



Market Liquidity and Corporate Performance in Nigeria: Granger Causality Test

Olayinka, Segun Wale

Department of Accountancy, the Polytechnic, IB University, Nigeria

Email: walesamue l52 @ yahoo.com

Abstract: *The gap existing in the contemporary viewpoints of scholars in the developing countries on whether or not there is a causal relationship between market liquidity and corporate performance, necessitated this study. Secondary source of data was employed through the information gathered from the Nigeria Stock Exchange Facts book and financial statements of companies quoted on the Nigerian Stock Exchange. Data collected were analyzed using appropriate inferential and descriptive statistics. The graphical and tabular presentations of trend analysis of the Return on Asset (ROA) showed that for most of the industries, a mix of negative and positive growth rates and outliers occurred due to factors such as changes in policies. Also, turnover ratio for all the companies depicted the same low level behaviours except for Presco plc due to the steep fall in market capitalization resulting from the fall in stock prices of the said companies. Also, it was shown that though there is weak positive correlation between market liquidity and performance, the two do not granger cause each other. Based on the data used in this study, it was revealed that there is zero causal relationship between market liquidity and corporate performance.*

Key words: *Market Liquidity, Corporate Performance, Stock Market*

INTRODUCTION

In recent times, there have been indications that corporate performance of quoted companies in Nigeria is dwindling rather than flourishing due to agency problem among others who are off-springs of bad corporate governance. When company management has different objectives than its outside investors, “agency” and “information” problems may result. As a consequence of the exposure of management to more information, the shareholders may find it difficult to believe the management on the true value of the companies and their honest intentions. Sequel to this, it may be an herculean task for the management to harness as much capital as may be needed to invest in valuable projects, or it may have to give-up more values of the entities to gather the financial resources required. This has a great negative implication on the performance of the firms as shareholders feel maltreated when managers embarked on long-term investment which is financed by more retained profit and indirectly reduce the dividend to be declared. Hence, to please these shareholders most importantly the shareholders who possess large shares and who can effortlessly influence their removal, the management has always been selective in their investment decisions and this to a great extent has impacted negatively on corporate performance of firms in Nigeria. This is a show case of conflict of interest between owners of the companies and those who manage them.

However, previous studies carried out in Nigeria to proffer solution to this menace have placed little emphasis on “Market Liquidity” has an antidote. “Market Liquidity” has become a vital financial decision in every corporate entity because of its long-term effect on the corporate performance. This crucial instrument that improves corporate values has been expressed in different ways by regulators, exchange officials, investors and academia. According to Wuyts (2007), “a liquid market is one in which the traders

can buy or sell huge numbers of shares speedily without large price effects". This easy accessibility will give room for dispersion of ownership.

It is observed that when the ownership is dispersed, managers are motivated to hold more control to entrench outsiders and make better decisions without fear to boost the corporate performance of the organisation. To sum up, market liquidity is caused by dispersion of ownership. This assertion is derived from theoretical and empirical studies of; Holmstrom and Tirole (1993) which explored the relation between releasing shares from insiders and market value of the company and find a negative relationship. Also, Admati and Paul (2006) believed that minor shareholders lack inside news so they diversify their investment in holding shares while Moyen (2002) pointed out that the investment in a high liquidity company is sensitive to the change of cash flow.

In view of this, most studies in developed economies have shown that market liquidity can reduce conflict of interest and enhance performance while there has been argument for and against this view in Nigeria amongst professionals. There is therefore the need to clarify the argument on whether or not market liquidity can influence performance; hence this study.

Literature Review

Market Liquidity and Corporate Performance

The inquisitiveness to proffer lasting panacea to the ever-skyrocketing agency conflict, poor investment decisions which has led to mediocrity in firms' corporate performance has given spur to increasing the debate on whether or not there is a relationship between market liquidity and corporate performance. This is viewed in the perspectives of the developed and developing countries.

According to Fang, Noe, and Tice (2009), an increase in liquidity is seen to enhance the value of a firm in two different ways. First of all, liquidity will stimulate trade as a result of stock price feedback effect which will lead to more informative stock prices, better incentive effects of managerial pay for performance contracts, and hence more efficient corporate decisions. Secondly, liquidity will enable non-block holders to form toehold stake to monitor management due to moral hazard (agency) effect.

In the work of Yartey & Adjasi (2007), the concept of stock market liquidity has been used to demonstrate how developments in the securities market transmit to economic and performance growth. The study indicated that a liquid market will assist the firms to harness the financial resources required to carry out valuable investments speedily and hereby aids resource allocation and performance. Levine (1997) offers the most theoretical interpretation of how market liquidity promotes corporate performance and increases economic growth. In his research work, liquidity is perceived as a means of translating assets by traders into purchasing power at a specified amount. Hence if development will be achieved in the stock market, liquidity is a key determinant because it reveals the contributions of the market to capital allocation and then adds values to the future prospects of corporate entities. The possibility of this is in the investors' capability to play around their set of investments at a high speed with little cost, to minimize the risk involved and thus give room for the concentration of resources in more viable projects which will boost the performance of the firms.

Holmstrom & Tirole (1993) argue that the liquidity of a capital market can increase incentives for investors to get information about firms and improve corporate performance and governance. Theoretical reasons also underline the profession's focus on financial intermediaries (Levine 1991, 1997). Baker & Jeremy (2004) suggest that liquidity might be related to valuation as a sentiment indicator. In their model, high liquidity stocks are overvalued. Since they trade at a premium, they have lower future expected returns. Valuation theories are plausible and envisage that the impact of liquidity on performance should be through the markets valuation or discounting of firm operating cash flows rather than via firm cash flows per se. Greenwood & Smith (1996) as cited in Koirala (2009) revealed the capability of liquid markets to reduce drastically the expenditure to be incurred in gathering savings and therefore enhance investment in a more favourable way. The findings of Bencivenga, Smith & Stair (1996) and Levine (1991) were also in support of the potency of capital market liquidity to enhance the performance of business entities. It was argued that liquid markets reduce the stress that investors may

encounter in investing in long term projects by making available, assets which can be sold speedily and at low cost.

In the same vein, Vector (2005) as cited in Shahbaz, Ahmed & Ali (2008) exclaimed that corporate performance of firms ought to be improved through the capital market by making the financial assets more liquid, upholding better investment decisions and influencing corporate governance. Subrahmanyam & Titman (2001) discovered that cash flow of a firm can be influenced by market liquidity even when there are no conflicts of interest. This is made possible as a result of the innate ability of liquidity to arouse the interest of informed traders to enter the market and enable stakeholders to have better knowledge of the prices.

Nigeria's Perspective on Market Liquidity and Performance/Economic Growth

In Nigeria, Market liquidity and performance/economic growth empirical literatures are replete with divergent views. Ujunwa & Salami (2010) repudiated the argument that liquid market has positive impact on performance and economic growth. Using OLS (Ordinary Least Square Regression) on time series data spanning 21 years (1986-2006), they inferred that liquidity of stock market was negative in promoting performance. The study attributed this result to the influence of ever-skyrocketing price instability on the capital market which could reduce the price signal efficiency when assigning investment resources.

As well, study from Alayekwu & Achugbu (2012) joined the proponents of negative relations between liquidity and performance / growth nexus. The study used OLS technique to examine the relationship that exists between capital market liquidity and corporate performance of quoted companies for a period of 15 years (1994- 2008). The results showed that value traded ratios are negatively correlated with company's economic growth. On the other hand, a positively strong correlation was present between turnover ratio and firms economic and performance growth. The implication of this is that there is higher degree of possibility that a liquid market can improve the performance growth of Nigerian listed firms and that market liquidity can be influenced by market capitalization.

Osinubi & Amaghionyeodiwe (2003) examined the relationship between Nigeria capital market and required growth in the economy during the period of 1980-2000 using ordinary least squares regression (OLS). It was revealed by the study that significant positive relationship exist between capital market and required growth in the economy. This implies that a robust economy is a product of speedy enlargement of the capital market. Therefore, all economic activities are expected to be structured in a way that the maximum benefits of association between capital market and required growth in the economy are enjoyed. In the work of Nzotta (2002) where total value of shares traded on the floor of the Nigerian stock exchange was used to measure market liquidity, it was established that there is strong connection between liquid market and economic growth. More so, he exclaims that the degree of this connection changes with the level of ease in the trading activities.

Nurudeen (2009) made use of error-correction method to explore the link between rapid enlargement in the stock market and Nigeria's economic growth. The work indicated that market capitalization enhances growth in the economy. It was therefore recommended that all obstacles to development of capital market should be expunged. In another research work by Ogunmuyiwa (2010), it was shown that investor's sentiment and stock market liquidity are critical ratios for stock market growth and development. The road map through which investor's sentiment could affect economic growth has also been provided via the unidirectional movement from sentiment to liquidity and to growth. The policy implication of his findings is that investor's sentiment i.e. their pessimism or optimism can make or mar the enlargement and advancement of capital market activities. Policy makers and opinion initiators are advised to gear efforts towards fine-tuning the indices that can result in long term pessimism in the capital market like unpaid dividends, delay in dividend payments and transfer of stocks. As instability in the capital market can send wrong signals to other macroeconomic variables and this can have far reaching effects on the economy.

As stated in the work of Nasir (2014), Odetayo & Sajuyigbe (2012) which investigated the effect of activities in the capital market on economic growth and development between 1990 and 2011; OLS method with the aid of STATA version 10 software packages which was used for the analysis of the data revealed that indices of the stock market have significant impact on the GDP. Hence, it was recommended

that all hands must be on deck on the part of the government to strengthen the confidence of the investors in the stock market through provision of needed infrastructures, fair transactions and the discouragement of buying and hoarding securities syndrome by the investors.

Okoye & Nwisiyeni (2013) examined the impact of the capital market on the Nigerian economy, using time series data for 10-year period; 2000 – 2010. The model specification for the analysis of data is multiple regressions and ordinary least squares estimation techniques. The dependent variable was proxy by GDP while independent variables had the following; market capitalization, market value and all-share index as proxies. The findings of the research work disclosed that there is an existence of a strong link between all proxies of capital market and GDP. Sequel to this, it was concluded that the trend of market capitalization, market value and all-share index has a great impact on GDP.

Samson & Ezike (2012) in their research work, made use of time series data for 39 years from 1971-2010. They apply the Engle-Granger and Johansen method of co-integration in a VECM setting estimation technique. In their findings, the development of Nigeria's economy is seen to be strongly and positively influenced by the activities of the capital market in Nigeria. As a result of this, the government is enjoined to intensify more on her effort in developing a vibrant market for new issues by encouraging more floatation of new issues and ensure stable and conducive environment for businesses.

Kolapo & Adaramola (2012) investigated the nexus between capital market and growth in the Nigerian economy from 1990-2010 with the application of Johansen co-integration and Granger causality tests. GDP was used to proxy economic growth while Total New Issues (TNI), Value of Transactions (VLT), Market Capitalization (MCAP) and Total Listed Equities and Government Stocks (LEGS) were proxies of the capital market. The findings revealed that there is a strong co-integration between the capital market and economic growth in Nigeria. Based on this result, it was concluded that capital market's activities have innate ability to impact positively the economy of the country. Hence, the regulatory authority is urged to formulate policies which will give rooms for more companies to have easy access to the capital market and discourage practices which could undermine the confidence of the investors. In the same vein, Ihendinihu (2012) researched on whether or not there is a causal relationship between the performance of the capital market and growth of Nigeria's economy. The study analyzed its data through the use of OLS Technique which disclosed that the performance trends of the stock market normally cause about 88% of the changes experienced in economic growth. Also, it was discovered that the operators' response to shocks in the capital market performance and to restore the trust of the investors in such situation is very daisy. As a result of this, both regulators and operators are encouraged to tackle policy issues which will entrench the integrity of the capital market and provide healthy environment for all stakeholders in the market.

The study of Owolabi & Ajayi (2013) examined whether or not stock market promotes the growth of the Nigeria's economy. The study covered the period of 40 years (1971-2010) using OLS technique for the analysis of the data gathered. The research's findings portray that there is a positive nexus between the capital market and growth of Nigeria's economy.

Theoretical Framework

The theory upon which this study was anchored was restricted to; "Stakeholder theory".

Stakeholder Theory

According to this theory, an organization is expected to be seen as a group of stakeholders whose interests, needs and concern should be dealt with holistically. Therefore, this theory is based on the assumption that the reason for the existence of a business is to attend to the welfare of its stakeholders as a whole in an objective manner. It is noted that for a business to succeed and maintain its going concern, executives must keep the interests of customers, suppliers, employees, communities and shareholders aligned and going in the same direction. That is, the managers should not only manage the corporation for the benefit of its stakeholders in order to ensure their rights and their participation in decision making but also act as their agent to ensure the survival of the firm and to safeguard the long term stakes of each group.

Dabiri (2012) equally observes that stakeholders' theory takes into consideration all those that have stake in the organisation instead of laying emphasis on the shareholders alone. Where there is an emphasis on

stakeholders, the governance structure of the company may provide for some direct representation of the stakeholders groups. According to Friedman (2006), the major category of stakeholders are: customers, employees, local communities, suppliers and distributors, shareholders, the media, general public, business partners, future generations, past generations (past founders) academics, competitors, NGOs, trade unions, competitors, regulators and governments.

For better decisions to be made, the stakeholder theory further demands that managers should develop and run their enterprises in a way that is consistent with the demands of the theory i.e., stakeholder's value rather than shareholder's value maximization. In fact, Samuels & Wilkes (1986) posited that a company has responsibility towards its stakeholders and each of these interest groups sees the role of the company in a slightly different ways. This therefore means that firm value is influenced by the quality of its relationships with a range of internal and external stakeholders and its long-term success is hinged on its ability to effectively make known its action plans to the key stakeholders (KPMG, 2008).

Methodology

This study used panel data to investigate the link between market liquidity and corporate performance. The motivations for using panel data include the ability to control unobservable firm heterogeneity. Panel data analysis has relative advantage over time series and cross sectional data in that there is increase in degree of freedom. This advantage led to more efficient estimation of the relationships among the variables. The data were obtained from the annual financial statements of the selected companies and these were gathered from the NSE, Ibadan office.

Model Specification

For this study, balanced panel data were used to investigate the causal relationship between market liquidity and corporate performance. The study is concerned with market liquidity, which was captured by turnover ratio coupled with corporate performance captured with return on asset. A functional equation that relates market liquidity to corporate performance is stated below:

$$ROA_{it} = f(TOR_{it}) \quad (1)$$

Where:

ROA_{it} represents Return on Asset of company i in period t;

TOR_{it} is the turnover ratio of company i at time t

Given the theoretical linkage between market liquidity and corporate performance, there is need to build linear equations that was used to capture their relationship. Therefore, the linear relationship between market liquidity and corporate performance is as shown in equation (ii) below;

$$roa_{it} = \beta_0 + \beta_1 tor_{it} + \varepsilon_{it} \quad (2)$$

A Priori Expectation:

β_1 , greater than zero

Where;

β_0 is the constant term, β_1 , is the slope of the regression to be estimated and ε_{it} is the stochastic error term. Similarly, it is of great necessity to formulate a linear equation framework that could capture the causal relationship between market liquidity and corporate performance. This is explained by using the functional equations below;

$$ROA = f(TOR_{it-n}, ROA_{it-n}) \quad (3)$$

$$TOR = f(ROA_{it-n}, TOR_{it-n}) \quad (4)$$

Granger Causality

The model employed in this study is a panel vector autoregression system of two variables, TOR and ROA of two equations. TOR and ROA serve as dependent variables in each of the equations while the regressors in all the equations are lagged values of all the variables. Unlike the simultaneous or structural equation models where some variables are treated as endogenous and some as exogenous or predetermined (exogenous plus lagged endogenous), in VAR models, all the variables are treated as endogenous and therefore, there is no a priori distinction between endogenous and exogenous variables. An unrestricted VAR with lag length p can be expressed as:

$$y_{it} = C + \theta_1 y_{it-1} + \theta_2 y_{it-2} \dots \theta_n y_{it-n} + e_{it} \quad (5)$$

where y_{it} is vector of variables (ROA, TOR), C is vector of corresponding constant terms, $\theta_1 \dots \dots \theta_n$ are matrix of coefficients and e_{it} is an unobservable zero-mean independent white noise process. This model is popularly known as a VAR(p) process because the number of lags are the same “ p ”. Both the VAR Granger Causality/Block Exogeneity Wald Test and the pairwise Granger causality test were employed. The Granger causality test for the case of two stationary variables y_{it} and x_{it} involves the estimation of the following VAR model. A generalized framework for the bi-variate VAR model with p th lag length (i.e. VAR(p)) is given below:

$$roa_{it} = \alpha + \sum_{i=1}^p \beta_{11}^i tor_{it-1} + \sum_{j=1}^p \theta_{12}^j roa_{it-1} + \varepsilon_{it} \quad (6)$$

$$tor_{it} = \gamma + \sum_{i=1}^p \beta_{21}^i tor_{it-1} + \sum_{j=1}^p \theta_{22}^j roa_{it-1} + u_{it} \quad (7)$$

Where $i, j = 1, 2, \dots, p$; ε_{it} and u_{it} are uncorrelated white-noise error terms. Equations (3.10) and (3.11) give room for the involvement of as many lags as possible in the VAR model. There is unidirectional causality that runs from x_{it} to y_{it} when $\sum_{j=1}^p \theta_{12}^j \neq 0$ and $\sum_{i=1}^p \beta_{21}^i = 0$ and if otherwise, then there is unidirectional causality that runs from y_{it} to x_{it} . The relationship is bidirectional if $\sum_{j=1}^p \theta_{12}^j \neq 0$ and $\sum_{i=1}^p \beta_{21}^i \neq 0$ and if otherwise, then no relationship exist between x_{it} and y_{it} .

Data Analysis and Findings

Analysis was carried out to estimate the behavioural patterns and trends typical of the market liquidity and corporate performance by the Nigerian non-financial quoted companies using graphs and tables for presentation. The range of each of the variables suggested that it is important to seek for how the variables had changed over the years. This was achieved using average and proportional value of the variables and results were presented in graphs and tables. Trends equations were estimated to establish the relationships of the variables with time such that future values can be produced. Figure 1 to 2 displayed the changing contours in the average of the return on asset and turnover ratio.

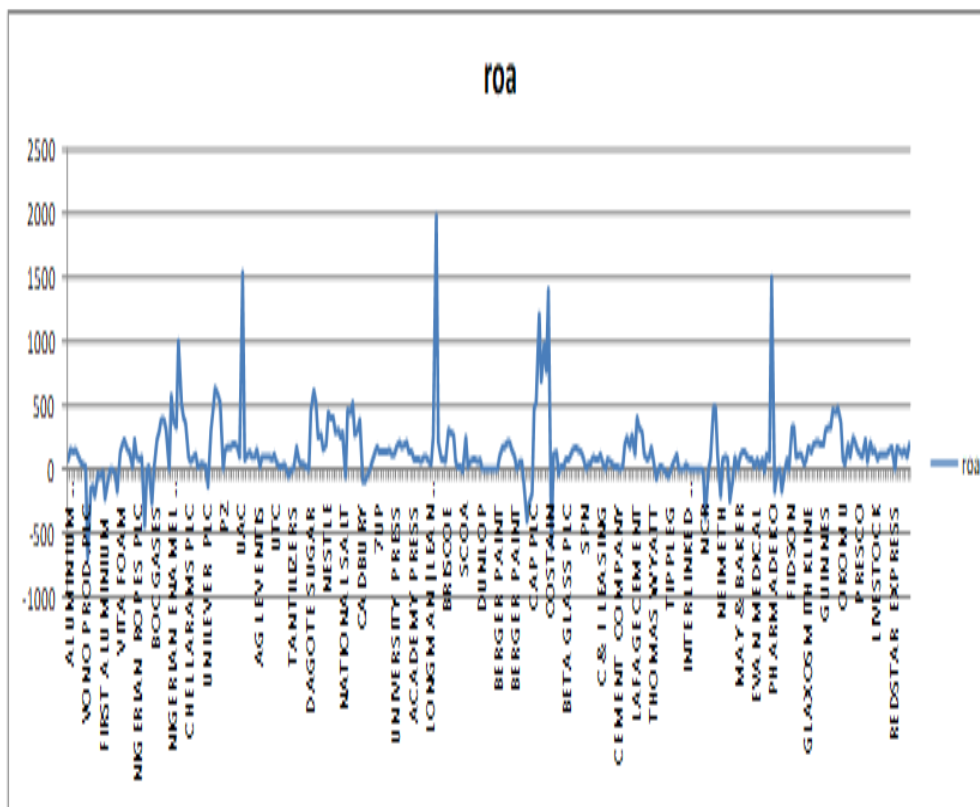


Figure 1: Graphical Presentation of Return on Asset

ROA is seen as the most important ratio in assessing a company’s performance. This is generally acceptable because it is simply profit expressed as a percentage of assets.

Considering the above diagram, companies such as Vono product plc, First Aluminium, Unilever plc, Premier Paints, Costain, NCR, Neimeth and Pharmadeko have negative downward sloping curves which indicate consistent operating losses by those companies. This could be traced to either drop in selling prices or increase in costs which could not be fully passed on to consumers.

On the other hand, the positive upward sloping curves of companies such as Aluminium Extursion, Vita form, Nigerian Ropes plc, BOC Gases, Nigerian Enamelware plc, Flourmill, Chellaramspc, PZ, UAC, UTC, May and Baker, Tipple G, Interlink, Evans Medicals, AG Leventis, Tantalizer, Dangote Sugar, Nestle, National Salt, Cadbury, 7-up, University Press, Academy Press, Longman (Learn Africa), Briscoe, Scoa, Grief Nigeria plc, Berger paints, Cap plc, Beta Glass plc, SPN, C & I Leasing, Cement company, Lafarge Cement, Thomas Wyatt, Fidson, Glaxosmithkline, Guinness, Okomu, Presco, Livestock and Redstar Express indicate a considerable level of profitability over the years.

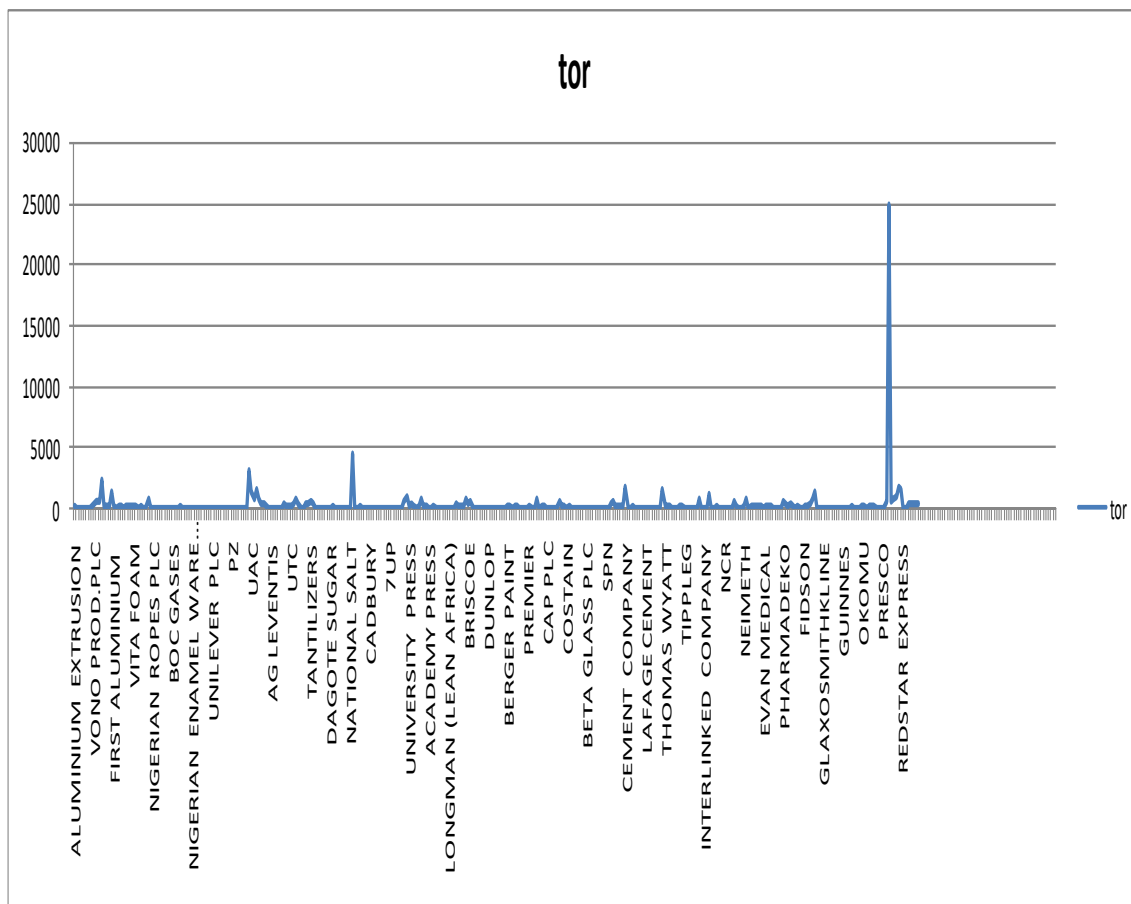


Figure 2: Graphical Presentation of Turnover Ratio

The turnover ratios for all the companies are almost at the same levels except Presco plc. Those companies with very low turnover ratios can be deduced to the steep fall in market capitalization resulting from the fall in stock prices of the said companies.

Relationship between Market Liquidity and Performance

Autoregressive Optimal Lag Length Selection

In investigating the causal relationship between market liquidity and corporate performance, Granger Causality Test was used.

Hence, the determination of optimal lag length is crucial to investigate if they granger cause each other. Optimal lag length is used to determine the extent to which past values of a variable can be used to predict itself and other variables in a given system of simultaneous equations. The choice of the optimal lag length is therefore important in the quest for the examination of the causal relationship between variables of interest i.e. ROA and TOR using VAR models. To select appropriate lag length for the models, VAR Lag Order Selection test was carried out and the result is presented below in the Table.

Table 1: VAR Lag Order Selection Criteria

Lag	LogL	LR	FPE	AIC	SC	HQ
0	1.289625	NA	0.003495	0.019199	0.081471	0.044040
1	63.50512	119.3865	0.000725	-1.554193	-1.367376	-1.479669
2	64.55032	1.949155	0.000785	-1.474333	-1.162973	-1.350128
3	68.37118	6.918852	0.000789	-1.469491	-1.033587	-1.295604
4	89.91951	37.85517*	0.000492*	-1.943771*	-1.383322*	-1.720201*
5	90.17981	0.443208	0.000545	-1.842698	-1.157705	-1.569446

* indicates lag order selected by the criterion

LR: sequential modified LR test statistic(each test at 5% level)
FPE: Final prediction error;
AIC: Akaike information criterion
SC: Schwarz information criterion
HQ: Hannan-Quinn information criterion

The table showed that the appropriate lag length for this model was 4 years. All the tests conducted for the model, namely, Final Prediction Criterion (FPE), Akaike Information Criterion (AIC), Schwarz Information Criterion (SIC), and Hannan-Quinn information Criterion (HQ) indicated 4 as the appropriate lag length.

Granger Causality Test Results

In examining the causal relationship between the variables of interest, both the panel VAR Granger Causality/Block Exogeneity Wald Test and the pairwise Granger causality test were employed, with appropriate lag of 4 years. The test provided an avenue for examining the direction of the relationship between two or more variables in a system that are endogenous i.e. whether the relationship is unidirectional or bi-directional or even zero causality.

Table 2: VAR Granger Causality/Block Exogeneity Wald Test

Dependent variable: ROA			
Excluded	Chi-sq	Df	Prob.
TOR	0.665797	4	0.9555
All	0.665797	4	0.9555
Independent variable: TOR			
Excluded	Chi-sq	Df	Prob.
ROA	4.002514	4	0.4057
All	4.002514	4	0.4057

The Block Exogeneity Wald test was conducted for the models for robustness checks. The results of the causality test as shown above revealed zero causality between ROA and TOR. The data in the table showed that the causality is neither run from ROA to TOR nor from TOR to ROA i.e. there is independent relationship between the two variables at all convectional level of significance. In order to corroborate this conclusion, pairwise Granger Causality was equally conducted as displayed below:

Table 3: Pairwise Granger Causality Tests (Lag 4)

Null Hypothesis:	Obs	F-Statistic	Prob.
TOR does not Granger Cause ROA	117	0.16645	0.9550
ROA does not Granger Cause TOR		1.00063	0.4106

The results of the pairwise Granger Causality test confirm VAR Granger Causality/Block Exogeneity Wald Test of zero causality between ROA and TOR as presented. The data in the table showed that the null hypothesis that TOR does not Granger cause ROA should not be rejected likewise the hypothesis that ROA does not Granger cause TOR should not be rejected at all convectional level of significance. This implied that there was zero causality between TOR and ROA i.e. between market liquidity and corporate performance in Nigeria. The above result is surprising as it is inconsistent with the causative theories proposed by Maug (1998), Admati & Paul (2006) and Palmiter (2002).

In Nigeria, the causal relationship has not been the main focus in the studies carried out so far. Therefore based on the data used in this study, the result revealed that there is zero causal relationship between market liquidity and corporate performance. This indicated that from the estimation, corporate performance is not driven by market liquidity nor market liquidity led by corporate performance. The economic implication of this is that improvement or downsizing of performance of firms in Nigeria is not

based on market liquidity. That is, progression or retrogression of performance of firms in Nigeria is caused by other factors other than market liquidity.

Summary and Conclusion

This research work is basically concerned with the examination of the influence of capital market liquidity on performance of non-quoted companies in Nigeria.

The study used secondary data collected from the published financial statements and reports of 50 non-financial companies listed in the Nigerian Stock Exchange of the Nigerian economy. Due to the nature of the data series, the study employed econometric analysis techniques and conducted granger causality test. Granger causality tests were used to investigate whether past values of a variable can be used to predict other variables.

The graphical and tabular presentation of results of trend analysis of the Return on Asset (ROA), showed the changing contours in the behaviours and patterns of how the variables changed over the years. For most of the industries, a mix of negative and positive growth rates and outliers, caused by factors such as changes in policies while turnover ratio (TOR) for all the companies depicted the same low level behaviours except for Presco plc. This could be traced to the fall in market capitalization resulting from fall in stock prices.

From the findings of this study, it can be reasonably concluded that for most of the companies operating in the non-financial sector of the Nigerian economy, there is no causal relationship between market liquidity and corporate performance.

However, the findings and conclusions reached in this study have economic implications on the performance of the non-financial quoted companies in Nigeria. From the estimation, corporate performance is not driven by market liquidity nor market liquidity led by corporate performance as there is zero causal relationship between the variables. It is therefore, recommended that market liquidity should not be a focus of attention when investigating factors that granger cause corporate performance in Nigeria.

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