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Stock Market Development and Economic Growth: The Case of Selected African Countries

Charles K.D. Adjasi, Nicholas B. Biekpe

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Abstract

Abstract: This paper studies the effect of stock market development on economic growth in 14 African countries in a dynamic panel data modelling setting. Results largely show a positive relationship between stock market development and economic growth. Further analyses, based on the level of economic development and stock market capitalization, are also conducted. The results reveal that the positive influence of stock market development on economic growth is significant for countries classified as upper middle income economies. On the basis of market capitalization groupings, stock market developments play a significant role in growth only for moderately capitalized markets. The general trend in results shows that low income African countries and less developed stock markets need to grow more and develop their markets to elicit economic gains from stock markets.

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