Financial Stability Risk and Capital Market Developmentin Nigeria

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ABSTRACT
Economies today face enormous challenges due to financial instabilities in the nation's economic and financial sphere in Nigeria.Capital marketis considered pivot of economic development, however, it staggered when there is financial stabilityrisk resulting intoliquidity inefficiencyin the market. The objective of the study wasto examine the dynamic relationship between financial stability risk and capital market development in Nigeria. The studyused secondary data and ordinary lease squares (OLS) regression was applied as statistical tool for the analysis, eview-9 package wasemployed using money supply, labour force, credit to private sector, national savings as indicators of financial stabilityRisk while Market Capitalization for capital market development. The resultshows that the financial indicators are statistically significant and consistent with 'a priori' expectation. This means that utilizing the above variables effectively, guaranteed efficient and effective capital market development judging by the statistical presentation of F-statistics value of 77.47145, with the p-value of 0.000000.The study therefore concludes that the application of financial stability variables, methods and theories used are best fitted for liquidity efficiency to avoid financial stability risk in the capital market in Nigeria.Itrecommendedthatpolicy be created to solidify the use of credit to private sector, Money Supply and national saving, and encourage effective labour force that contribute not only to national growth but also capital market growth in Nigeria.
Keyword: Financial Stability, Risk, Capital Market, Development,

I.   INTRODUCTION

Financial stability is about building a financial system that can function as a stability factor in an economy and can absorb all the good and bad things that happen in the financial sector of the economy. It is not about preventing failure or stopping people or businesses from making or losing money. It helps to create conditions where the system keeps working effectively even with such events. Financial stability can be driven by financial growth and development indicators like Consumer Price index, Interest rate ratio, inflation, GDP, capital market, and the rest. Peter (2014) opined that an increased share of lending to small and medium-sized enterprises (SMEs) aids financial stability, mainly by reducing non-performing loans (NPLs) and the probability of default by financial institutions. Financial stability and financial inclusion are substitutes or complements. Studies have suggested both positive and negative ways in which financial inclusion could affect financial stability, but very few empirical studies have been made of their relationship. This partly reflects the scarcity and relative newness of data on financial stability. Witheridge (1938) analyses the transmission mechanism of monetary policy, the appropriate institutional structure for the Central Bank to deploy its macro-economic policies.

Listed firms gain or drive financial stability more or less from capital market or stock exchange group of Nigeria. Therefore, financial stability risk strictly within the confine of this study is not about preventing failure or stopping people or businesses from making or losing money. It is just helping to create conditions where the financial system keeps working effectively, efficiently and value for money even with such events.This financial stability risk framework is based on the work of Goodhartet.al (2004, 2005, and 2006). The consensus about the structure generally involves a high degree of operational independence (from Government); in the word of Ifeoma (2020), the de facto selection of price stability, inflation, interest rate, market capitalization, exchange rate and other financial control indices as the primary objective, (except in those countries on a pegged, or fixed exchange rate, or in a currency union); and the choice of a short term interest rate, selected on pre-announced dates within the context of a forward-looking forecasting structure, as the main instrument.

A financial system is considered stable when financial institutions--banks, savings and loans, and other financial product and service providers--and financial markets are able to provide households, communities, and businesses with the resources, services, and products they need to invest, grow, and participate in a well-functioning economy. The US federal Reserve Board (2018) identify Financial stability free of risk as thus; financial system that meets the needs of average families and businesses to borrow money to buy a house or a car, or to save for retirement or an education. Likewise, businesses need to borrow money to expand, build factories, hire new workers, and make payroll. All these things require a functioning financial system that works best when most people don't even think about it very much. Consumers and businesses just know that they can finance large expenses like the construction of a factory, or that their savings are safe, or that they will be able to get short-term loans to make payroll.

Since emerging markets are easily affected by monetary policies in developed countries, Nigeria inclusive, the financial system is not yet fully developed; therefore, it is vulnerable to external shocks from other countries around the world (Maćkowiak, 2010). Nigeria, as the largest developing economy in Africa, the stability of Nigeria's financial market affects the development of not only Africa, but global finance (Schnabl, 2012) and Klingelhöfer, (2019). Therefore, when Nigeria's financial market is unstable, it is not only going to damage the Nigeria's economy, but also be detrimental to global economic and financial stability. In the contemporary, all the financial indices and economic growth indicators are not fairing due to government fiscal policies and mismanagement in Nigeria.

The gap of this study apart from the geographical, theoretical and time gap, this study is among the few conducted in Nigeria. Nigerian economy has not known stability for the past decade and government has not build measures to have the financial stability to function in good times and bad time. The study intends to fill this gap by examining the causal relationships amongst financial stability variables such as Consumer Price index, Interest rate ratio, inflation, GDP and capital market. And the objective of the studyis to investigate the dynamic relationship between financial stability and capital market development in Nigeria.

II. LETERATURE REVEIEW
Conceptual Framework
Financial Stability

Financial stability is a condition in which financial systemcomprising of financial intermediaries, markets and market infrastructures capable of withstanding shocks, thereby reducing the likelihood of disruptions in the financial intermediation process which are severe enough to significantly impair the allocation of savings to profitable investment opportunities (ECB,2012). There is need for financial stability and the need for a macro-prudential dimension to financial surveillance and regulation. It is easier to describe financial instability than stability. Hamidet.al (2016) opined that there are certain characteristics linked with financial stability: A nation's financial system should be able to managed transactions from savers to investors. Financial risks should be assessed and priced reasonably accurately and should also be relatively well managed. The financial system should be in such a condition that it can comfortably absorb financial and real economic surprises and shocks (Schinasi, 2004). ECB (2012) posits that inability to absorb shocks can lead to a downward spiral whereby they are propagated through the system and become self-reinforcing, leading to a general financial crisis and broadly disrupting the financial intermediation mechanism. In such circumstance, irresponsible government resort to borrowing, increase taxes and so on. There by the characteristics of financial instability occurs.

Financial stability analysis is the parameter of major techniques for financial performance assessment. Firm's financial stability need to constantly be examined in carrying out capital projects, utilization of funds and channeling of constraints resources to achieve firm's objectives; this responsibility is vested in the management of a firm (Thalassinos et.al(2013); (Carstina et.al 2015). The analysis of financial statement enables the investors to review the level of financial stability, making relevant and rational economic decision about the operational effectiveness, efficiency via production trend, planning of pricing strategy and innovation of products brand (Singhet.al 2015). Uniform competitive field is the strong medium for high production in the western culture and it encourages better financial stability through level playing field and stand as general rule.

Spengler as cited in (Vovchenkoet.al2017); Hamid & Won Kie, (2016) explained that the surrounding process and circumstances will influence the operating protocol signal. Therefore, business

processes and development of business models must be critically examined by companies in order to attain financial stability. Utilization of related industries financial resources for business development and adopting flexible financial strategy for survival and development of business are necessary elements of financial stability such as construction and processing of companies (Averinaet.al (2016); Havhcek, &Berezkinova, 2013).

Financial stability is inclusion which is more straightforward to define and recognize. Lower-income countries tend to see a large portion of their population and firms not having access to formal financial services for a number of reasons, including: limited branch networks of banks and other financial institutions; limited availability of automatic teller machines (ATMs); the relatively high costs of servicing small deposits and loans; limitations on satisfactory personal identification; and limitations on collaterizable assets and credit information Demirguc-Kunt and Klapper (2012).

Capital Market Development

Ezie, (2021) Opined that capital market is no doubt pivotal to the level of development and financial growth Chinwuba& Amos, (2011) note that capital market is one of the major institutions that act in propelling a prostate economy through sustainable investments for growth and development. It is a complex institution imbued with inherent mechanism through which long-term funds of the surplus sectors of the economy are mobilized, harnessed and made available to deficit sectors of the end Okonkwo, (2014). Activities in the capital market are good indicators of not only listed firms, but the direction of the national economy. Efficiency and effectiveness in the performance of the market is expected to translate into buoyancy in economic development. However, with financial deepening, as opined by Ezie, (2021), it is achievable. Osaze and Anao, (1999) assert that capital market is the cornerstone of any financial system and investment since it provides the funds needed for financing not only business and other economic institutions, but also government programmes. Ilaboya and Ibrahim, (2004) opined that capital market functions as an economic barometer for galvanizing economic activities.

Al-Faki, (2006) arguedthat capital market covers the entire schedule of buying and selling of securities. The studies on stock market development and financial deepening in developing countries have shown controversial results. Levine and Zervos (1996) argued that whether there is a strong empirical association between stock market development and financial deepening with long-run economic growth. forty- one countries from 1976 to 1993 to evaluate this association studied, it reflects the work of Demirguc-Kunt (1996) by conglomerating measures such as stock market size, liquidity, and integration with world markets, into the index of stock market development. The study acknowledges the support of political stability, investment in human capital, and macroeconomic conditions; and then includes the conglomerated index of stock market development. The finding was that a strong correlation between overall stock market development and financial stability that incubate long-run economic growth. This means that the result is consistent with the theories that imply a positive relationship between stock market development and economic growth.

Theoretical Framework

An economist, Modigliani and Miller (1963) propounded financial theory which was static trade-off theory. The theory explained that company's debt payments are tax- deductible considering that there is less risk involved in taking out debt over equity, that is debt financing is cheaper than equity financing. The Modigliani and Miller model explained that capital structure of firms have an independent relationship with market value of any firm indicating that the firm's cash flow are not affected by its capital structure (Kyereboah-Coleman, 2007). It was further explained that a firm's value is not affected by the financing decision through their revised review but explaining that the more the debt usage, the higher then returns.

Demand and Supply Leading Theory

Patrick (1966) pioneered the demand following and supply leading hypothesis, contending that the nexus between financial depth and the economy is either (both) demand following or (and) supply leading. When economic progress stimulates financial development, the demand following hypothesis is at work. The second theory exists if it is true that finance sector expansion drives economic growth. However, two distinct groups of leading scholars later emerged with opposing status: while some studies (such as Goldsmith (1969), Hicks (1969), McKinnon (1973), and Shaw (1973)) argued that only growth in financial sectors led to economic growth.

Financial Repression Theory

This theory is propounded by Mckinon and Shaw (1973). This study recognized the need

of a developed financial system that immensely contributes to the development of capital market and the economy in general. Emphasis is on the need to focus on policies on financial structures operates effectively without any exploitation and bi-directional. The theorists argued that financial repression is associated with lack or slow performance of capital market development and economic growth. Nnanna and Dogo (1998) also argued that is associated with distorted interest rates, unstable inflation, discouraging savings, little or no financial intermediation and low investment levels. A researcher from Kenya, Nancy Chapkieng (2017) supported the theory recognizing that the policies of financial repression (domination) is very vital for the operation of the financial institutions and capital market that promotes and enhances the operations of financial rendered by the institutions since the financial intermediation is important. The theory was relevant in the study for it showed how the policies of the financial repression may resultsto financial stability and deepening in the capital market that influenced the growth of the financial aspect of financialperformance of firms leading to industrialization in Nigeria. This study is underpinned with theory of repression for it support the analogy of financial instability.

III. EMPIRICAL REVIEW

Ifeoma et.al (2020) study Financial Stability and Firms' Performance: A Study of Selected Oil and Gas Firms in Nigeria. The relationship between financial stability and performance measurement has been an issue of discussion. Considering the over-dependence of Nigerian economy on Oil and Gas, the study therefore investigates financial stability of Oil and Gas firms' in relation to their performance. Secondary data which were sourced from Annual reports of seven (7) Oil and Gas firms for twelve years (2007 - 2018) were used for the study. The model estimation using OLS showed that Return on Assets (ROA) serves as proxy for performance indicator while Fixed Asset Ratio, Proprietary Ratio, Debt Ratio and Equity Ratio serve as proxy for financial stability indicators. Using descriptive statistics and panel data regression estimation technique to analyze the data. The results of the study showed that financial stability ratios have no effects on firms' performance, while financial risk ratios have effects on firm's performance in Oil and Gas firms. The study concluded that financial stability ratios (fixed assets ratio and proprietary ratio) do not influence firms' performance, while, financial risk ratios (debt and equity ratio) do influence firms' performance. Thus, the

recommendation to Oil & Gas sectors managers is to develop a sustainable yardstick to curtain the use of debt source of finance in order to implement capital projects that yield no immediate returns.

Kumara (2015), conducted research in India on selected automobile companies using parameters of financial performance to determine the level of financial growth and performance. His finding helps in appropriately application of actions on the performance of selected automobile French companies for a period of 1999-2006 using unbalanced panel via generalized method of moments (GMM) . The negative effect of debt on profitability was established by the study in all trade enterprises size classes whereas using linear model the effect of debt on profitability in small and medium enterprises (SMEs) is larger while the relationship between debt and profitability is concave in all size classes but significant only in small and medium enterprises (SMEs) due to the nonlinearity.

Shiqiet.al(2019) conducted a study onfinancial stability. It studied the dynamic causal relationship between Chinese consumer confidence and financial stability by using a sub-sample time-varying rolling window test. Through empirical research, it is proved that consumer confidence improved the stability of the financial market forefficient operation and reduces the possibility of financial risks. Similarly, financial stability has a positive impact on consumers, investmentdue to the government's intervention in the economy, the financial market is relatively stable, thus consumers are full of confidence in the market.Finding shows that the causal relationship between consumer confidence and financial stability is consistent with system volatility model, which contributes to the stability of financial markets and the reduction of financial crises. This finding helps monetary authorities maintain financial stability by increasing consumer confidence and making the most effective decisions based on economic trends.

Ahmed (2019) analyze the effect of five indicators of credit risk on four financial stability measures under the title of return on assets, return on equity, Z-Score of ROA, and ROE. Based on the sample of top 20 banks in GCC, regression models are developed for the financial stability, credit risk indicators and control variables. It is observed that NPLs (credit risk indicator) to gross advances is significantly impacting on all stability measures. Under sub sample of top 10 banks, both non-performing loans to gross advances and provision against NPLs are significant determinants to create instability in the banks. Besides, NPLs to equity ratio is found to be negatively significant for

both ROA and ROE under 2nd sub sample of the study. The effect of financial sector development is positively significant for the banking sector stability in both full and sub samples. Contribution of the study can be viewed from both theoretical and practical context as it is a very first attempt to consider credit risk indicators, stability measures, financial sector development and economic growth for Gulf states. Core limitations are the limited sample size and focus on the present decade which can be reconsidered with better sampling and adding the time duration of last decade as well.

IV. METHODOLOGY

Ex-post facto research design is adopted and was chosen due to the research-specific objectives. Secondary data of (1992 to 2021) was used for statistical analysis. It employs the endogenous growth model with little modification, the theoretical framework as relate to the supply side hypothesis of financial stability was used. The theory state that:

$Y = T \quad f(K\alpha, L1-\alpha)$ …………i
$Y = T \quad K\alpha L1-\alpha$ ………………ii

Model Specification
The model for this study is specifying with reference to the study objectives in both mathematical and econometric format. The functional/mathematical model is given as:

MCAP $= F(LF,SR, CPS,MS,)$ ………iii
MCAP $= \alpha + \beta1$ LF+ $\beta2$ SR+ $\beta3$ CPS +$\beta4$ MS+ ………iv

MCAP	=	Market Capitalization
LF	=	Total Labor Force
SR	=	Total Saving Ratio
CPS	=	Credit to private sector
MS	=	Total Money Supply

Table One:Descriptive Statistics

Date: 09/25/23
Time: 12:36
Sample: 1992 2021

	MCAP	MS	SR	LFR	CPS
Mean	58730.15	9159.925	8.143185	56.85043	7403.547
Median	32051.04	3217.911	6.518502	56.23500	2064.504
Maximum	161995.4	34257.90	13.68187	60.02400	25676.87
Minimum	483.4759	111.1123	3.291754	53.41000	58.12295
Std. Dev.	58950.51	10672.28	3.579788	2.643870	8585.583
Skewness	0.449636	0.972885	0.216127	0.138798	0.821480
Kurtosis	1.607278	2.623693	1.401881	1.269054	2.197221
Jarque-Bera	3.206425	4.582233	3.197632	3.585438	3.901067
Probability	0.201249	0.101153	0.202136	0.166507	0.142198
Sum	1644444.	256477.9	228.0092	1591.812	207299.3
Sum Sq. Dev.	9.38E+10	3.08E+09	346.0018	188.7313	1.99E+09
Observations	28	28	28	28	28

This presents the descriptive statistics of the financial stability risk in Nigeria, during the period of 1992 to 2021. The table shows that (MCAP) as a measure of market capitalization has a mean of 58730.15 with a standard deviation of 58950.51 and the minimum and maximum values of 483.4759 and 161995.4 respectively. Although the range between the minimum and maximum is wide, it implies a stable performance as the standard deviation indicated that there is no wide dispersion of the data from the mean value. For the other measure of (MS) from the table shows a mean of value of9159.925 with standard deviation of 10672.28 and the minimum and maximum values of 111.1123 and 34257.90 respectively. This implies that financial stability risk in terms of (MS) witnessed minimal fluctuations during the study period, as the standard deviation is not so large compared to the mean, together with the minimal range between the minimum and maximum values.Saving Ratio (SR) as a measure of the mean as 8.143185 with a standard deviation of 3.579788 and the minimum and maximum values of 3.291754and

13.68187respectively. Although the range between the minimum and maximum is wide, it implies instability, as the standard deviation indicates that there is wide dispersion of the mean value. Labour force Ratio (LFR) mean value stand as 56.85043 with a standard deviation of 2.643870 and the minimum and maximum values of 53.41000 and 60.02400 respectively. Although the range between the minimum and maximum is not wide, it implies stable performance, as the standard deviation indicates that there is wide dispersion of the data from the mean value.In respect to credit to private sector (CPS), the means value is7403.547 with a standard deviation of 8585.583and the minimum valueof 58.12295, maximum valuesof 25676.87 respectively. Although the range between the minimum and maximum is wide, it implies stability, as the standard deviation indicates that there is wide dispersion of the data.

Skewness which means the shape of the distribution and equally shows the measure of the asymmetry of dataset, indicated that (LFR, CPS, SR, MS and MCAP) are all positively skewed and have value greater than zero which suggests that the distribution tails to the right-hand side of the mean, except that are not negatively skewed, but has values less than one. Hence, the distributions of all the variables (SR, MS, and MCAP) are positively skewed due to their values greater than

zero, in addition to the fact that their mean are greater than their median.

Kurtosis value measures the flatness of the distribution of the series. If Kurtosis value is less than 3, it means the distribution of the variable is normal, but when it is more than 3, the distribution of the variable is said to be abnormal. Variables with value of kurtosis less than three are called platykurtic (fat or short-tailed) and all with a kurtosis value of less than three (3) respectively, qualifies during the study period. On the other hand, variables whose kurtosis values are greater than three are called leptokurtic (slim or long tailed). Jarque-Bera statistic is for testing normality of a variable. If the variable is normally distributed, the histogram will be bell-shaped and as such the Jarque-Bera test of normality is an asymptotic, or large-sample test. Jarque-Bera also measures the difference between the skewness and kurtosis of each of the variables (MS) has the highest Jarque-Bera value of 4.582233 while all others have the lowest Jarque-Bera values of less than four (4). With respect to the descriptive statistics, which is based on the raw data and at 5% level of significance, all the variables of the study (MCAP, MS, SR,LFR and CPS) showed that individually and collectively, their P-values are more than 5%, therefore, the null hypotheses is hereby accepted and it can be concluded that all the variables are statistically not significant.

Table Two: Researcher's computation (eview 9, 2023)
Covariance Analysis: Ordinary
Date: 09/25/22 Time: 13:21
Sample: 1992 2021
Included observations: 28
Balanced sample (listwise missing value deletion)

Correlation Probability	MCAP	MS	SR	LFR	CPS
MCAP	1.000000 -----				
MS	0.922802 0.0000	1.000000 -----			
SR	0.904479 0.0000	0.880842 0.0000	1.000000 -----		
LFR	-0.723748 0.0000	-0.543693 0.0028	-0.681767 0.0001	1.000000 -----	
CPS	0.925833 0.0000	0.994468 0.0000	0.911752 0.0000	-0.567431 0.0016	1.000000 -----

The Pearson correlation coefficient (r): is used to establish the measures of associations, relationship between the variables. Table 2 above shows the Pearson correlation coefficient (r) and the respective probabilities of the relationship between financialstability riskvariables (MS, SR,LFR, CPS) as independent and capital market development variable (MCAP) as the dependent. The results show that the coefficient of the correlation between MCAP and MS,CPS stood at 92% which is positively correlated. This implies that an increase in MS,CPS would lead to a substantive increase in MCAP to the tune of 92%. This is supported by the p-values of 0.0000 stating that the correlation is significant at 5%.The coefficient of the correlation between MCAPand SR is 90% which is equally positive. This implies that an increase in SRwould lead to a substantial increase in MCAP to the tune of 90% with the p-value of 0.0000. Again, the coefficient of the correlation between MCAP and LFR stood at -72% which is negatively correlated. This implies that an increase in LFR would lead to a negative increase in MCAP to the tune of -72%. However, the p-value did not support the negative claim, the p-values of 0.0000 stating that the correlation is significant at 5%.

TEST OF DATA STATIONARITY
Unit Root Analysis
The test of Augmented Dickey-Fuller (ADF), a combined unit root test that indicating that the Probability value under the ADF is 1.0000,0.8421,1.0000, 1.0000 greater than 0.05 indicates that dependent variable has a unit root. This implies that market capitalization (MCAP) (dependent) variable was non-stationary at level. This implies that, we must accept the Null Hypothesis and conclude that the variables have unit root. The market capitalization (dependent) variable data set can only be viable and reliable, if it is stationary; that is, the model does not have a unit root. Therefore, based on this, the researcher converts the above data set to a stationary at first difference model. As shown in the table above.

The statistics display the p-values of labour force ratio (LFR),MS as favourable at 0.05% with constant, with constant & trend which are less than 5% with the exception of NSR. Without constant & trend, p-values of labour force ratio (LFR),MS are less than 5%. But credit to private sector (CPS), NSR are more than 5%.

Table Two Regression Analysis Result

Dependent Variable: MCAP
Method: Least Squares
Date: 09/25/23 Time: 12:28
Sample (adjusted): 1992 2021
Included observations: 28 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	315747.9	107327.5	2.941912	0.0073
MS	7.940770	3.611610	2.198679	0.0382
SR	5399.215	3060.217	1.764324	0.0910
LFR	-5725.691	1703.265	-3.361597	0.0027
CPS	-6.512211	5.189241	-1.254945	0.2221

R-squared	0.930907	Mean dependent var		58730.15
Adjusted R-squared	0.918891	S.D. dependent var		58950.51
S.E. of regression	16788.89	Akaike info criterion		22.45525
Sum squared resid	6.48E+09	Schwarz criterion		22.69315
Log likelihood	-309.3736	Hannan-Quinn criter.		22.52798
F-statistic	77.47145	Durbin-Watson stat		1.641528
Prob(F-statistic)	0.000000			

Researcher's computation (2023)

From table above, the coefficient of multiple determinations (R^2) is 0.930907. This indicates that about 0.93% of the total variations in Market Capitalization is explained by the variations in the independent variables (MS, SR,LFR and CPS), while the remaining 0.0071% of the

variation in the model is captured by the error term. This indicates that the line of best fit is highly fitted. The standard error test is applied to measure the size of the error and determine the degree of confidence in the validity of the estimates. Usually if the standard error is smaller than half the numerical value of the parameters, it can be concluded that the estimate is statistically significant. Having carried out a standard error test on the parameters estimated and as also indicated by their respective probability values, the parameter estimate for MS,SR,LFR are statistically significant, given that their individual p-values are 0.0382, 0.0910 and 0.0027; less than 5%, while that of CPS is not statistically significant, given that the individual p-values is 0.2221, which is greater than 5%.

When taken collectively the value of F-statistic is 77.47145 and the probability of F-statistic is 0.000000. This result implies that the overall regression is though positive and statistically significant at 5%. This result is consistent with 'a priori' expectation which hypothesizes that fluctuations decrease in (MS, SR,LFR and CPS), will lead to a significant increase in MCAP and the empirical evidence suggests that the relationship between (MS, SR,LFR and CPS), and MCAP is statistically significant. Consequently, when taken collectively and based on the probability (F-Statistics) value of 0.000000, the null hypothesis is hereby rejected.

V. DISCUSSION OF FINDING.

Emerging markets are easily affected by fiscal policies, the financial system is not yet fully developed; therefore, it is vulnerable to external shocks. Nigeria, as the largest developing economy in Africa, the stability of Nigeria's financial market affects the development of not only Africa, but global finance on the bases of globalization. Looking into the work of Ifeoma et.al (2020) on financial stability ratios, the result shows positively significant effect on firm's performance in Oil and Gas firms in Nigeria. Again, considering the study by Shiqi et.al (2019) onfinancial stability and financial market. Finding shows that the causal relationship between consumer confidence and financial stability is positive and significant in the market.

However, the study by Ahmed (2019) on effect of five indicators of credit risk on four financial stability measures, the result was found to be negatively significant. Moreso, Kumara (2015) study in India with negative impact on the financial stability of its profit of oil and gas firms as an international firms. Statistically, the Pearson correlation coefficient (r) and the respective probabilities of the relationship between financial stability risk variables:Money supply, National Saving Ratio, Labour Force Ratio and Credit to Private Sector (MS, SR,LFR, CPS) as independentvariable and capital market development variable (MCAP) as the dependent, shows the result indicating that the coefficient of the correlation between Market Capitalization (MCAP) and (MS,CPS) stood at 92% which is positively correlated.

This implies that an increase in MS,CPS would lead to increase in MCAP to the tune of 92%. This is supported by the p-values of 0.0000 stating that the correlation is significant at 5%.The coefficient of the correlation between MCAP and SR is 90% which is equally positive. This implies that an increase in SR would lead to a substantial increase in MCAP to the tune of 90% with the p-value of 0.0000.

The gap of this study apart from the geographical and timing, amongstothers, Nigerian economy has not known financial stability for the past three to four decades and government has not build measures to have the financial stability to function in good times and bad times. The study now filled the gaps by examining the financial stability risk. The result shows positive effects, which means. Diversification of Credit to private sector, Money Supplyto boost listed firms, bank assets, commercial activities and manufacturing thereby reducing their riskiness; increased stability of their deposit base, reducing liquidity risks; and improved transmission of monetary policy to dowse down effects of acute inflation, interest rate, shortage of liquidity amongst others. Again, there is evidence that an increased share of lending to SMEs to reinforce labour contributions in total bank lending aids financial stability, mainly by a reduction and lower probability of default by financial institutions. The study therefore concludes that the application of financial stability variables, methods and theories used are best fitted for liquidity efficiency to avoid financial stability risk in capital market in Nigeria.

This study however, is supported by trade-off theory propounded by Modigliani and Miller (1963) referring to capital structure of firms have an independent relationship with market value of any firm indicating that the firm's cash flow are not affected by its capital structure (Kyereboah-Coleman, 2007) and listed firms trade financial stability in capital market.

VI.   RECOMMENDATION

It recommended that policy be created to solidify the use of credit to private sector, Money Supply and national saving, and encourage effective labour force that contribute not only to national growth but also capital market growth in Nigeria.

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