

# Impact of Stock Market Development on Economic Growth: Evidence from Selected Sub-Saharan African Countries

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This paper examines the impact of stock market development on economic growth in Sub-Saharan Africa using a balanced panel data of five selected countries over the period 1993-2013 and the system generalised method of moments dynamic panel estimation framework. The paper finds a positive impact of stock market development proxied by the *turnover ratio of domestic shares and market capitalization on economic growth* though minimal. Furthermore, investment, lagged gross domestic product and human capital were found to have a significantly positive impact on growth while trade and foreign direct investment negatively impacted on growth, even though the results for foreign direct investment is not significant in all the models and consequently, not very robust. There should be policy measures aimed at enhancing economic growth using the development of the stocks market as a channel. Such policies should focus on developing the appropriate mix of taxation of investors as well as the development of requisite technology, institutional and regulatory framework that will facilitate an increase in the size and liquidity of the market in the sub-region.

**Keywords:** stock markets, economic growth, generalised method of moments, market capitalization, turnover ratio, sub-Saharan Africa

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