ANALYSING THE IMPACT OF FINANCIAL MARKET DEVELOPMENT ON ECONOMIC GROWTH (GHANA)

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Abstract

The development of capital markets has become very crucial for government officials as a new tool to boost economic growth. Indeed, the desire of every government or any focused entrepreneur is to embark on a massive capital intensive projects which however lack the needed financial muscles thereby shifting attention to the capital market to mobilize funds for such purposes. This paper seeks to explore the impact of capital market development on economic growth using a time series panel data spanning from the period of 1991 - 2014. In the study we used stock market (market capitalization) and venture capital funds to represent the capital market and the Gross Domestic Product (GDP) for the economic growth. In terms of data analysis, only the stock market proxy by market capitalization is used to represent the capital market whiles narration was done on the venture capital.

Key Words

Capital market; economic growth; Ghana stock exchange.

INTRODUCTION

For every economic boom of a country, it is mostly rest on the financial deepening in the country's financial systems. As Kellick and Martin (1990) indicated that raising the pace of development of an economy and its adaptability through conscious approach of savings and investments is a result of efficient financial systems in place. One can clearly point out that the main difference between the rich nations and the poor nations are aligned to the latter absence of adequate financial resources in harnessing the economic resources available. An efficient financial system succinctly provides a base for a country economic take-off. For instance commercial banks institutions being the main repositories of public savings do hold a large amount of term savings in people's retirement and therefore could serve as a conduit in providing financial resources for the embankment on capital intensive projects. The financial sector is generally categorized into the banking sector, the capital market and the non-bank institutions.

The financial market is broadly divided into two groups --- the money market and the capital market. The money market exist to facilitate in trading in short term debt instrument to meet short needs by large users of funds such as banks, government, etc. It is described as a traditional way of funding short term projects and it is operated by major players such as merchant banks, commercial banks, central banks in both private and public. The financial markets help by pooling risks and also optimal allocation of risks and returns. Typical example is the collection of savings from a pool of people and investing them in a large diversified range of projects. A depository institution allows even small savers to take advantage of the law of large numbers and get a reasonable safe of returns.

Capital markets on the other hand mobilize long term debt and equity finance for investment in long term asset. It is the avenues that strengthen corporate financial structure and eventually improve the general solvency of the financial system. By providing risk capital (equity) and loan capital (debt), the capital market create a platform in mobilizing long term savings which serves as capital for investors to finance long-term investment thereby broadening ownership of productive assets. Indeed the result of efficient capital market is expected to promote economic growth and development which will trickle down to the increase of savings rate and the quality and quantity of investment. Without a conscious existence of capital market institutions in place, its efficiency couple with its importance cannot be overemphasized. There must be equitable and functional players in place such as banking institutions, stockbrokers, investment banks, venture capitalist, etc. who would be intermediating between the market and the public; this move would eventually provide a conducive platform or environment for capital market to strive more effectively.

Most scholars have asserted that capital market development spur massive economic growth to the general good of society. However, most managers of the economy –governments and other policy makers have not duly accorded the needed attention to these concerns subject to their own reasons. This project attempt to dig-out relationship that exist between capital market development and economic growth as has been researched extensively and concluded that an absence effective set of financial institutions in place, productive projects will remain unexploited.

The role of financial market for economic growth, a speech delivered by Willen F. Duisenberg, president of the European Central Bank at the Economic conference in Vienna (on 31st May, 2001) attempted to answer a nagging question; does the financial system matters for economic growth? He emphatically answered YES and indicated that taking into consideration on the cross country comparisons, individual country studies as well as industry and firms level analysis, there exists positive link between the developed financial system and economic growth. Duisenberg therefore entrusted all the European members to make effort consciously in developing their capital market and at large their financial system in order to reap the full benefits the developments bring about.

Dudley and Hubbard (2004) on the topic 'How Capital Market Enhance Economic Performance' elaborated how the capital market enhance economic performance and also facilitate job creation using USA and UK being a model of well-developed capital market compared to that of Germany and Japan which were invariably less developed. The research indicated that the ascendancy of the USA capital market as really improved the allocation of capital and of risk equity throughout the USA market. In overall it has enhanced stability in the USA financial system; and also ability of new companies to raise funds for expansion purposes. In their research, they repeated the same scenario in UK. This initiation translated into the reduction of unemployment rate, facilitated in the revolution of housing finance; reduce the investment volatility in the economy.

THE BACKGROUND OF GHANA CAPITAL MARKET

Prior to the middle of 1990s, Ghana financial system was clouded with repression whereby the government of the day is in total control of financial activities. As Aryeetey, and Nissanke (2001) pointed out that before 1990s the financial system of Ghana was operated under an umbrella of monetary and highly regulated policies all with the aim of supporting the state developmental agendas. In the words of Brownbridge and Gockel (1996) the financial sector policies of Ghana were characterized by several financial repressions which in the end resulted in real interest going negative and sharply with most of the credits channeled to the public sector. These signals prompted the policy makers to change their approach resulting in the financial liberalization which was at that time the new economic and monetary policy brewing in the world financial system.

The concept of financial liberalization became a new paradigm shift to most developing countries as they were strongly attached to succinctly financial repression regime where the administrative framework of financial system was in the whims and caprices of the central government. Due to the undesirable results from the financial repression, various monetary, legal and fiscal policies were promulgated which some include the liberalization of allocate resources controls on banks, restructuring of insolvent/ distressed banks reforms to prudential supervision and regulations. The following were the acts enacted to provide a smooth take-off of financial buoyancy and independence:

- The Constitution of Ghana (1992)
- The Bank of Ghana Act, 2002 (Act 612)
- The Banking Act, amendment 2007 (Act 378)
- The Non-Bank Financial Institution Act (2008)
- The Security Industry Act, 1993 (Act 333)
- The Central Security and Depository Act, 2007 (Act 733)
- The Insurance Act, 2006 (Act 724)
- The Companies Act 1963, (Act 179)

All these enactments gave room for the private individuals and corporations to fully participate in the financial activities that sprung up in the country.

The financial liberalization at that time in Ghana coincided with a program adopted by then military government named Provisional National Defense Council (PNDC) in the late 1980s called Financial Sector Adjustment Programme (FINSAP). The aim of the programme was to restructure distressed banks as a result of repression policy and also develop financial and capital markets all in an effort to improve efficiency of financial resources mobilization and credit allocation. As Bawumia, Owusu-Danso, McIntyre,(2008) opined that the financial system of Ghana was profoundly transformed by the help of the joint IMF-World Bank Financial Sector Assessment Programme (FSAP) and its updates in 2003.

Additionally, the establishment of effective and more proficient capital market in Ghana became more crucial when government concluded that its existence could be the catalyst from economic emancipation or economic development. This foresight led to the promulgation of the Stock Market Act in 1971 with the subsequent of Accra Stock Market. However, the operationalization of Accra Stock Exchange was never materialized due to the unfavorable political and economic environment coupled with lack of political will. Another law was enacted called Security Industry Act 1993 which provided a legal backing to new establishment of Ghana Stock Exchange (GSE) in 1989 as a private company limited by guaranteed under the companies code of 1963. Factually, the Ghana Stock Exchange started trading on 12th November, 1990 and was eventually changed to the public company limited by guaranteed in 1994.

THE STATEMENT OF RESEARCH PROBLEM

Most governments, private sectors and entrepreneurs are always in need of capital (financial resources) to undertake major and long-term projects with long term finances. Additionally, others have access funds in search of business opportunities to invest in. However, the meeting point of these two parties becomes a problem and therefore efficient and effective capital market becomes a fulcrum through which these needs and wants can be turned into opportunities. The problem is how these investors can get the platform with necessary rules and regulations (liquidity guarantee) to protect their investment and how the entrepreneurs, businessmen and governments also get access to low cost of capital to embark such projects which ultimately contribute to economic growth. To understand the dynamism of this scenario necessitated on this research of how an efficient capital market would contribute to the economic growth of a country.

OBJECTIVE OF THE PROJECT

The objective of the project is to find out if the well-developed capital markets have any significant effect or repercussion on the economic growth using Ghana as a case study. This would invariably open our in-depth knowledge on how developing country like Ghana can maximize the capital market platform for economic take off. In other words, does the well-developed capital market have any trickle effect on the general economic growth?

SIGNIFICANCE OF THE PROJECT

The significance of the project cannot be over-emphasized as a result of its findings and recommendations which would be immersed contributions to the central government, academicians, and players in the financial sector institutions.

To the governments, the result/recommendations would serve as an eye-opener for policy makers that it is an avenue through which financial resources can be mobilized in undertaking capital intensive projects. Compared to other forms of mobilizing long term financial resources for the prosecution of government projects, capital market becomes the cheapest way of getting such resources.

One need to satisfy her curiosity about certain assumptions and the result of this project could serve such interest hence the academicians. In fact the project would add to intellectual discourse in academic cycles and also serves as references.

To the financial institution players, the result of the project would increase knowledge on the need to constantly develop the capital market in order to achieve the desired results.

THEORETICAL PERSPECTIVE OF THE FINANCIAL MARKET IN GHANA

In any buoyant economy, there is an evidence of strong financial resources available which provides as a foundation. A financial resource is accrued from various channels depending on its duration. The capital market provides the best platform for long term financial resources mobilization which eventually translates into economic activities. This chapter attempts to explain in details the composition of capital market available in Ghana and subsequently relate its impact to the economic growth. Thereafter, reviews of various scholarly articles, journals, publications, etc. Written in this topic area would be provided in order to throw more light on how capital market create avenue for financial resources mobilization in using for long term project financing which invariably contribute to economic growth. In other words, this chapter would provide theoretical framework as well as empirical research findings. Under the theoretical framework, the project would highlight on the various platforms Ghana has so far created in the capital market environment and their usefulness to economic growth. It would deal with each of the capital market elements which include the establishment date, its functions, and how they are contributing to the economics of Ghana. On the empirical literature, the project would delve into the combination of various authors conclusion made and how they arrived in conclusions.

The Ghana capital market

The capital market comes from an umbrella of financial market which in essence plays a critical role in the mobilization of financial resources for long or short term investment through financial intermediation. The financial market composes of money market and capital market. The former facilitate trading in short- term debt instruments to meet short term needs for large users of funds which include governments, commercial banks and other corporate institutions. On the capital markets, it provides long-term debt and equity finance for investment in long-term assets. This helps in strengthening corporate institutions financial structure and also improves the general solvency of the financial system.

The ghana stock exchange

The Ghana Stock Exchange (GSE) was established in July 1989 as a private company limited by guaranteed under the company code of 1963. It was then given a recognition as an authorized stock exchange under the Sock Exchange Act of 1971 (Act 384) in October 1990. The council of the exchange was inaugurated on November 12, 1990 and trading started on the same day. However, in 1994, the exchange was change to public company limited by guaranteed status in April 1994. Celebrating its 25th year of establishment, GSE has created three key markets namely; the Equity Market, Ghana Alternative Market and the Ghana Fixed Income Market. The GSE has facilitated long-term capital for growth and growth with over 2.1 billion Ghana cedis capital raised to the expansion of the Ghanaian economy since its inception in 1990. As in October 2015 GSE has increased its market capitalization to 62.18 million Ghana cedis from 3.05 million Ghana cedis in 1990. In fact, these achievements have indeed created wealth for investors; recording a high returns on their investments as well as wetting appetite for a lot of Ghanaians on the culture of savings. The existence of GSE has also created a lot of professions and professional in the capital market. As in March 2016 forty-two companies were listed on the

GSE. The Ghana stock market composite index (GSE-CI) reached on its all-time high record of 2440.80 in February 2014 and a record low of 940.04 in December 2011.

The Ghana alternative market (GAX)

This is the parallel market operated by the Ghana Stock Exchange (GSE) but with different focus. The GAX is meant for small-medium companies and even accept companies at various stages of their developments including start-ups. As the GSE focus on the already existing large companies, GAX figure out start-ups or small-medium enterprises (SMEs) in providing easier access to long term capital at a relatively lower cost. The Ghana Securities and Exchange Commission require that the total cost of listing should not exceed 5% of the total amount to be raised. The listing fees of GAX is fixed flat amount. This alternative source of investment from GAX improves such enterprises financial positions and also reduce risk and liquidity enhancement. As most SMEs cannot meet the GSE requirements to be listed, a minimum stated capital of 250 000 Ghana cedis is only needed for the application in the GAX market. Other benefits companies enjoy in listing on the GAX are the community enhancement credibility. The general community would become aware of your product and existence thereby boosting business growth.

Economic growth

Economic growth is an increase in a country's productive capacity as measured by comparing the Gross National Product (GNP) in a year with the previous GNP year. It is the increase in the capital stock, advances in technology, massive infrastructure, and improvement in the quality of life and also the high level of literacy. Economic growth of a country is usually indicated by an increase in that country's Gross Domestic Product (GDP). The GDP is an economic model that reflects the value of a country's total output within a specific period of time. It is the country's total value of the goods and services produced by that country over a specific period of time. The cause of economic growth is a multiplicity of factors and the seasons of the country. Economic growth usually occurs when new developments bring about an increased in a country output capacity. For instance, Ghana is known for its quality production of raw cocoa beans. If an investor invest in the economy by setting-up confectionary to add value to the raw cocoa beans for export and also creating employment for the teeming unemployed youth, economic growth has taken place especially when there is an increase in the country's productive capacity within that particular year. In simple terms, economic growth is an increase in real GDP. In other words there is an increase in national output and national income. Economic growth is caused by two main factors:

- an increased in aggregate demand,
- an increase in aggregate supply (productivity capacity).

DATA SOURCES, DESCRIPTION AND METHODS OF ANALYSIS

The objective of the project is to analyses the impact capital market development have on the economy of Ghana. It is a quantitative and explanatory in nature. It is quantitative because it would gather all the relevant numerical data so that its examination would be unbiased as much as possible. As Cooper and Schindler (2001) indicated that analyzing the relationship critically among the variables would better explain the needed impact the capital market development has on the growth of Ghana economy. The research employs both descriptive statistical values such as the R square, Adjusted R square, the coefficient and others to test the null hypothesis. In a simple linear regression analysis, the R^2 would determine the correlation between the observed and the predictive values. In other words it would show the proportion of variance in the dependent variable-Market Capitalization (MKC) which can be explained by the independent variable-Gross Domestic Product (GDP). Using this approach would be extremely vital since it would give a clear picture on how the interplay of the capital market functions in total realization of economic growth.

The project employs secondary data collated from the Bank of Ghana (BoG), Ghana Statistical Service bulletins, the Ghana Stock Exchange facts book, Ghana Securities and Exchange Commission database, electronic media and other materials that were deemed necessary. In the sample size, the time-series data were used covering from 1991-2014. As the project seek to uncover the impact or long run relationship of the capital market has on the performance of the economic growth, Ordinary Least Square (OLS) would be applied in obtaining the long run relationship.

The economic growth was proxy as dependent variable by using the constant value of Gross Domestic Product (GDP) while the capital market performance was measured by independent variables to the size of the market being subsumed as market capitalization. The market capitalization is the total dollar market value of all of a company’s outstanding shares. It is calculated by multiplying a company’s share outstanding by the current market price of one share. The market capitalization is used to figure a company’s size as opposed to sales or total asset figures. It is the basic determinant of asset allocation and risk-return parameters for stock and mutual stock funds.

As the composition of the capital market is not only the stock market, other variables would be included in the analysis but not necessarily in the model specification. The project would use solely the stock market data for empirical data analysis while interpreting other elements in the capital market for the general analysis since it is believed that other variables could have greater impact on economic growth.

The tool for analysis is the Excel regression analysis and the E-View as the software programs for the data analysis. First it is important to test the stationary or non-stationary of the data collated so that the parameters for analysis become unbiased. The accuracy of the data would be tested using Augmented Dickey Fuller (ADF) and Phillip Peron (PP). The stationary and non-stationary of data estimation is extremely important which if not checked; it can be misleading parameter estimating the relationship between the variables. This is done by computing a unit root test which would ensure that the stationary of the data do not change overtime. The unit root test would show at which difference and level would the data become stationary appropriate for analysis. The unit root under the ADF and PP would show the value for the T-statistics with constant C and course and trend; and at various levels: 1%, 5%, 10%.

The project would dig-out if there is any casual linkage or relationship between the capital market development and economic growth. In finding this relationship, Granger Causality test would be computed from the E-View software to examine the direction of the causality. In Granger causality there are two directions for which the research data would give and these are unidirectional and bi-directional. The unidirectional causality occurs when the relationship between the two variables is in one direction while the bidirectional is on both.

In showing how the capital market development impact the economic growth in Ghana on the long-run, the Ordinary Least Square (OLS) regression test would be applied. This would show how the market capitalization has affected the GDP of Ghana. This would inform us the level of significance impact the capital market has on the economic growth. Thus the higher the co-efficient value the better significant impact the capital market has on the economic growth (GDP) of Ghana short run.

MODEL SPECIFICATION

Most researchers have asserted the linkage between the capital market and the economic growth, different methodologies were adopted. This project share the same hypothesis but with different approach. Indeed their studies concluded that capital market significantly influenced the economic growth. If we denote gross domestic product by GDP and market capitalization of Ghana stock exchange, then

$$GDP = \beta_0 + \beta_1(MKC) + \varepsilon \ ,$$

where β_0 is the intercept of relationship or contribution in the model, $\beta_1$is the coefficient of the independent variable MKC and ε is the stochastic or error terms.

RESULTS AND FINDINGS

The project seek to find-out if there is an impact the capital market in Ghana contribute to the economic growth over a period of time. In the performance of this, time series data was used and therefore becomes vital that the variables are made to be stationary. The stationarity of the variables is extremely important because if not it may result the data to have bias estimates. The Augmented Dickey Fuller (ADF) Test and Philip Peron (PP) Test in the E-view software were employed in checking the stationarity and non-stationarity of the data. The unit root test was conducted to get the stationarity of the data under the 2nd Difference with constant: intercept and trend.

The table 1 amd 2 below show the stationarity of the data on the second differences under the unit root test by ADF and PP. Under the ADF, the constant value of the T-STAT for GDPR and MKC are -5.7963, -14.1256 with their p-values 0.001 and 0.000 respectively. Additionally, under the PP the values of the T-stat GDP and MKC are -6.7051 and -41.7215 with 0.001 and 0.0010 as their p-values, respectively. The values for the t-statistics on both constant and intercept or trends for ADF and PP are all negative suggesting that the data collated or computed do not proper fit to the model though from the right source. However such outcomes do not rubbish the data since the linear regression model would be tested by the use of coefficient and the R-square. The table indicate the level at which the data is significant is at level 10%. This is to explain that the data were significantly stationed at level 10% for which it was used to run the regression.

Table 1: Results of ADF test

Variables				
	D(1)		D(2)	
	C	C & T	C	C & T
MKC	-14.1554	-13.8124	-2.6461***	-3.2614***
GDP	-5.8310	-6.1241	-2.6461***	-3.3103***

***,**, and * are significant level at 10%, 5% and 1% levels respectively.
Source: Own survey

Table 2: Results of Philip Peron

Variables				
	D (1)		D (2)	
	C	C & T	C	C & T
MKC	-4.7880	-5.4678	-2.6461***	-3.2614***
GDP	-3.0173	-3.6449	-2.6461***	-3.2614***

***, ** and * are significant level at 10%, 5% and 1% levels respectively.
Source: Own survey

Table 3: The Ordinary Least Square of Regression Statistics

Dependent Variable: GDP
Method: Least Squares
Date: 06/20/16 Time: 21:53
Sample: 1991 2014
Included observations: 24

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-1538.771	2782.042	-0.553109	0.5858
MKC	9.690278	1.232360	7.863187	0.0000

R-squared	0.737563	Mean dependent var	16805.83
Adjusted R-squared	0.725634	S.D. dependent var	14174.93
S.E. of regression	7424.817	Akaike info criterion	20.74270
Sum squared resid	1.21E+09	Schwarz criterion	20.84087
Log likelihood	-246.9124	Hannan-Quinn criter.	20.76874
F-statistic	61.82971	Durbin-Watson stat	1.006486
Prob(F-statistic)	0.000000		

Source: Own survey

The R-square explains the ratio of change in the dependent variable explained by the independent variable. In the regression analysis, 73% of the variations in the GDP can be explain by changes in the MKC under the period of consideration from 1991-2014. The econometric interpretation is that MKC in Ghana has a strong positive impact on the economic growth. Notwithstanding with the high level of R-square value, the Adjusted R square recorded 72% indicating significant level for the model accuracy measured by this linear model. In other words the adjusted R-square optimistically estimated the accuracy in the linear regression. As Adjusted R-square is always less than or equal to R-square, the values from the above table show a predictive value for each of the variables-the dependent and the independent variables.

Another variable to check how the two variables are correlated is the value of the coefficient. It measures in the short-run the strength and direction of a linear regression between two variables. The probability was put under 5% with confidence level of 95% as been the best practices. However, the analyzed data in the above show 0.585766 of p-value under the intercept which raises a serious concern.

Based on the above regressions statistics, the null hypothesis that capital market in Ghana has a strong impact on the economic growth can be accepted. The 72% of the regression indicate a strong impact between the variables-dependent and independent variables. However, the error term could not be explained since it is above the accepted percentage.

Granger Causality Test

The Granger causality test was carried-out to estimate the causal linkage between the capital (MKC) and the GDP. The table below is the test for pair wise granger causality being computed by the E-view.

Table 4: Pairwise Granger Causality Tests

Date: 05/12/16 Time: 19:05
Sample: 1991 2014
Lags: 2

Null Hypothesis:	Obs	F-Statistic	Prob.
GDP does not Granger Cause MKC	24	0.72479	0.5006
MKC does not Granger Cause GDP		0.02274	0.9775

Source: Own survey

The above table shows that there is no causality effect between the GDP and the MKC. In other words, there exists no relationship between them since the probability is high which is above 50% between the variables. In terms of causal linkage direction, the table above show no causal direction being it unidirectional or bidirectional. This means neither capital market development (MKC) nor does economic growth (GDP) have any causal linkages. The two variables do not have correlation or interdependence at any given level.

CONCLUSION

To stimulate economic growth, it requires long-term funding; far more than the duration for which average savers are motivated to commit their financial resources. This requirement has become a big challenge to the managers of the economy who desire economic buoyancy, however the platform for such undertakings are limited. Indeed capital market has become a panacea and preferred alternative center for exchanging long run funding by which the savers and borrowers meet to exchange their resources hence enjoy mutual benefits.

It is an undisputable fact that capital market development has a significant and integral impact on the economic growth in Ghana, taking from the premises in the findings of econometric indicators. As the project seek to find out if there exist any impact or effect between the capital market development and economic growth using Ghana as a case study, the project finally accepted the null hypothesis. The study established a positive significant impact of Ghana capital market using the market capitalization on GDP growth rate.

The findings of the project support most of the literatures reviewed which state that capital market development spur economic growth. It is therefore imperative that conscious effort must be made all in an attempt to involve professional players and citizenry as a whole to participate in the capital market activities. As Acquah-Sam and Salami (2014) pointed out in their research that capital market has a positive significant effect on the GDP growth rate. Their research espionage that market capitalization been proxy as capital market has a strong positive effect on the economic growth in Ghana; compared with other variables like Foreign Direct Investment (FDI), Inflation, Treasury Bills (T-Bills) which do not have. Furthermore, the causality test by their research showed that market capitalization and FDI in Ghana are relevant predicators of GDP growth using Structural Equation Modeling (SEM) through Path Analysis. However this project used Granger Causality Test by E-View proved otherwise. In fact there was no causal linkage either unidirectional or bidirectional between the GDP and the market capitalization.

On the Nigeria capital market, Kalapo and Adaramola (2012) posited that capital market development has positive impact on the economic growth. Using the Johansen co-integration to test the long- run relationship, the research concluded that such relationship exist between two: market capitalization and GDP but no other variables. They indicated that the development of capital market has potency to impact or spur the Nigerian economy significantly but has not achieved its purpose yet due to low market capitalization, small market, etc. Ouandlous (2010) also in his research findings supports the assertion that capital market development plays a critical role to the growth of an economy. His research indicated the development of capital markets require time and more importantly cooperation between government authorities and the private sector which ultimately lead to economic growth.

Though the hypothesis of the project has been accepted, there are some observations that must not overlook. In testing the data for analysis, the t-statistics under the constant and course& trends were all negative meaning that the data for the model was not fit enough for the null hypothesis. This is one of the weaknesses of using R-square regression for analysis. The case of Afolabi (2015) can be used to the argument that the high figure of the R-square do not necessary confirm or wholly accept the hypothesis. The R-square value was 0.89 but eventually rejected the hypothesis when all the t-statistics figures were showing negative. Afolabi made a genuine case of some of the reason why the Nigeria capital market is not making the necessary impact it supposed have as some include macroeconomics instability, political instability, and high taxes associated with listing companies on the stock exchange and generally lack of investors' confidence in the economy.

In the case of Ghana, the project accepts the hypothesis that economic growth has been experienced as a result of rigorous capital market developments in recent times. Though there are few reservations which has stampede the level of pace that the capital market should have progress and these include: the unwillingness of government to off-load some of its share in the para-statal corporations, high taxes and cost of listing an entity on the stock exchange, the unwillingness of private sector to participate, the inefficiency and lack of effectiveness in the operations of the stock exchange.

RECOMMENDATIONS

In view of the conclusion, enumerated from the project that the capital market developments in a long-run contribute immensely to the economic growth in Ghana; it is extremely important to recommend few policy directions for policy makers, academician and financial enthusiasts on how the capital market can be developed. This would further increase their knowledge on the modalities and approaches the capital market development impact positively on the economy. The subsequent paragraphs provide some of the recommendations:

- ***Active Participation by the State:*** The Public Private Partnership (PPP) can be more viable on the platform of capital market (Stock Exchange). As Tutu Agyare (CEO, NabekeInvestments), accused the government of Ghana of having no interest in supporting the growth of GSE. He indicated that many State Owned Enterprises (SOEs) was placed on the divestiture rather than the GSE which could have revived by the private sector but never materialized. In fact the listing of these SOEs on the GSE in the end would have promote accountability, high reporting standard and transparency which is the requirement of the GSE also a prerequisite for efficiency and profitability. This move could also have increase the market capitalization value for the GSE which eventually would have trickle effect on the economy in general and there would be no need for the regular issuance of Eurobond by the state.
- ***Creation of Incentives for Companies and Investors:*** Creating more incentives for companies and individual investors to participate on the capital market would go a long way to derail the GSE progress. Charges such as capital gains tax, transactions cost and operational expenses should be removed in order to lure more companies and investors to participate in the stock market from the current 38 listed companies to an average of two new listings every year.
- ***Creating Effective Supervisory Role by the Security and Exchange Commission (SEC)***. The SEC should be more proactive in its supervisory role in order to check unethical practices which could undermine the capital market integrity and sharply crash investors' confidence. Competition is healthy for company's efficiency and effectiveness; however it must be played on a level playing field-the market players.

- ***Adequate Information on the Ghana's Capital Market:*** the managers and players in the capital market should endeavor to provide adequate information to stir investors and savers thirst on the need to actively participate fully in the market. Periodic financial literacy for the general public becomes salient and therefore businessmen, investors and the government in general benefit in the form of economic growth. When companies become fully aware that financial market could be the cheapest platform to raise long-term capital, they would be quick to resort to such move and that would eventually cause expansion or to liquidation for companies hence economic growth.

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