ECONOMIC FACTORS AND FINANCIAL DEVELOPMENT IN NIGERIA: INTERACTIVE INFLUENCE OF CONTROL OF CORRUPTION

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ABSTRACT

Global economy forces and Government economic policies are responsible for economic uncertainty spread around the world. Unstable economic policies or economic factors affects every economic sector in different ways including capital market, especially when confronted with an unanticipated shock in the developing economies like Nigeria. Thus, the study explores link between economic factors and financial development proxied with stock turnover. E*xpost facto* design was adopted and yearly data sourced from World Bank and Federal Reserve Bank of St. Louis within the data scope of 1986 - 2024. The dependent variable is financial development proxied with stock turnover while independent variable is economic factors. Finding revealed that economic factors and interactive influenced of control of corruption with economic factors significantly determined stock turnover in short and long runs. Thus, the study concluded that economic factors with control of corruption influence stock turnover of NGX. The study recommended that Federal Government of Nigeria should guarantee that stock investors are always aware of the government's economic policies orientation and pattern, this will enhance stock investment patronage in the NGX.

Keywords: *Control of Corruption, Economic Uncertainty Index, Exchange Rate, Inflation Rate, Interest Rate, Stock Turnover*

JEL Codes: E60, G12

1. INTRODUCTION

Control of corruption as a major part of institutional quality serve as significant contribution to sound operations of financial system and stock market patronage especially in developing economies like Nigeria. Domestic and foreign investors give maximum consideration to corruption perception index, economic factors and level of stock turnover before stock market investment. As Fakunmoju (2024) emphasized that no investors in the World will be irrational to not considered economic factors, stock history and level of patronage as well as institutional qualities before investment in the stock market. This is because no investor is ready to lose its stock investment except a gambler. Even if there is shocks or surprises generated from dynamics of economic factors such as economic policy uncertainty, exchange rate, interest and inflation rates and aggregate industrial production as well as trend in corruption, stock investors still put in calculated risk

measure mechanisms to manage these shocks in order to gain sound stock turnover with objective of achieving returns from capital invested.

The level of corruption in Nigeria spread across financial sector, stock markets and political intonation of economic factors which distort sound intermediary role of stock exchange, and reduced stock market liquidity specifically in developing economies like Nigeria scare away most rational investors who have no access to political information about Nigeria economic factors policies. Financial development is a financial phenomena stock and financial transmission between economic agents. The stock market turnover aspect of financial development is the focused of the study which involves financial deepening through stock exchange participation, thus boost financial intermediation process of financial system (Abdulraheem, Ogbeide, Adeboje, & Musa, 2019).

Financial development focused on progressive improvement of financial system's capacity to support economic activity through prudent lending incentives, effective monitoring mechanisms, advanced risk management practices, broader access to financial market, and the availability of diverse financial products. A mature and efficient financial system enhances transparency and corporate governance, strengthens risk-sharing mechanisms, and improves the allocation of financial resources via financial market across the economy (Iliyasu et al., 2024). Evidence shown that financial development via financial market in Nigeria remain relatively low compare with Johannesburg Stock Exchange (JSE) and Egyptian Exchange (EGX) stock market capitalization and level of stock turnover. This is due to unstable economic factors and high-level corrupt practices through lack of transparency (Ajayi & Musyimi, 2022).

Economic factors stem from multiple macroeconomic sources, including frequent changes in economic policies coupled with periods of economic downturn and financial instability, natural and environmental shocks, geopolitical tensions and sharp fluctuations in global commodity prices (Fakunmoju, 2024).

These aforementioned challenges create declined in stock patronage in the Nigeria Exchange Group (NGX) and thus led to relatively declined in stock turnover. Similarly, Nigeria is experiencing several developments that have intensified policy-related uncertainty (Salisu et al., 2023). These include delisted of old firms and listed of new firms, tax reform, upgrade of bank capitalization, subsidy removal, persistent security challenges such as terrorism and banditry, as well as substantial policy reforms introduced under the current administration's Renewed Hope agenda. Some of these drivers are domestically rooted, whereas others originate from global economic and political conditions that affect Nigeria through trade, investment, and financial markets (Salisu et al., 2023). Taken together, heightened levels of unstable economic factors which generally exerted a negative influence on financial development by undermining investor confidence, discouraging long-term financial commitments, and limiting the expansion and efficiency of financial market (Gilal, 2019), thus caused fast declined in stock turnover in Nigeria.

Considering tremendous and sound contribution of financial development mechanism, feeble regulatory financial system via lack of transparency in the stock market and uncertain trend makes financial development vulnerable in Nigeria (Fakunmoju, 2024), which had adverse influenced on capital market participation. The significance of financial development had been emphasized by Nigeria's economic regulators over the years to foster economic progress, yet Nigeria's financial system development via capital market still not well developed compare with developed and emerging capital market which reduced stock turnover patronage in the Nigerian Group Exchange (NGX).

Nagar, Schoenfeld, and Wellman (2019) and Ozili (2021) argued that uncertainty in economic policies threaten global capital markets. This was also supported by Salisu et al (2023) that economic factors dynamics were peculiar to Nigeria economy which served as threat to stock market turnover. Fakunmoju (2024) and Iliyasu, Saliu and Sule (2024) emphasized that stock market in Nigeria faces several problems of low stock patronage, high level of illiquidity and low stock turnover caused by unstable economic policies that hinder its development and contribution to economic growth. Consequences of these problems with financial system development via stock market led to the problems of inadequate financial inclusion, weak regulatory framework, high interest rate, currency fluctuation, dependence on oil exports, infrastructure deficits, corruption and governance, limited financial literacy, inadequate risk management, technological limitations, competition and consolidation and global economic trends, thus led to unsubscribed global participation in the Nigerian stock market.

There were several past related studies in the literature dwell on connection between macroeconomic factors and capital market development proxied with stock return and market capitalization (Riaz et al., 2018; Zalla, 2017; Raulatu et al., 2019; Salisu *et al.,* 2023) among others. Studies on the link between economic factors and financial development proxied with stock market turnover in Nigeria with interactive influenced of control of corruption closed to none existence despite all related empirical studies reviewed. This gap identified motivated this study hypotheses formulated.

2.   Literature Review
The study sub-section focused on conceptual review, theoretical foundations and empirical review.

2.1   Conceptual Review

Financial Development

The financial development is a network of institutions, financial tools, and markets, supported by lawful and regulatory arrangements, that collectively facilitate economic transactions through the provision and intermediation of credit (Alawadhi, Alshamali, & Alshamali, 2021). Financial development has two dimensions which are subsequently evaluated across the two primary components of financial development which were; financial institutions and financial markets, thus, this study adopted financial market as the proxy for financial development. Therefore, the study used ratio of stock traded to GDP as supported by (Fakunmoju, 2024).

Economic Factors

According to Abdullah (2020), economic factors in this study was conceptualized as macroeconomic policies which could be defined as economic policy which encompasses a broad array of strategies employed by governments to regulate their economy so as to achieved macroeconomic stabilization across all sectors. This conceptual definition was supported by Fakunmoju, Abdullahi, and Fasola (2019). Thus, economic factors in this study comprised of interest rate, inflation rate, real gross domestic product, exchange rate and economic policy uncertainty.

2.2   Theoretical Foundations

The underpinned theory were financial development Theory and Institutional Theory

Financial Development Theory

Financial development Theory was propounded by Schumpeter (1911) and McKinnon–Shaw (1973) and the theory argued that financial system enhances economic and financial market activities through financial transmission between economic agents and supporting financial innovation. Economic factors dynamics influence penetration, and effectiveness of stock markets. In the Nigeria context, macroeconomic instability, weak institutions like control of corruption, and structural constraints often limit the effectiveness of these economic drivers (Fakunmoju et al., 2019). Therefore, the impact of economic factors on financial development is not automatic but conditional on the quality of the institutional environment. Contemporary research further underscores the significance of legal and institutional arrangements, arguing that the quality of governance and regulatory systems critically shapes the strength and effectiveness of the finance–growth nexus. This served as the justification of employing control of corruption as the interactive influence between economic factors and financial development proxied stock market turnover.

Institutional Theory

The Institutional theory was propounded by North (1990) which emphasizes that financial market performance depends critically on the quality of institutions such as control of corruption enforcement mechanisms, and governance structures. Control of corruption is a central institutional dimension, as corruption distorts incentives, weakens contract enforcement, increases transaction costs, and undermines confidence in financial systems via capital market (Fakunmoju, 2024). Nigeria as an economy with weak corruption control, financial resources are often misallocated, credit is rationed based on political connections rather than productivity, and financial intermediation or capital market role remains shallow (Liu & Zhang, 2020). The institutional theory justifies the inclusion of control of corruption as a key conditioning variable that shapes how economic factors translate into financial development via capital market proxied with stock traded turnover.

2.3   Empirical Review and Gap

Even though many studies exist, there were still scanty empirical studies that specifically investigate assess how economic factors influenced financial development measured by stock turnover with moderating role of corruption control in Nigeria. There is a significant gap in previous empirical study to the best of the researcher's knowledge, this dimension has not been sufficiently investigated. According to Iliyasu et al. (2024) analysed relationship between financial sector development and economic growth in Nigeria, credit to private sector enhanced real GDP. On the other hand, their results demonstrate that money supply insignificantly boost real GDP, indicating that monetary expansion may promote growth, its effect was not strong enough to be definitive during the period under investigation.

Using an *ex post facto* design, Fakunmoju (2024) studied the link between economic policy uncertainty and Nigerian stock market activity. Findings demonstrate that changes in uncertainty policy indices had substantial influenced on stock market trading activities. In order to lessen their susceptibility to risks resulting from unstable macroeconomic policy conditions, especially those related to monetary policy, interest rate fluctuations, and oil price volatility, the study found that local investors to implement broad-based portfolio allocation strategies. Baker et al. (2021) focused on policy-related uncertainty on corporate investment decisions in the US while Gilal (2019) examined economic policy uncertainty to Indonesian equity market returns. Findings stated that policy uncertainty adversely influenced stock market returns in Indonesia and restricts corporate investment in the United States by encouraging businesses to delay irreversible investment commitments and build sound portfolio diversification.

Bahmani-Oskooee and Saha (2019) focused on non-linear and asymmetric reactions of equity markets to shifts in economic policy uncertainty in the US, Canada, the UK, South Korea, and Japan. Finding revealed that all five markets exhibit substantial long-term sensitivity to policy-related uncertainty, the stock markets in the US, Canada, the UK, and South Korea react asymmetrically to short-term uncertainty shocks and that declines in uncertainty are linked to positive stock price adjustments in Canada, Japan, and the United Kingdom while increase in policy uncertainty put short-term downward pressure on stock returns in the United States, Canada, the United Kingdom, and Japan. In a related study, Zalla (2017) evaluated how economic policy uncertainty influenced stock market, interest rates, employment, and industrial output in order to investigate the macroeconomic and financial ramifications. Findings revealed that financial market performance and more general macroeconomic conditions are negatively impacted by shocks to economic policy uncertainty.

Arbatli, Davis, Ito, and Miake (2017) findings, which are largely in line with Zalla's (2017) findings, uncertainty of political and economic events, such as electoral cycles, shifts in political leadership, the 2011 US sovereign debt downgrade, the Brexit referendum, and Japan's announcement of changes to the consumption tax regime, significantly had a negative impact on Japan's macroeconomic performance via capital market investment, and output growth. Riaz, Hongbing, Hashmi, and Khan (2018) experimentally examined economic policy uncertainty (EPU) and a number of macroeconomic variables in the US transportation industry. Findings

established that stock returns in the transportation industry are adversely impacted by uncertainty related to both domestic and international economic policy. In a similar vein, Abdullah (2020) investigated how stock market returns Asia Islamic countries and U.S, the study found that uncertainties surrounding U.S. and these Asia countries economic policies with a substantial effect on stock market development. Rehman and Apergis (2019) explored focused on connection between EPU and investor sentiment across selected Asian and European markets over the period 1995–2015, finding revealed that heightened EPU negatively influences investor soppiness.

Lastly, Ogbuabor et al. (2021) on impact of economic policy uncertainty on the Nigerian stock market and it was found that there exist long run correlation between EPU and the All-Share Index, with the latter having a significant detrimental effect on the NSE All-Share Index. In a related study, Salisu et al. (2023) investigated the predictability of economic policy uncertainty and its relationship with Nigerian stock prices and exchange rates. They found increased EPU had adverse connection with stock returns and exchange rates. Salisu and Akanni (2020), Narayan, Iyke, and Sharma (2021) examined COVID-19-related global fear and uncertainty indices; Faccini, Matin, and Skiadopoulos (2021) evaluated climate policy-related uncertainty; and Caldara and Iacoviello (2022) examined the effects of geopolitical risk. Their studies found negative impact that geopolitical, policy-driven, and crisis-induced uncertainty had adverse effect on stock market.

Considering aforementioned related empirical studies reviewed, no known studies focused on link between economic factors proxied with (EPU, exchange rate, inflation rate, interest rate, and industrial production) and financial development proxied with ratio of stock turnover to GDP in Nigeria with interactive influence of control of corruption. Therefore, the lacuna forms the basis for hypothesis development that; ***Economic factors had no significant effect on financial development proxied with stock turnover with interactive influence of control of corruption in Nigeria.***

3.0   Research Methods

The study used *ex-post facto* design via secondary sourced to provide data needed for the objective of the study.   Yearly data from Nigerian Exchange Group (NGX) and "https://www.policyuncertainty.com/wui_yearly.html)", and National Bureau of Statistic within the period of 1986-2024. This period was chosen due to non-availability of data for the period of year 2025 for the study variables. The study Autoregressive Distributed Lag (ARDL) econometric model aligned with financial development theory that financial development via financial market can be determined by economic policies. The study used ARDL estimate since the study variables were subjected to unit roots and the study variables depicted mixed integration of I(0) and I(1). The study ARDL was shown below;

$$\Delta STV_t = \alpha_{0t} + \sum_{i=0}^{n} \beta_i \Delta STV_{t-i} + \sum_{i=0}^{n} \gamma_i \Delta EPU_{t-i} + \sum_{i=0}^{n} \delta_i \Delta FER_{t-i} + \sum_{i=0}^{n} \theta_i \Delta INT_{t-i} + \sum_{i=0}^{n} \vartheta_i \Delta INF_{t-i} + \sum_{i=0}^{n} \vartheta_i \Delta AIP_{t-i} + \emptyset_1 STV_{t-1} + \emptyset_2 EPU_{t-1} + \emptyset_3 FER_{t-1} + \emptyset_4 INT_{t-1} + \emptyset_5 INF_{t-1} + \emptyset_6 AIP_{t-1} + \varepsilon_t \qquad Equation\ 1$$

After interactive influence of Control of Corruption in the equation 1

$\Delta STV_t = \alpha_{0t} + \sum_{i=0}^{n} \beta_i \, \Delta STV * COC_{t-i} + \sum_{i=0}^{n} \gamma_i \, \Delta EPU * COC_{t-i} + \sum_{i=0}^{n} \delta_i \, \Delta FER * COC_{t-i} + \sum_{i=0}^{n} \theta_i \, \Delta INT * COC_{t-i} + \sum_{i=0}^{n} \vartheta_i \, \Delta INF * COC_{t-i} + \sum_{i=0}^{n} \vartheta_i \, \Delta AIP * COC_{t-i} + \emptyset_1 STV * COC_{t-1} + \emptyset_2 EPU * COC_{t-1} + \emptyset_3 FER * COC_{t-1} + \emptyset_4 INT * COC_{t-1} + \emptyset_5 INF * COC_{t-1} + \emptyset_6 AIP * COC_{t-1} + \varepsilon_t$

$\qquad\qquad\qquad\qquad\qquad\qquad\qquad\qquad\qquad\qquad$ *Equation* 2

Table 1: Dependent and Independent Variables

Variable	Proxy	Computation	Source
Dependent Variable			
Financial Development (FSD)	Stock Turnover (STV)	Ratio of Stock market Trade Volume to Stock market capitalization	Security and Exchange Commission Report
Independent Variables			
Economic Policy Uncertainty (EPU)	Economic factor	Economic Uncertain Indices	https://www.policyuncertainty.com//wui_yearly.html
Foreign Exchange Rate (FER)	Economic factor	Naira to US Dollar	World Bank Data
Interest Rate (INT)	Economic factor	CBN Lending rate	World Bank Data
Inflation Rate (INF)	Economic factor	Aggregate Inflation Rate	World Bank Data
Aggregate Industrial Production (AIP)	Economic factor	Aggregate Industrial Output	World Bank Data
Control of Corruption (COC)	Level of Corruption	World Governance Indicator	World Bank Data

Source: Authors' Computation (2026)

4. Result and Discussions

Table 2 depicted the preliminary statistic of the study variables
Table 2: Preliminary Statistics of Variables

Statistics	Mean	Max	Min	S/D	Skew	Kurt	Jarque-Bera (JB)	prob
EPU	371.35	577.14	223.74	74.36	0.20	2.89	1.73	0.044
INT	11.91	18.72	7.71	3.05	0.54	1.16	7.031	0.030

AIP	32724.8	69841.9	20989.8	9432.6	0.73	2.38	8.210	0.407
FER	48.01	98.43	6.43	2.28	0.34	1.45	12.583	0.130
INF	12.89	74.54	19.78	3.98	1.73	1.93	9.873	0.054
STV	93.87	827.37	146.98	4.82	2.15	1.41	2.873	0.643
COC	23.11	2.5	-1.5	3.09	4.25	2.89	3.943	0.003

Source: Authors' Computations (2026)

From Table 2 above, the probability of Jarque-Bera result, indicates COC, EPU, INT, and INF were not typically distributed while AIP, FER, and STV were normally distributed. The null hypothesis of normality for the non-normally distributed variables is rejected because the skewness and kurtosis statistics support asymmetry and heavy tails in the data.

Pearson Correlation Test

Multicollinearity is not an issue in the model, according to the Pearson correlation and VIF results in Table 3, which show that all correlation coefficients are less than 0.8 and all VIF values are less than 5 (Menard, 2009; Lind et al., 2012).

Table 3: Pearson Correlation and VIF

Variables	EPU	INT	AIP	FER	INF	STV	COC	Tolerance	VIF
EPU	1.0							0.542	1.906
INT	-0.18	1.0						0.520	1.924
AIP	0.62	-0.29	1.0					0.427	2.345
FER	-0.04	0.04	-0.19	1.0				0.486	2.058
INF	-0.26	0.05	0.62	-0.12	1.0			0.633	3.943
STV	-0.32	-0.53	0.22	0.72	-0.29	1.0	-0.32	0.283	2.032
COC	-0.42	-0.43	-0.29	0.45	0.33	-0.73	1.0	0.732	4.954

Source: Authors' Computation (2026)

Unit Root Tests

Table 4: Unit-Root Tests for Study Variables – ADF, PP and Ng-Perron unit root

Variables	Augmented Dickey Fuller (ADF) Unit Root Test		Ng-Perron unit root test		Phillip-Perron (PP)-Fisher Test		Integration
	Level	First Difference	Level	First Difference	Level	First Difference	

EPU	0.387	3.496**	1.099	5.324**	0.876	4.033**	I(1)
INT	4.054**	-	2.519**	-	4.683**	-	I(0)
AIP	1.043	5.119**	0.423	4.407**	1.098	7.052**	I(1)
FER	1.940	3.596**	0.141	3.004**	0.586	4.832**	I(1)
INF	6.201**	-	4.178**	-	3.012**	-	I(0)
STV	4.054**	-	4.978**	-	4.096**	-	I(0)
COC	1.083	4.069**	1.021	3.221**	0.765	3.902**	I(1)

*Source: Researchers' Computation (2026)   @ 5% Level of Significance ***

Both level and first-difference stationary series were present in the study variables, according to the unit root test results in Table 4 above. The Autoregressive Distributed Lag (ARDL) modeling framework was chosen as the best estimation approach for the investigation because of mix integration.

Table 5: ARDL Short Run Error Correction and Long Run Estimates - Before Interactive Influence

Short Run Error Correction

Variable	Coefficient	Std. Error	t-Statistic	Prob.
ΔSTV	-0.119	0.101	-1.178	0.242
ΔEPU	-1.625	0.013	-5.011	0.021
ΔINT	-2.083	0.073	-6.253	0.000
ΔAIP	-0.144	0.007	-3.513	0.000
ΔFER	0.325	0.003	7.151	0.000
ΔINF	-0.201	0.002	-0.186	0.852
CointEq (-1)	-0.676	0.067	-8.130	0.000

Long Run Coefficients

Variable	Coefficient	Std. Error	t-Statistic	Prob.
EPU	-2.363	0.589	-5.231	0.001
INT	9.704	1.965	4.837	0.000
AIP	-0.213	0.018	-8.502	0.000
FER	-0.482	0.049	9.793	0.000
INF	0.010	4.237	0.002	0.218
C	-0.001	0.003	-0.185	0.853
R^2	0.648			
Adjusted R^2	0.627			
F-statistic	84.301			
Prob(F-statistic)	0.000			
Durbin-Watson	1.983			

*Source: Authors' Computation (2026) @ 5% Level of Significance ***

Dependent Variable: Stock Turnover (STV)

From table 5, EPU has a statistically significant and adverse effect on STV. Similarly, STV is negatively and significantly impacted by interest rate (INT) and AIP respectively. On the other hand, STV is found to be positively and significantly impacted by FER in the short term. Despite having a negative influence, inflation rate (INF) has no statistically impacted on STV. These results show that EPU, INT, AIP, and FER are the main factors driving short-term fluctuations in STV. The model's stability and the presence of a legitimate long-term link between the variables are confirmed by the error correction term's negative and statistically significant coefficient. This coefficient's size indicates that 67.6% of any long-run equilibrium deviation is eradicated in a single period, suggesting a comparatively quick rate of adjustment and a return to equilibrium in less than two periods.

Regarding the long-term estimations, the findings show that EPU continues to have a statistically significant negative correlation with STV. Similarly, it is discovered that both FER and INT (have significant and negative long-term impacts on STV. In contrast, despite its negative sign, inflation is still statistically insignificant in explaining STV over the long term. According to the goodness-of-fit statistics, the explanatory variables collectively explain about 62.7 percent of the observed movements in STV, as indicated by the adjusted R^2 value of 0.627. The model's overall adequacy is confirmed by the highly substantial F-statistic (84.301; p = 0.000). Additionally, the Durbin-Watson statistic, which is near the benchmark value of 2.0, shows that serial correlation has little effect on the model. The null hypothesis that economic factors have no discernible impact on STV is rejected in light of these above findings.

Table 6: ARDL Bounds Test
Null Hypothesis: No long-run relationships exist

Test Statistic	Value	K
F-statistic	19.367229	5

Critical Value Bounds

Significance	I0 Bound	I1 Bound
10%	2.83	3.73
5%	3.59	4.49
2.5%	3.30	4.90
1%	4.45	5.94

*Source: Authors' Computation (2026) @ 5% Level of Significance***

A long-term association between the variables under investigation is demonstrated by the ARDL bounds test findings, which are shown in Table 6. The alternative hypothesis of a substantial long-term relationship is supported and the null hypothesis, which assumes no long-run correlation, is rejected since the computed F-statistic is greater than the upper critical values of Pesaran's bounds

(3.73, 4.49, 4.90, and 5.94). The variables show a tendency to migrate together over time, as evidenced by the F-statistic of 19.367, which is significantly higher than the 5% upper bound criterion of 4.49.

After Interactive Influence of Control of Corruption

Table 7: ARDL Result- After Interactive Influence

Short Run Error Correction				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
ΔSTV*COC	-0.214	0.114	-4.312	0.012
ΔEPU*COC	-0.409	0.135	-4.401	0.001
ΔINT*COC	-1.054	0.073	-6.253	0.000
Δ_{AIP}*COC	-0.130	0.327	-2.953	0.020
Δ_{FER}*COC	0.495	0.343	5.041	0.031
$\Delta_{INF*COC}$	-0.941	0.832	-5.031	0.051
CointEq (-1)	-0.459	0.105	-6.194	0.001
Long Run Coefficients				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
EPU*COC	-1.209	0.943	-4.101	0.000
INT*COC	-1.043	1.045	-3.205	0.001
AIP*COC	-0.213	0.218	-4.502	0.000
FER*COC	-0.943	0.230	-2.912	0.020
INF*COC	-1.043	0.180	-4.211	0.082
C	0.311	0.210	0.350	0.209
R^2	0.769			
Adjusted R^2	0.773			
F-statistic	102.531			
Prob(F-statistic)	0.001			
Durbin-Watson	2.109			

*Source: Authors' Computation (2026)   @ 5% Level of Significance***

Dependent Variable: Stock Turnover (STV)

Table 7 depicted ARDL model, revealed that in short run interactive influenced of Control of Corruption (COC) with EPU, INT, AIP and INF had negative and significant effect on stock traded turnover proxied for financial development since the p<0.05 except for FER had positive and insignificant interactive influenced with stock turnover since the p>5%. Similarly, in the long run coefficient it was shown EPU, INT, AIP, FER and INF had negative and significant influenced on stock turnover in Nigeria Group Exchange (NGX).

Considering the coefficient of determination (Adjusted R^2) before interactive influenced of COC shown coefficient of determination (Adjusted R^2) = 0.627 (62.7%) while after including interactive influenced of COC in equation two above, the coefficient of determination (Adjusted R^2) = 0.769 (76.7%). This is an indication that interactive influenced of COC play significant role in the

coefficient determination of stock turnover of the NGX. Therefore, COC is one of the proxied for institutional quality with economic factors significantly determined stock turnover in Nigeria. Thus, the null hypothesis was rejected that; COC has no significant interactive influence with economic factors (EPU, INT, AIP, FER and INF) on stock turnover in NGX.

Table 8: ARDL Bounds Test – After Interactive Influence
Null Hypothesis: No long-run relationships exist

Test Statistic	Value	K
F-statistic	21.474129	6

Critical Value Bounds

Significance	I0 Bound	I1 Bound
10%	4.12	4.36
5%	4.94	5.52
2.5%	4.03	4.95
1%	5.19	6.43

Source: *Authors' Computation (2026)   @ 5% Level of Significance ***

After interactive influence of control of corruption in the equation one (1), the ARDL bound test shown in above table 8 there exist long run signal and connection amid study variables; as F-stat > the upper bound of Pesaran critical value (4.36 and 5.52) at 5% level of significance less than F-statistics = 21.474 which insinuate that there is long run direction. Thus, COC with economic factors determined stock turnover in the long run.

Table 9: Post Estimate Result - After Interactive Influence of COC

Model	Breusch-Pagan-Godfrey Heteroscedasticity Test:		Breusch-Godfrey Serial Correlation LM Test	
	F-statistic	P- value	F-statistic	P-value
STV	1.163	0.832	1.934	0.721

Source: *Authors' compilation (2026)*

The post estimate model in table 9 above satisfies the main econometric assumptions since the diagnostic tests show that it is free from both serial correlation and heteroskedasticity; as the p-value for both serial correlation and heteroskedasticity greater than 5%.

5.0   Conclusion and Recommendations

Based on the findings, it was concluded that economic factors such as economic policy uncertainty, exchange rate, interest and inflation rates as well as aggregate industrial production significantly determined stock turnover proxied for financial development both in the short and long runs. Also, the control of corruption negatively and significantly interacts with economic factors on stock

turnover. The study therefore concluded that economic factors and control of corruption contribute to level of stock turnover in Nigeria. Hence, it was recommended that it is important for capital market policy makers to be transparent and disclose stock market information as well as Government should laid down mechanisms that will enhance quality institutions that will fight corruption to the lowest level in Nigeria so as to guarantee that potential stock market investors can patronize NGX. Also, economic agents should always be carrying along with government's economic policies orientation and pattern which enhance sound stock investment decision and capital market participation in the Nigerian exchange group, this is due to likelihood that capital market may suffer economic policy uncertainty issues. This will enable economic agents more experience investment-friendly atmosphere that will attract patronage in the NGX and increment in stock turnover.

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