

The Impact of Stock Market Performances on the Egyptian GDP from 2002 to 2018 Quarterly

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Abstract

This study investigates the impact of stock market performance on the economic growth for time series for the period from 2002 to 2018 quarterly. Stock market capitalization ratio (measures the size), turnover ratio and total value traded shares (measures the liquidity), and standard deviation (measures the volatility) are used to measure the performance of the Egyptian stock exchange. Real GDP was a proxy to measure the economic growth. The study considers interest rate and exchange rate as control variables. Vector Autoregressive (VAR) Model and granger causality test are applied to find the directional relationship between the stock market and economic growth in Egypt. Findings show that the variables are statistically insignificant and there is no relationship between them.

Key words: Stock Market, Economic Growth, Vector autoregressive, and Granger causality

1. Introduction

Stock Market and Economic growth

Stock markets play pivotal role in the economic growth through different functions. The main function of the stock market is facilitating the transactions of buying and selling the securities that are issued by the firms to raise funds needed to expand their business. Thus, stock markets help in raising capital for business and mobilizing savings for productive investments which lead to economic growth. In addition stock markets act as an instrument of capital formation. It encourages the savers to convert their wealth into profitable investment. Managing risk and diversification are also functions of stock markets. It can reduce risk through the diversification of investor portfolio which will maximize their return.

Stock markets affect the GDP by influencing financial conditions and consumer confidence when stocks are in bull markets, there tends to be a great deal of optimism surrounding the economy. High valuation allows companies to borrow money at cheaper rates, allowing them to expand operations, invest in new projects and hire more workers and all these activities boost the GDP. While when stock prices are low, it negatively affects the GDP through the same channels. Companies are forced to cut costs and workers. Business finds it difficult to find new sources of financing, and on the other side existing debt loads become very exhausting (Koller 2010).

On the other hand, some studies state that the economic growth affects the stock markets development as the financial development has been observed to follow economic growth. Christopher (2011) argued that as stock market plays a significant role in economic growth, stock market responds to economic growth as economic growth creates demands for financial services which results in the development of financial institutions and markets.

Development of the Egyptian Exchange

The Egyptian Exchange (EGX) comprises two exchanges, Cairo and Alexandria, both governed by the same board of directors and sharing the same trading, clearing and settlement systems. Alexandria Stock Exchange was established in 1902 while the establishment of the Cairo Stock Exchange was in 1903. The main performance indicator or

measure of activity of Egyptian Stock Exchange is EGX30 that includes the top 30 companies in terms of liquidity or 30 most active companies in the Egyptian Stock Exchange

Research problem

The main aim of establishing stock market is to help organizations in raising funds for more productive investments and expansion. It helps in mobilizing savings. Egypt as a developing country needs to stimulate economic growth. The problem is lack of evidence on the effect of stock market as a driver of economic development. This study seeks to find out the correlation relationship between stock market performances and economic growth in Egypt to answer the main research question “what is the impact of stock market on the Egyptian real GDP”

Research objective

The main objective of this study is to examine the relationship between stock market performances and economic growth (real GDP) in Egypt.

The specific objectives are

Investigate the impact of stock market (market capitalization, market liquidity and market volatility) on economic growth (real GDP) in Egypt using data for the period 2002-2018

Establish the directional causality relationship between stock market and economic growth in Egypt (Unidirectional or bi-directional)

To check the relevance of the empirical outcomes to the theoretical assumptions of a causal link between financial growth and economic growth

To provide the Egyptian policymakers with recommendations depending on the results

2. Theoretical Review, Literature Review and Hypotheses Development

Theoretical Framework

According to the previous studies (Christopher, 2011), (Tumaini, 2015), (Bernhard, 2013), (Saba karim, 2017), (Gökhan, Ahmet AYSU, and Mehmet Fatih, 2015), (Enisan, and Olufisayo, 2007), (Rishab Mittal, 2017), and (Ogunmuyiwa, 2016) the relationship between stock market development and economic growth can be summed up under four hypotheses.

The first one is Efficient Market Hypothesis (EMH). Efficient market hypothesis stated that securities prices in the stock market fully reflect all available information. According to the efficient market Hypothesis (EMH), stocks always trade at their fair value on stock exchanges, making it impossible for investors to either purchased undervalued stocks or sell stocks for inflated prices. Hence, efficient market will help savers to allocate their funds in more efficient productive resources which will enhance the economic development and resources are efficiently allocated, wasteful use is minimized in the economy. So, economic growth is positively impacted (jackline, 2017).

The second hypothesis is called “Supply-leading hypothesis” that postulates that financial development causes economic growth. It’s also known as “Finance-led growth hypothesis”. According to this view, the effect runs from financial development to economic growth. This effect is caused by an improvement in the efficiency of capital accumulation or an increase in the rate of savings as well as the rate of investment. The mobilization of resources can be possible through developed and well-functioning financial system and as a result it leads to economic growth. (Saba Karim, 2017).

The third hypothesis is called “Demand-following hypothesis” that postulates that economic growth comes first then financial development happens to meet the requirements of corporations to continue their expansion. It is also known as “Growth-led finance hypothesis”. According to this view, Christopher (2011) argued that as stock market plays a significant role in economic growth; stock market responds to economic growth as economic growth creates demands for financial services which results in the development of financial institutions and markets. According to Patrick (1966), the causal relationship between financial development and economic growth depends on the stage of economic development. In the early stages of economic development, supply leading view can stimulate real capital formation. The development of new financial services creates new opportunities for savers and investors and causes an increase in economic growth. The supply-leading view becomes less important as financial and economic development proceeds gradually, then the demand-leading view starts to dominate.

The fourth hypothesis can be divided into two views. The first is called “Feedback hypothesis” which is a combination between Supply-leading and Demand-following hypotheses. It states that there is a bi-directional relationship between stock market and economic growth. While the second is “neutral hypothesis” which asserts that there is no relationship between financial development and economic growth. An economy with well-developed stock markets promotes high economic expansion through technological changes, product and services innovation. This will in turn create a high demand for the stock market products. As the stock market effectively responds to this demand, these changes will stimulate higher economic growth. Both financial and economic developments are therefore positively interdependent and their relationship could lead to bi-directional causality (Zivengwa and Bokosi, 2011).

Literature Review and Hypotheses development

This section shows some studies that tried to investigate the relationship between stock market performances and economic growth and the hypotheses of this study. These studies are categorized according to market capitalization, market liquidity, market volatility and the causal relationship between stock market and economic growth. It is said that stock markets can affect economic growth as it helps in mobilizing funds from surplus units to deficit units that have investment opportunities which plays a significant role in boosting economic growth. However, some research found no relation and others found negative relation between them.

Mweembe Mundena, Robert Pickson, and Wonder Agbenyo (2019) examined the dynamic relationship between stock market development and economic growth in Zambia. Using VAR model and Granger causality test on quarterly time series data 1996Q1-2015Q4. The results showed a unidirectional causality running from market capitalisation to economic growth. Besides, it found that fluctuations in economic growth have significant predictive impacts on the current market capitalisation.

Ali Raza Sattar, Muhammad Aamir Ali, Mohsin Rehman, and Sehrish Naeem (2018) analysed the impact of stock market on economic growth in Pakistan, India and China. Data for the variables was taken for 25 years from 1993 – 2016. The study used panel regression and Hausman specific test and random effect model. The results revealed that stock market capitalization has a positive significant impact on GDP.

Jackline chepkoech (2017) investigated the relationship between stock market capitalization and economic growth in Kenya for period from 2005 – 2015 quarterly by applying Regression analysis and tests of significance. The investigation found positive association with the level of development rate. So according to these previous studies lead to the first hypothesis, H1: Stock market capitalization affects the economic growth (Real GDP) positively.

According to stock market liquidity (turnover ratio and total value traded shares), Onwukeme Ogochukwu, and Isiaka Raifu (2017) re-examined the relationship between stock market development and economic growth with reference to the African countries include (Botswana, Cote d'Ivoire, Egypt, Ghana, Kenya, Mauritius, Morocco, Nigeria, South Africa, Swaziland, Tunisia, Zambia and Zimbabwe) from 1990 – 2014. They employed OLS, fixed effect, random effect, fully modified Ordinary Least Squares, and dynamic Ordinary Least Squares. The results showed that stock market development is positively linked with economic growth in Africa.

Pramod Kumar and Puja Padhi (2015) examined the impact of stock market development on the economic growth for a panel of 27 emerging economies using annual data over the period from 1995 to 2012. A second-generation panel unit root test has been used to test the stationary properties of the data series; a dynamic panel “system GMM” estimator was applied. They also used a heterogeneous panel causality test to examine the direction of causality among the variables. The empirical findings indicate that stock market development significantly contributes to economic growth. Further, a unidirectional causality running from stock market development to economic growth has been found.

Mona Kamal (2013) investigated the relationship between financial development and economic growth in Egypt using annual data for period from 1988 to 2012. The variables that were used to measure stock market development include market capitalization to measure market size and total value of stocks traded as a percentage of GDP to measure market liquidity. Stock market variables are independent while GDP is dependent variable. The results implied that stock market doesn't cause growth. These previous studies lead to the second hypothesis H2 Stock market liquidity affects the economic growth (Real GDP) positively.

For the stock market volatility (standard deviation), Dombou (2016) examined the relationship between stock market return volatility and economic growth. The methods used are GARCH framework to apprehend return volatility and VAR framework to capture any link between stock market and economic growth. Time series quarterly data used are from 2000 to 2015 for both Nigeria and Ivory Coast and from 2008 to 2015 for Cameroon. The results show none significance relationship between stock market and economic growth in Cameroon, Ivory Coast and Nigeria.

Najeb M.H. Masoud (2013) explore the causal link between stock market performance and economic growth. Data over the period 1996 – 2001 in developed countries and emerging markets. The findings showed that market capitalisation ratio, has positive significant correlation with real per capita GDP. Market liquidity has positive correlation with growth, while market volatility has negative correlation with real per capita GDP growth. So, the findings suggest a positive relationship between efficient stock markets and economic growth, both in short run and long run. These previous studies lead to the third hypothesis H3 Stock market volatility affects the economic growth (Real GDP) negatively.

Finally for the causal directional relationship between stock market performances and economic growth (Real GDP). Some studies found uni-directional relationship between them. Other studies found bi-directional relationship between them while other found no causal relationship. Bilgehan Tekin and Erol Yener (2019) examined the causality relationship between the value of stock markets and economic growth in the developed and developing countries. As analysis method, Toda-Yamamoto causality analysis was used for the period of 1998Q1-2017Q4. In this study, the United States and Germany are the developed countries and BRICS (Brazil, Russia, India, China and South Africa) and Turkey are the developing countries. Results showed that causalities from stock market indexes to economic growth are determined in United States, BRICS countries and Turkey. Therefore, the development of stock markets is leading to economic growth. However the results for Germany indicate the two-way relations.

Tan Zhongming, Koomson Prince, Ding Guoping, Chibsah Rahmatu, and Obu Linda (2018) determined the contribution of the Ghana stock market to the economic growth in Ghana from 1993 to 2015 by applying granger causality test, Augmented Dickey Fuller unit root test, and Johansen Cointegration test were applied. From the analysis it was brought to light that there is positive relationship between the variables and Real Gross Domestic Product but this effect will be evident in the long term in the economy of Ghana.

Osama M. Badr (2015) investigated the causal relationship between stock market development and economic growth in Egypt for the period of 2002 to 2013 quarterly. Augmented Dickey-Fuller, Johansen co-integration analysis, and Vector autoregression test (VAR). The results indicate that there is no a cointegration and no causal relationship between indicators of both stock market and economic growth. These previous studies lead to the fourth hypothesis H4 There is a unidirectional causality for stock market performance and economic growth (real GDP).

3. Methodology and Sample

According to the available data about the Egyptian GDP, This study used quarterly time series data for 17 years from 2002 to 2018 to investigate the relationship between stock market performances and economic growth depending on EGX 30.

According to Endogenous growth theory that assumes that long run rate of growth is determined by endogenous variables. Three variables are used as proxies for stock market performances which are stock market capitalization, stock market liquidity, and stock market volatility (independent variables) while Real GDP (dependent variable) is used to measure the economic growth. This study also put into consideration Exchange rate, Interest rate, and Inflation rate as control variables.

The stock market capitalization ratio is a ratio is used to measure the size of stock market relative to the economy. According to Efficient Market Hypothesis (EMH, 1970), it is believed that Market Size contribute growth through capital mobilization and risk diversification in an economy (Tumaini, 2015).

Stock market liquidity is used to measure the efficiency of the market. This study applies Turnover ratio and Total value of shares traded ratio to measure the liquidity. Depending on ceteris paribus assumption that stands for holding other things constant and considering stock market liquidity as independent variable while Real GDP is the dependent variable. Stock market liquidity enhance economic growth (Real GDP) as it enables investors the accessibility to their wealth prior the completion of the project through selling their stake.

Stock market volatility shows the dispersion of returns for a given security. According to Capital Asset Pricing Model (CAPM), when volatility increases, risk will increase, thus risk premium will increase as investors need to be compensated for the higher risk. Therefore, the cost of finance will increase that will be burden for the firms to afford. Firms will postpone their expansion and productivity that will hamper the economic growth.

Real Growth Domestic Product (Real GDP) is used to measure the economic growth rate. While quarterly published exchange rate against US dollar and quarterly published Discount rate is used as control variables.

4. Findings and analysis

This section is designed to measure the impact of stock market performances on the real GDP in Egypt for the period 2002 to 2018. The First part is the descriptive analysis using mean, media, minimum and maximum as well as the standard deviation and the skewness and kurtosis for the normal distribution of the data collected. The second part is the stationarity level of the data collected according to the Augmented Dickey Fuller (ADF) test. The third part displays the results obtained for the co-integration between the research variables, while the fourth part displays the results obtained for the vector autoregressive model (VAR) and the granger causality for the directional effect of the Stock Market on GDP.

Descriptive Analysis for the Research Variables

The first section shows the descriptive analysis using mean, media, minimum and maximum as well as the standard deviation and the skewness and kurtosis for the normal distribution of the data collected. It provides simple summaries about the sample and the measures.

Table 4.1 shows the computed values of the descriptive statistics, the average exchange rate is found to be 7.83 with a minimum value of 4.5 in 2002 and maximum value of 18.38 in 2006 quarter4, the average interest rate is found to be 10.63% With a minimum value 8.5% in 2009, 2010, and 2011 and maximum value 19.25% in 2017 quarter 3 and quarter 4, similarly the average value of real GDP growth rate is found to be 1.1%, with a minimum value -8.5% in 2011 quarter 1 and maximum value of 14% in 2005 quarter3, the average market capitalization ratio is found to be 93.94% with a minimum value 3.91% in 2013 quarter 4 and maximum value 267.8% in 2006 quarter 4, market volatility has an average of 6.308 with a minimum value of 0.0562 in 2004 quarter 4 and maximum value of 22.622 in 2016 quarter 4, total value traded share has an average value of 23.74% with a minimum value of 3.98% in 2003 quarter 1 and maximum value of 109.99% in 2008 quarter 1. Finally turnover ratio has an average value of 0.241639 with a minimum value of 0.097139 in 2004 quarter 3 and maximum value of 0.57077 in 2009 quarter 2.

Table 4- 1 Descriptive Analysis for the Research Variables

Research Variables	Mean	Median	Maxim	Minim.
Interest Rate	0.106364	0.097500	0.192500	0.085000
Exchange Rate	0.078388	0.060850	0.183800	0.045000
Market Capitalization To GDP	0.939446	0.726216	2.678361	0.039143
Market Volatility	6.308958	5.055676	22.62207	0.056267
Total Value Traded Share	0.237394	0.135031	1.099958	0.039850
Turnover Ratio	0.241639	0.227293	0.570771	0.097139
Real GDP Growth Rate	1.110379	0.049100	14.02250	-8.589

Normality test for the Research Variables

This section applies the normality test for the variables to find if they are normally distributed. Table 4-2 shows the normality test for the variables, it demonstrates that all the variables are not normally distributed except the Real GDP growth rate, because all the variables probability are lower than 0.05 except the Real GDP Growth Rate which is higher than 0.05.

Table 4- 2 Normality Test for the Research Variables

Research Variables	Skewness	Kurtosis	Jarque-Bera	P-value
Interest Rate	1.907145	5.371583	55.47634	0.000000
Exchange Rate	1.938087	5.047503	52.84674	0.000000
Market Capitalization To GDP	1.053809	2.970851	12.21799	0.002223
Market Volatility	1.013350	3.542171	12.10401	0.002353
Total Value Traded Share	1.847104	6.611465	73.39709	0.000000
Turnover Ratio	1.173802	4.812970	24.19478	0.000006
Real GDP Growth Rate	0.538525	2.947609	3.197649	0.202134

Unit Root Test – Stationarity Assumption

Stationary test is applied to show the stability of the variables. This section shows stationarity tests of Real GDP, Market capitalization to GDP, Total value traded shares to GDP, Turnover ratio, standard deviation, interest rate and Exchange rate in Egypt from 2002 to 2018 using Augmented Dicky Fuller test (ADF).

Figure 4-1 shows the stationarity of the research variables where it could be observed that some variables are not stationary while some others achieve stationarity in levels. This is the same result obtained from the tables above presented for Augmented Dicky Fuller (ADF) unit root test.

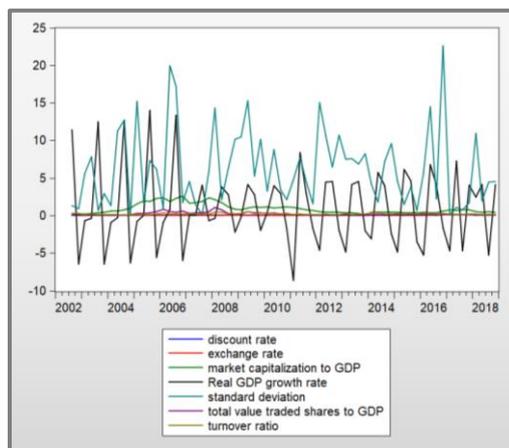


Figure 4- 1 Stationarity of the Research Variables

Co-integration using Johansen Model

Co-Integration is applied between the research variables in Egypt from 2002 to 2018 using Johansen co-integration test to test whether there is a correlation relationship between the variables. Johansen test is used rather than Engle granger co-integration test because Johansen test permits more than one Co-integration relationship, than the Engle granger test.

Table 4-3 shows the Johansen co-integration test for our research variables; Real GDP, Market capitalization to GDP ratio, Total value traded to GDP ratio, Turnover ratio, Market

volatility (Standard deviation), Interest rate and Exchange rate in Egypt from 2002 to 2018. The test shows that there is no co-integration between the variables, which means that the Vector Autoregressive Model (VAR) could be recommended for testing the relationships between the research variables.

Table 4-3 Co-Integration Test for the Research Variables

Hypothesized No. of CE(s)	Eigenvalue	Trace Statistic	0.05 Critical Value	Prob.**
None *	0.925667	262.3791	125.6154	0.0000
At most 1 *	0.489480	98.62913	95.75366	0.0312
At most 2	0.333394	56.27262	69.81889	0.3671
At most 3	0.244526	30.72258	47.85613	0.6813
At most 4	0.122126	13.05671	29.79707	0.8890
At most 5	0.066608	4.850853	15.49471	0.8245
At most 6	0.008035	0.508267	3.841466	0.4759

Trace test indicates 2 cointegrating eq(s) at the 0.05 level

* denotes rejection of the hypothesis at the 0.05 level

**MacKinnon-Haug-Michelis (1999) p-values

VAR and Granger Causality for Testing the Research Hypotheses

Before run the VAR model, the lag length criterion must be noted, so each variable will be tested to figure out what is the optimal lag for each, in order to do so AIC (Akaike information criterion) will be noted in the tests as it is the most popular and common one. Results show that Real GDP has 8 lags, Interest Rate has 2 lags, Exchange Rate has 1 lag, Market Capitalization to GDP Ratio has 2 lags, Standard Deviation has no lags, Total Value Traded Shares to GDP Ratio has 1 lag and Turnover Ratio has 1 lag.

Vector Autoregressive (VAR) Model

Vector Autoregressive model is selected according to the previous results, in the stationarity test there are some variables nearly half of all variables, then the co-integration test which suggests that the variables aren't co-integrated to each other, so, the most suitable regression model is the VAR model.

The VAR model shows that the relationship between Market Capitalization (-1) and Real GDP is insignificant because t-statistics (1.216) is smaller than t-tabulated (2.156), also the relationship between Market Capitalization (-2) and Real GDP is insignificant as t-statistics (-0.637) is smaller than t-tabulated (2.156). Thus H1 Stock Market Capitalization affects the economic growth (Real GDP) positively is rejected.

While Stock Market liquidity, VAR model shows that the relationship between Total Value Traded Shares (-1) and Real GDP is insignificant because t-statistics (-1.486) is smaller than t-tabulated (2.156), also the relationship between Total Value Traded Shares (-2) and Real GDP is insignificant because t-statistics (1.092) is smaller than t-tabulated (2.156). Besides, the relationship between Turnover Ratio (-1) and Real GDP is insignificant because t-statistics (1.297) is smaller than t-tabulated (2.156), also the relationship between Turnover Ratio (-2) and Real GDP is insignificant because t-statistics (-0.6096) is smaller than t-tabulated (2.156). Thus H2 Stock Market liquidity affects the economic growth (Real GDP) positively is rejected.

For Stock Market Volatility, VAR model shows that the relationship between Standard Deviation (-1) and Real GDP is insignificant because t-statistics (1.3737) is smaller than t-

tabulated (2.156), also the relationship between Standard Deviation (-2) and Real GDP is insignificant because t-statistics (0.567) is smaller than t-tabulated (2.156). Thus H3 Stock Market Volatility affects the economic growth (Real GDP) negatively.

According to the control variables, the relationship between Discount rate and Exchange Rate and stock market and economic growth (Real GDP) is insignificant because the t-statistics is smaller than t-tabulated (2.156).

Finally to summarize the results, VAR model shows that the stock market doesn't affect the economic growth (Real GDP) in Egypt for the period from 2002 to 2018. This result is contrary to the findings of Mahmoud A. Touny (2012), Onwukeme Ogochukwu and Isiaka Raifu (2017), Pramod Kumar and Pujia Padhi (2015), and Mwambene (2013) who agree that stock market performance has a significant impact on the economic growth.

Granger Causality Test

The last part in this section after determining a suitable regression model is to test the causality, which means what variable cause the other variable to happen, to test the causality the Granger Causality test will be used, with a lag length 8 lags according to the lag test results.

The Granger Causality test for the research variables shows that stock market (Stock Market Capitalization, Stock Market Liquidity (Turnover Ratio and Total Value Traded Shares), and Stock Market Volatility (Standard Deviation)) and the control variables (Discount Rate, and Exchange Rate) does not granger cause economic growth (Real GDP) because their probability are greater than P-value (0.05). Thus, H4 There is a unidirectional causality for stock market performances and economic growth (Real GDP) is rejected. This result is contrary to the findings of Akinlo A. Enisan and Akinlo O. Olufisayo (2008) who agrees the stock market development causes economic growth.

5. Conclusion and Recommendation

This study investigates the impact of stock market performance on the Egyptian Real GDP for the time series from 2002 to 2018 quarterly. This study took Market Capitalization to GDP Ratio (measures the size of the market), Turnover Ratio and Total Value Traded Shares to GDP Ratio (measures the liquidity of the market), and Standard Deviation (measures the volatility of the market) as proxies for the stock market performances. Real GDP growth rate is used to measure the economic growth. Interest Rate and Exchange Rate are used as control variables.

According to the results of testing stationary, co-integration and identifying the optimal lag for the variables, Vector Autoregressive (VAR) Model is applied to test the significance of the variables between the stock market (Market Capitalization, Market Liquidity and Market Volatility) and economic growth (Real GDP). Results show that the relationship between Stock Market Capitalization and economic growth (Real GDP) is insignificant which shows that H1 Stock Market Capitalization affects the economic growth (Real GDP) positively is rejected. In addition to that there is insignificant relationship between Stock Market Liquidity (Turnover Ratio and Total Value Traded Shares) and economic growth (Real GDP), Thus H2 Stock Market liquidity affects the economic growth (Real GDP) positively is rejected. This study also finds that the relationship between Stock Market Volatility (Standard Deviation) and economic growth (Real GDP) is insignificant. So, H3 Stock Market Volatility affects the economic growth (Real GDP) negatively.

Finally the study applied granger causality test to find the directional causality test between the variables. Results show that there is no relationship between the stock market performances and economic growth (Real GDP) in Egypt on the short run and the long run. While it shows that stock market variables can cause each other. Thus, H4 There is a unidirectional causality for stock market performances and economic growth (Real GDP) is rejected. These results conform to the findings of Saba karim (2017), Mona Kamal (2013) and Osama M. Badr (2015) who agree that stock market doesn't contribute to the economic growth.

Recommendations

According to previous studies (Erisan and Olifsayo, 2009), (Saba Karim, 2017), (Sonia Rezina, Nursrat Jahan, and Mohitul Amen, 2017), and (Mishra, 2010) stated that stock market contribute to economic growth as it operates efficiently, it assists in mobilizing surplus funds to productive projects to increase economic growth. This study shows that the Egyptian Stock Exchange is weak, inefficient and doesn't contribute to the Egyptian economic growth. So, the government should reshape and adjust the Egyptian stock exchange through; Investor protection is an important key in the development of stock market as this will increase investors' confidence, Increase market liquidity to encourage the investors to put their surplus funds in long-term projects to boost economic growth, Try to operate the stock exchange in more efficient way through the availability of the information (reduce speculation) in order to invest in more productive projects, Central Bank should define their policies knowing that they may influence on the stock market performance (interest rate) (Dary Dombou, 2017). Finally Increase market capitalization through Encouraging unlisted companies to go through the stock market and Attracting foreign investors (FDI).

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