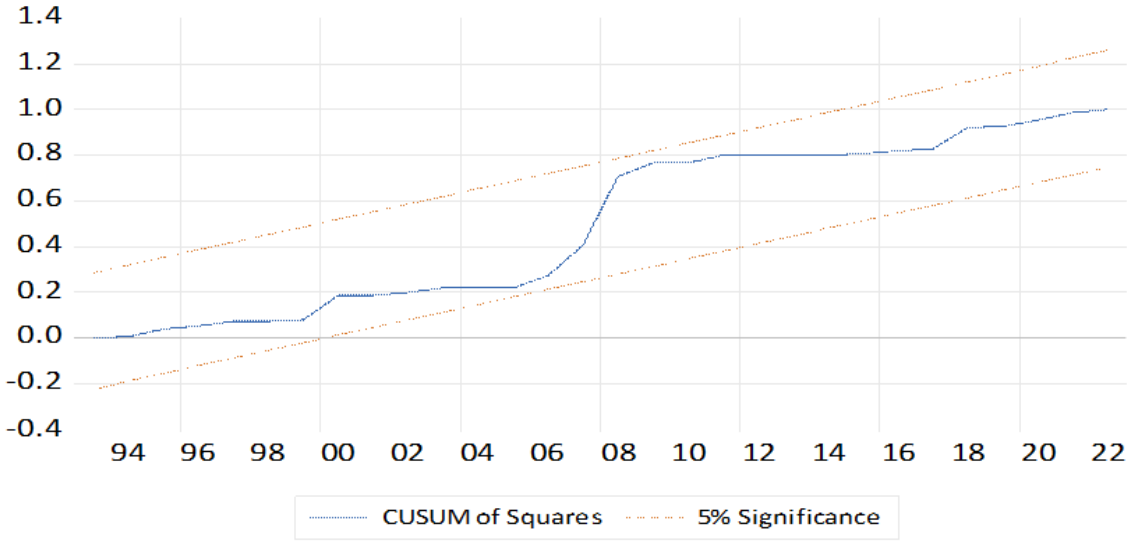

Figure 4.2: CUSUM of Squares

From the findings, it was found that the one period lagged value of market capitalization which is the proxy for stock market performance was positive and significant. The saving rate also blends with theory by showing a positive and significant effect on market capitalization. The finding is the same with that of Azeez and Obalade (2019). This connote that as savings can be plug back into the stock market as investment. Stock market liquidity was found to be negative and insignificant; this contradicts the findings made by Azeez and Obalade (2019) who found a positive impact. The liquidity of the stock market revealed how stocks can be bought and sold without it losing its value. This therefore show that most investors in the stock market thinks long term in their investment decisions, hence they don't consider immediate resale of their stock. Inflation and unexpected exchange rate both positively and significantly impact on stock market performance which in line with a priori expectations, it is also in tandem with findings in several studies like that of Josiah and Akpoveta (2019), and Epaphra and Salema (2018). Megaravalli and Sampagnaro (2018) on the other hand found a positive impact of exchange rate with stock market performance but a negative impact of inflation with stock market performance which also agree with the findings of Azeez and Obalade (2019).This positive relationship should that investors perceive the stock market as a place to safely invest their funds to avoid loss of value due to inflation and exchange rate instability. Findings from the current study contradicts the findings of Okoebor (2022) and Gatsimbazi et al. (2018) as they found exchange rate and inflation to be negatively related to stock market performance. The current study also found a long run relationship between the dependent and independent variables.

5.0 Conclusion and Recommendations

This study investigated the influence of key macroeconomic factors on the performance of the Nigerian stock market, emphasizing the roles of inflation, exchange rates, and saving rates. Macroeconomic variables are critical determinants of stock market performance, they are also very vital for investment decision-making and portfolio management strategies, especially in the context of a developing economy like Nigeria where market conditions are subject to heightened sensitivity to external shocks and domestic policy shifts.

Moreover, the insights gleaned from this study have important implications for policymakers, investors, and financial regulators seeking to foster a stable and resilient stock market ecosystem in Nigeria. These macroeconomic drivers of the economy influence market sentiment and asset valuations, thus stakeholders can implement targeted interventions and policy measures aimed at mitigating systemic risks, enhancing market efficiency, and promoting sustainable economic growth.

In light of the findings, the study proffers the following recommendations:

i. The saving rate for the country should be sustained and improved upon as this can increase the fortune of the stock market, this can be through incentivized interest rate
ii. The government should adopt a flexible exchange rate that supports export of goods and services to attract foreign direct investment into the country's stock and capital market.
iii. The Government should adopt inflation targeting tool as an economic growth measure to stabilize the stock market and the economy in general.
iv. Government should ensure the economy stays vibrant in economic activities because this can create funds to be invested and ensure other investment in the real sector from fund generated from the stock market is producing returns.
v. The regulatory institutions should be strengthened and allowed to do their mandate without unnecessary interference.

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