IMPACT OF BOND MARKET DEVELOPMENT ON THE GROWTH OF THE NIGERIAN ECONOMY

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Abstract

Research background: The traditional function ascribed to a modern financial institution is to mobilize resources among the two units (surplus and deficit) of the economy. This can be achieved when financial institutions wake up to this responsibility and act as the pillar upon which other institutions can rely on.

Purpose: This study examined the impact of bond market development on the growth of the Nigerian economy from 1986–2018.

Research methodology: Data were analysed using the co-integration bounds test approach while the robustness of the estimates was also checked.

Results: Government bond exhibited an insignificant positive relationship; corporate bond and value of bond traded were positive and statistically significant (prob. <0.05) while bond yield indicated a negative relationship with the growth of the Nigerian economy.

Novelty: The study found that corporate bond and the value of bond traded were the major variables that increased the depth of bond market development in Nigeria. Therefore, policymakers in Nigeria should encourage the issuance of more corporate bonds to further enhance the efficiency of bond markets development.

Keywords: bond market development, economic growth, corporate bond, value of bond traded, government bond, bond yield

JEL classification: E44, G12, G18

Introduction

The indisputable contribution of a sound financial system in reviving the industrial activities of any nation is obvious. A well-developed financial system facilitates the creation of more viable investment opportunities by providing the needed financial and technical supports required for investors. Financial institutions assist in mobilizing savings from scattered economic units; channel the mobilized resources among the needy deficit units of the economy thereby result in the inefficient allocation of resources and the rapid accumulation of physical and human capital (Ndinda, 2012).

In Nigeria, one of the vital ingredients used in the development of the financial market is the bond market. Bond is a long-term generic name for tradable financial debt instruments usually issued on a long-term basis (SEC, 2010). The development of a bond market serves as a tool for economic transformation, financial stability, economic recovery, and enhancing investment in capital formation through the provision of long-term financial needs for both government and private borrowers (Hakansson, 1999; Peiris, 2010; Tendulkar, Hancock, 2014; Akinsokeji, Adegboye, Edafe, 2016). Nkwede, Uguru and Nkwegu (2016) are of the view that the relationship between a bond market and bank financing is complementary and not competitive. Banks especially deposit taken institutions provide short and medium-term finance while bond markets are issued by both governments to take care of their deficits and infrastructure investment and companies to finance longer-term capital for growth and expansion. As a result, bond markets are regarded by many scholars as a 'big' player in the economic transformation process of a country (Ogboi, Njogo, Nwankwo, 2016; Nkwede et al., 2016).

In years gone by, the government used financial institutions in Nigeria to meet their fiscal deficit on long term developmental projects. This has generated high inflationary consequences on the economy. The remote cause of this is the financial mismatch strategy created as a result of the use of short-term sources of funds to finance the long-term needs of the government. Deposit money banks are institutions that provide short term financing. The large

financial intermediation burden place on banks has exposed them to financial risks (Nwiado, Deekor, 2013).

It is therefore not a fallacy to suggest that the development of a bond market is one of the key targets of every emerging economy around the world, Nigeria inclusive. This implies that every government which seeks independence in fiscal financing must put in place deliberate measures aimed at developing a bond market and support capital market growth. A well-functioning financial market is a key determinant of a country's economic growth and development. It promotes a strong market-oriented economy with a robust financial system with resilience from external shocks and better integration to the international markets. Countries that seek to achieve this milestone need to develop domestic debt markets especially the bond market with a focus on diversifying investors' base, activating the secondary market, attaining reliable custodial and settlement systems as well as enhancing effective regulation (Herring, Chatusripitak, 2000).

Studies in this line extensively focus on the impact of deposit money banks or deal with financial crises consequence on the growth of an economy (Easterly, Levine, 1997; Harris, 1997; Dailami, Atkin, 1990; Wachtel, 2001; Batten, Kim, 2000; De Bondt, 2002; Herring, Chatusripitak, 2000; Beck, 2003). These studies have not examined how development in the bond market translates to economic growth and development. Also, existing studies have produced conflicting and mixed empirical evidence on the factors that determine bond market development. Some scholars are of the view that bond market development is caused by favourable economic variables such as inflation rate, exchange rate, banking sector development, trade openness, fiscal balances, foreign direct investment, and savings among others while others claimed that fundamental institutional factors stimulate bond market development (Hakansson, 1999; Bhattacharyay, 2011). With these conflicting opinions, it makes research sense to examine what spurs bond market development in Nigeria by providing an answer to the following questions: to what extent does government and corporate bond affect the growth of the Nigerian economy?; does bond yield affect the growth of the Nigerian economy? And to what extent does the value of bonds traded impact on the growth of the Nigerian economy?

1. Literature review

1.1. Bond Market Developments

Bond is also known as fixed income security and is a long-term generic name for a tradable financial debt instrument usually issued on a long-term basis (SEC, 2010). In the view of Ogilo

(2014) a bond guarantees the holders the financial obligation of both the principal and interest within a defined time frame. The holder of this bond refers to the investor who aspires to have a claim on the value of the bond plus the rate of interest accrued on it while the issuer is the borrower. The bond interest is usually referred to as a coupon (Nkwede et al., 2016). In another word, it is an “I own you” (IOU) issued by corporate government, entities, or companies as evidence to pay a certain amount of money. The fixed-term (the maturity) period is usually longer and extends beyond a year (Byrns, Stone, 1995; Fahm, 2006; Olashore, 2006). The holder of this bond has a financial claim on the issuer (Onaolapo, Adebayo, 2010). Therefore investors in bonds are essentially lending money to the issuer (borrower).

The bond market is the channel through which governments and corporations that need to borrow money are matched with investors who have funds to lend (Ndinda, 2012). The bond market is an integral aspect of the capital market. Interestingly, the Nigerian bond market is composed of both corporate bonds and government bonds. The former refers to bonds issued by corporations or companies to raise funds while the latter is debt instruments issued by the government (Eke, Adetiloye, Adegbite, Okoye, 2017; Mishkin, Eakins, 2012).

Globally, the bond market, no doubt forms the mechanism through which the savings surplus unit of the economy is transformed into medium and long-term investments in the economy. Based on this, bond market development is regarded as a big player that translates the economy to the desired state (Nkwede et al., 2016). Therefore, bond market developments are the mechanisms put in place to ensure the smooth and effective operation of long-term debt instruments. Governments that have succeeded in bond market development have not only strategically managed their long-term debt but also promoted reforms for better market institutional and structural frameworks. These reforms reduce over reliance on bank financing and enhance sound financial intermediation process.

1.2. Empirical Review

Fink, Hasiss and Hristoforova (2003) investigated aggregate bond markets and real gross domestic product among thirteen (13) developed countries comprising the United States of America, the United Kingdom, Switzerland, Germany, Austria, the Netherlands and Spain for the periods 1950–2000. The study employed the Vector Autoregressive model. The results show that long-run relationships subsists in Japan, Italy, Finland, and Portugal, result from these countries also showed that the short-run autoregressive model supports the supply leading hypothesis. In a study conducted in South Africa, using the Engle and Granger Single-equation based two-step approach and co-integrated Kapingura and Makhetha-Kosi (2014) examined

if any causal relationship exists between bond market development and economic growth for the periods 1995–2012. The result indicates a unidirectional causality between bond market and economic growth, while the causal link flows from bond market to economic growth. Bhattacharyay (2011) studied the factors that determine bond market development in Asian economies using a simple, multivariate ordinary least square (OLS), Fixed effect (FE), Random effect (RE) and Generalized Least squares methods (GLS) on cross-sectional data for the periods 1998–2008. The results indicated that the size of the economy is positive and significantly related with corporate bond issuance.

Said (2012) examined how the debt market can affect the growth of the economy among China, Hong Kong, Japan, South Korea, and Thailand for the years 2002–2009. The study employs a panel regression analysis. The results indicated that debt structure in both public and private sectors contributes positively and significantly to economic growth. In a study conducted in Kenya, Ndinda (2012) examined the relationship that subsists between treasury/government bond issuance and economic growth for the periods 2003–2011. The study employed a descriptive and ordinary least square regression analysis on variables such as gross domestic product, market capitalization of bonds, value of bonds traded and total new issues of bonds. The results showed that government bonds have a positive effect on the level of economic growth in Kenya.

Akinsokeji et al. (2016) examined the impact of the bond market on aggregate investment and the Nigerian economy using a disaggregated approach on data covering the periods 1980 to 2013. The study employed the Vector Error Correction Method (VECM) and Granger Causality. The study found no direct impact between macroeconomic variables and economic growth while savings promote the widening of the bond market. The causality test indicates that the flow of bond market goes from bonds to savings, then from savings to investment, and then from investment to real GDP growth. Ogboi et al. (2016) using a Generalized Method of Moment Instrumental variables (GMM-IV) estimator and Granger Causality Test examined bond market development and economic growth. From the results, the bond market indicates an insignificant positive effect on economic growth in Nigeria while no causal relationship was found between bond market and economic growth.

Nkwede et al. (2016) analysed the macroeconomic variables that determine bond market development for the periods 1980–2013. The study employed descriptive and ordinary least square estimation techniques. The results revealed that corporate bond market development was influenced by economic variables such as exchange rate, savings, inflation rate, banking sector development, interest rate, fiscal balance, bond yield and foreign direct investment. It was also

revealed that from these economic variables savings and exchange tends to be more significant than other macroeconomic factors within the period under review. Onaolapo and Adebayo (2010) used an ordinary least square regression analysis to examine the effect of the bond market and the growth of the economy from the periods 1984–2008. The results show that the indicator of bond market size (government stock market capitalization) and that of liquidity (value of government stock traded) are significant determinants of economic growth in Nigeria.

Sequel to the empirical study reviewed, it is evident that studies on bond market development and the growth of the economy are scanty in Nigeria. Most Nigerian studies have concentrated on how capital markets using market capitalization, all share index, and value of share traded can stimulate the growth of the economy. This study improves on the earlier work of De Bondt (2002), Ogboi et al. (2016) and Akinsokeji et al. (2016) by increasing the time horizon and inclusion of variables such as government bond, corporate bond, bond's yield and value of bond traded to achieve comparability with earlier work on bond markets and real growth for the periods 1986–2018.

2. Methodology

The study analysis begins by firstly investigating the order of integration using the Augmented Dickey-Fuller Test (ADF) unit root test. This test served as a guide on the appropriate estimation techniques suitable for the analysis. Annual time series data of real gross domestic product, government bond, corporate bond, bond's yield and value of bond traded were sourced from the Central Bank of Nigeria Statistical Bulletin. The study covered 1986–2018.

2.1. Model Specification

The model for this study is specified in line with the modification of Ogboi et al. (2016) and Akinsokeji et al. (2016) models. The study formulated its model to include Real Gross Domestic Product (RGDP) made as a function of Government Bond (GBOND), Corporate Bond (CBOND), Bond Yield (BYID) and Value of Bond Traded (VBTD). In a more specific form, the model can be expressed as:

$$RGDP = f(GBOND, CBOND, BYID, VBTD) \quad (1)$$

Equation 1 can also be expressed as:

$$RGDP = \delta + \beta GBOND + \alpha CBOND + \gamma BYID + \lambda VBTD + \mu \quad (2)$$

where:

- RGDP – Real Gross Domestic Product,
- GBOND – Government Bond,
- CBOND – Corporate Bond,
- BYID – Bond Yield,
- VBTD – Value of Bond Traded,
- F – functional Notation,
- μ – error term,
- δ – intercept,
- β , α , γ , and λ – coefficients of estimates.

2.2. Description of Variables

Real Gross Domestic Product (RGDP): this variable measures the economic strength of a country in relation to the output level of goods and services produced.

Government Bond (GBOND): this represents the size of the bond market captured by the outstanding amount of debt securities issued by the apex bank of Nigeria This study takes into consideration that government bonds are the most active in the bond markets in Nigeria.

Corporate Bond (CBOND): this represents the bond issued by companies to raise money for the expansion of their business. It captures bonds issued excluding government and municipal bonds and usually longer with a maturity date of at least two years after their issuing date.

Bonds Yield (BYID): this is the yields for all fixed income securities that perfectly matches the cost of such liability.

Value of Bond Traded (VBTD): this represents the total value of government and corporate securities traded on the Nigeria Stock Exchange.

2.3. Estimation Techniques

Autoregressive Distributed Lag (ARDL)

To examine the short and long-run relationship among the variables, the study employed a bounds test approach to co-integration developed by Pesaran, Shin, and Smith (2001). This method can generate better results as it circumvents the difficulties regarding the order of integration found in the Johansen co-integration test. It is suitable to use when small sample sizes are considered and can simultaneously estimate short and long-run results. To test the co-integration among the variables, the following ARDL model was estimated.

$$\begin{aligned}
\Delta RGDP_t = & c_0 + \delta_1 RGDP_{t-1} + \delta_2 GBOND_{t-1} + \delta_3 CBOND_{t-1} + \\
& + \delta_4 BYID_{t-1} + \delta_5 VBTD_{t-1} + \sum_{i=1}^P \gamma_{1i} \Delta RGDP_{t-i} + \sum_{i=0}^P \gamma_{2i} \Delta GBOND_{t-i} + \\
& + \sum_{i=0}^P \gamma_{3i} \Delta CBOND_{t-i} + \sum_{i=0}^P \gamma_{4i} \Delta BYID_{t-i} + \sum_{i=0}^P \gamma_{5i} \Delta VBTD_{t-i} + \varepsilon_t
\end{aligned} \quad (3)$$

where: δ_1 represents long-run multipliers, c_0 is denoted as the intercept while ε_t is the error terms.

To test whether a long-run relationship is found among the variables, equation 3 was first estimated using the ordinary least square approach. The F-test which symbolized the joint significance of the variables in their previous values was considered in the hypothesis testing. That is:

$$H_0: \delta_1 = \delta_2 = \delta_3 = \delta_4 = \delta_5 = 0 \quad (4)$$

$$H_1: \delta_1 \neq \delta_2 \neq \delta_3 \neq \delta_4 \neq \delta_5 = 0 \quad (5)$$

The study denotes the test which normalizes on RGDP by [(RGDP|GBOND, CBOND, BYID, VBTD)]. Two critical bounds values that justify the existent of co-integration exist. They are I(0) and I(1). The formal refers to the lower bound and the letter is called the upper bound. The null hypothesis of a no long-run relationship is rejected irrespective of the integration order of the series if the F-statistics exceed the upper critical value. However, the study fails to reject the null hypothesis when the test statistic falls below the lower critical value, whereas when it is between the lower and the upper critical values, the result is said to be inconclusive (Pesaran, Shin, Smith, 2001).

In as much as co-integration is found, the conditional ARDL model (p, p_1, p_2, p_3, p_4) for the long-run is therefore estimated as:

$$\begin{aligned}
RGDP_t = & c_0 + \sum_{i=1}^P \delta_1 RGDP_{t-i} + \sum_{i=0}^{p_1} \delta_2 GBOND_{t-i} + \sum_{i=0}^{p_2} \delta_3 CBOND_{t-i} + \\
& + \sum_{i=0}^{p_3} \delta_4 BYID_{t-i} + \sum_{i=0}^{p_4} \delta_5 VBTD_{t-i} + \varepsilon_t
\end{aligned} \quad (6)$$

The error correction model which specifies the dynamic coefficients of the short-run deviation from the long-run is the next step, specified as:

$$\Delta RGDP_t = \mu + \sum_{i=1}^p \gamma_{1i} \Delta RGDP_{t-i} + \sum_{i=0}^p \gamma_{2i} \Delta GBOND_{t-i} + \sum_{i=0}^p \gamma_{3i} \Delta CBOND_{t-i} + \sum_{i=0}^p \gamma_{4i} \Delta BYID_{t-i} + \sum_{i=0}^p \gamma_{5i} \Delta VBTD_{t-i} + \omega_{ecm} + \varepsilon_t \quad (7)$$

Here (γ_1 , γ_2 , γ_3 , γ_4 and γ_5) represent the dynamic coefficients of the short-run models and ω denotes the speed of adjustment.

3. Results and discussion

3.1. Unit Root Test Result

Table 1. ADF Unit Root Test Result for Variables

Variables	Level			First Difference			Order of integration
	ADF test stat.	95% critical value	inference	ADF test stat.	95% critical value	inference	
RGDP	-1.348921	-2.963972	Non-stationary	-5.780350	-2.967767	Stationary	I(1)
GBOND	-4.879023	-2.963972	Stationary	NA	NA	NA	I(0)
CBOND	-2.177966	-2.963972	Non-stationary	-4.541774	-2.967767	Stationary	I(1)
VBTD	-0.799617	-2.963972	Non-stationary	-4.907216	-2.967767	Stationary	I(1)
BYID	-2.827673	-2.963972	Non-stationary	-5.587491	-2.967767	Stationary	I(1)

Source: own elaboration.

Table 1 indicated that Government Bond (GBOND) was stationary at a level while other variables such as Real Gross Domestic Product (RGDP), Corporate Bond (CBOND), Value of Bond Traded (VBTD) and Bond Yield (BYID) were stationary at first difference. Since the variables were a mixture of I(0) and I(1), any attempt to specify the dynamic function of the variables in the level of the series will be inappropriate and may lead to spurious regression. Based on the foregoing, the result obtained from the unit root test analysis provided a good justification to use the Autoregressive Distributed Lag (ARDL) technique.

3.2. Test for Co-integration

Table 2 explained the unrestricted ARDL result on the impact of bond market development on the growth of the Nigerian economy. This Table provided a platform to conduct the ARDL Bound test in others to examine the existent of long-run in the study.

Table 2. Unrestricted ARDL Model

Variable	Coefficient	Std. Error	t-Statistic	Prob.*
C	4.263886	4.310440	0.989200	0.3421
RGDP(-1)	0.018005	0.185374	0.097128	0.9242
RGDP(-2)	0.104144	0.196702	0.529449	0.6062
RGDP(-3)	0.462806	0.190198	2.433278	0.0315
GBOND	0.004638	0.012813	0.362009	0.7236
GBOND(-1)	0.028140	0.013077	2.151934	0.0525
GBOND(-2)	0.042946	0.014442	2.973741	0.0116
GBOND(-3)	0.027324	0.015609	1.750498	0.1055
CBOND	0.027295	0.014154	1.928462	0.0778
CBOND(-1)	0.012912	0.017508	0.737504	0.4750
CBOND(-2)	0.058063	0.016103	3.605724	0.0036
VBTD	0.073166	0.027625	2.648558	0.0212
BYID	-1.877706	0.504290	-3.723467	0.0029
BYID(-1)	-0.464322	0.497021	-0.934210	0.3686
BYID(-2)	0.113678	0.541856	0.209793	0.8373
BYID(-3)	1.153423	0.502741	2.294270	0.0406

* $R^2 = 0.936443$; Adjusted = 0.856997; F-statistic = 11.78712; Prob. (F-statistic) = 0.000058.

Source: own elaboration.

3.3. ARDL Bounds Test Approach to Co-Integration

Table 3 showed that the F-statistics value of the bound test result is 8.688913, this is however greater using either a lower or upper bound test at any levels of significance. The result justified the existence of a long-run relationship among the variables. Therefore, the study proceeded to long and short-run relationships for the RGDP model. However, the long-run co-integration equation of the RGDP was interpreted because a valid co-integration relationship was found.

Table 3. ARDL Bounds Test Result

F-Statistic	8.688913	
Significance	I0 Bound	I1 Bound
10%	2.20	3.09
5%	2.56	3.49
2.5%	2.88	3.87
1%	3.29	4.37

Source: own elaboration.

Table 4 explained the short and long-run relationships between the real gross domestic product and other explanatory variables. Firstly, the error correction term is well defined, which is negative and statistically significant at any level. The coefficient is -0.420759 which indicated about 42% of the previous year's disequilibrium in RGDP. This also showed the speed at which the model converges to the equilibrium. The magnitude of this coefficient implies that nearly 42% of any disequilibrium in RGDP is corrected by the independent variables within one period (one year).

Table 4. ARDL Co-integration Regression for RGDP

	Variables	Coefficient	Prob.
LR	GBOND	0.248285	0.1693
	CBOND	0.23677	0.0304
	VBTD	0.176285	0.0236
	BYID	-2.589901	0.0988
SR	D(RGDP(-1))	-0.60398	0.0007
	D(RGDP(-2))	-0.458969	0.0052
	D(GBOND)	0.004239	0.6226
	D(GBOND(-1))	-0.073343	0.0003
	D(GBOND(-2))	-0.02837	0.0214
	D(CBOND)	0.027605	0.0100
	D(CBOND(-1))	-0.058611	0.0002
	D(VBTD)	0.011268	0.8899
	D(BYID)	-1.89146	0.0002
	D(BYID(-1))	-1.316365	0.0022
	D(BYID(-2))	-1.132514	0.0094
	CointEq(-1)	-0.420759	0.0000
	Constant	10.273296	0.1413

Source: own elaboration.

From the long-run result, the coefficient of a government bond is 0.248285 units. This showed that a positive relationship subsists between real gross domestic product and government bond. It also implied that a unit increase in government bond will lead to a 0.248285 unit increase in real gross domestic product. Corporate bond depicted a positive and significant relationship with the real gross domestic product, the coefficient of a corporate bond is 0.23677 units which means that a unit increase in corporate bond will lead to a 0.23677 units increase in the real gross domestic product. The coefficient of value of bond trading on the other hand is positive with a value of 0.176285 units. This explains that a unit increase in the value of bond traded will lead to a 0.176285 units increase in the real gross domestic product. Bond yield as

well depicts a negative value with a coefficient of -2.589901 units. The result implies that a unit increase bond yield will lead to -2.589901 units decrease in the real gross domestic product.

3.4. Diagnostic Test for RGDP Model

Tables 5–7 present the diagnostic test conducted to examine the suitability of the model used to investigate the impact of bond market development on the growth of the Nigerian economy. The post estimation test was conducted using the serial correlation LM test, normality test, and heteroskedasticity test. From the three estimates, the variables were normally distributed; no problem of serial correlation and the variables were homoscedasticity.

Table 5. Diagnostic Test for the Normality Test

Statistics	Values	Probability
Jarque-Bera	0.876476	0.645172

Source: own elaboration.

Table 6. Diagnostic Serial for the Correlation LM Test

Statistics	Values	Probability
Obs*R-squared	1.239588	0.5381

Source: own elaboration.

Table 7. Diagnostic for the Heteroskedasticity Test

Statistics	Values	Probability
Obs*R-squared	0.1436	0.0754

Source: own elaboration.

3.5. Discussion of Findings and Implications

This study examined the impact of bond market development on the growth of the Nigerian economy. The results revealed that in the long run, government bonds depicted a positive but insignificant relationship with real gross domestic product. The explanation for this insignificant contribution is that the Nigerian government bond market is yet to produce a much-needed impact on the economic growth of Nigeria. The shallow nature of the Nigerian bond market could also be responsible for the insignificance nature of it. This finding conformed with the work of Ogboi et al. (2016) but negates the work of Akinsokeji et al. (2016)

The results also revealed that corporate bond is positive and statistically significant with economic growth. This indicated that the activities in the corporate bond market have de facto serve as catalysts in promoting the economic growth of Nigeria. It is also a confirmation that the Nigerian corporate bond market has responded to various reforms initiated to deepen the market for the optimal allocation of funds to project high yield returns. It also showed that corporate organizations are now beginning to subscribe to bond market for finance. This result is consistent with the work of Onaolapo and Adebayo (2010)

It was also indicated from the results that value of bonds traded has a positive and significant value on the growth of the Nigerian economy. The implication of this result is that the value of bonds traded which measured the liquidity level in the bond market contributed positively to the Nigerian economy. It showed the true effect on the domestic debt market growth. The results signified the growth of the Nigerian debt market. Besides, bond yield which is a leading indicator of the business cycle (as it provides the vital guide to the future behaviour of inflation and interest rates) indicated a negative relationship with the growth of the Nigerian economy. The findings of these results are in tandem with the work of Nkwede et al. (2016). The results imply that the higher the bond yields the lower its contributions to the economic growth of Nigeria are. The diagnostic tests conducted revealed that the three estimates showed that the model can be used for forecasting.

Conclusion and recommendations

The significant contribution of bond market development to finance the infrastructural gap in developing economies like Nigeria cannot be overemphasized. Based on this, this study has been able to show quantitatively the short-run and long-run impact of bond market development on the growth of the Nigerian economy using Autoregressive Distribution Lag. On the regression estimate, it was observed that government bonds exhibited an insignificant positive relationship with the growth of the Nigerian economy; corporate bonds and value of the bonds traded depict a positive and significant relationship while bond yield depicted a negative relationship with the growth of the Nigerian economy. The lag of the error correction term (ECT) was found statistically significant at a 5% level with the co-efficient of -0.420759 . This indicated that 42% of the distortions in the short-run are corrected in the first year in attaining equilibrium. Based on the findings, the study concluded that there exists a long-run relationship between the identified variables and specifically, the study found that the major factors that increased the depth of bond market development in Nigeria are corporate bonds and the value

of bonds traded since these two variables exhibited positive and significant relationship on the growth of the Nigerian economy. Based on the findings from this study, it was recommended that policymakers in Nigeria should encourage the issuance of more corporate bonds to further enhance the efficiency of the capital markets (both primary and secondary). This will in no doubt lead to the mobilisation of more funds and thus stimulate the growth of the economy.

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