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ECONOMIC POLICY UNCERTAINTY AND STOCK MARKET DEVELOPMENT IN NIGERIA

Development in global space and Government interference in the day-to-day economic activities as well as stock market forces are responsible for steady spread of economic policies uncertainty (EPU) around the world. Even though uncertainty policies disturb sectors, economic agents respond to this uncertainty policies in different manners, specifically when provoked with an unforeseen shock. In light of this, the aim of the study focused on link between EPU and stock market development proxied with stock traded volume in Nigeria. *Expost facto* research design and quarterly data were employed within data scope year of 2010 to 2023. Finding revealed that economic uncertainty index, money supply, interest rate, crude oil prices significantly affect stock trade volume used as proxied for stock market development. Thus, the study concluded that domestic stock investors should diversified across sectors so as to lessen quantum of risk exposure from unpredictable macroeconomic policies from money supply, interest rate, crude oil prices in Nigeria.

Keywords: crude oil prices, interest rate, money supply, stock market development, uncertainty index.

1. INTRODUCTION

Stock market development is a global phenomenon platform that act as intermediaries' functions from surplus unit to deficit unit as well as finance economic activities of global, developed, emerging and developing economies. Stock market development involves financial deepening and stock market trade volume which enhance financial intermediation process of extending surplus funds to deficit unit or deficit investor. In this study, stock market development is the improvement in stock traded volume and financial investment in stock market (Abdulraheem, Ogbeide, Adeboje, Musa, 2019). Stock market development includes healthier inducements for cautious stock indices monitoring, enhanced risk management procedures, expanded access to financial instruments, and a wider range of options and opportunities to invest in stock market.

Improved stock market development metrics contribute to healthier risk management, transparency, and governance procedures as well as sound financial resource allocation to stock market. Consequently, stock market development promotes economic possibilities

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among economic agents which improved growth likelihoods. Empirical assessment of stock market development and its determinant in Nigeria stated that ratio of stock traded as a percentage of GDP which reflects stock traded depth were between 86.8%, 61.41% and 57.76% for South Africa while Nigeria recorded 57.4%, 40.7% and 47.2% of stock market traded volume within the period of 2020, 2021 and 2022. This indicated that Nigeria had lower stock market traded volume compare with South Africa (World Bank Report, 2022). Despite positive impact of stock market development in an economy, weak institutions or feeble institutional quality operating within the confines of economic policies hampered the stock market development in Nigeria after independence, which had a detrimental effect on the role of financial intermediation platform of stock market. Nonetheless, in spite of government efforts, Nigeria's stock market still not well developed. Nigeria's stock market is either underdeveloped or developing, as seen by the low numbers given for the major stock market development indices value triggered by economic uncertainty.

Economic policy uncertainty (EPU) is the situation of unstable economic policies from the Government. Uncertainty over policies, such as monetary, fiscal, and regulatory policies, is known as EPU. It mostly twigs from probability that existing policies may alter in the future (Danisman, Ersan, & Demir, 2020). EPU focused on unpredictable effects of new policies on the economy and the private sector placed by economy authorities (Ng, Saffar, Zhang, 2020). Nonetheless, the growing uncertainty surrounding economic policy is a crucial aspect that could have a major impact on how well the Nigerian stock market performs. The impact of EPU on the financial sectors of different nations have been a worry for policymakers worldwide since the financial meltdown of 2007–2009. This worry is further supported by researchers such as Baker, Bloom, and Davis (2016), Liu and Zhang (2020), Lo and Rogoff (2015), Nagar, Schoenfeld, and Wellman (2019), and Ozili (2021) which show that global and domestic crises-related slow recovery of both advanced and emerging countries which were caused by uncertainty in economic policy.

EPU is the possibility that the policies in place will change which animatedly determined financial development investors make decisions. Uncertainty over economic policies can obviously cause economic agents to postpone making decisions about investment which may adversely influenced stock market development in Nigeria. This is due to the fact that economic agents would naturally be frugal with their spending and investment decisions when there is uncertainty about economic policy and little to no understanding about the direction the economy will take in the future. There were many sources of EPU in Nigeria ranges from fuel subsidy removal, proposed reconfiguration of bank capital based, unstable oil prices, oil shock, floating of Naira against US dollar, surprising and swift Central bank intervention and uncertain government responses (Ozili, 2021; Salisu, A., Salisu, S., Salisu, S., 2023); all these EPU were also peculiar to Nigeria economy.

According to Bloom, Kose, and Terrones (2013), there are a number of factors that contribute to economic policy uncertainty, including shifts in financial and economic policies, recessions and crises, declines in productivity, natural disasters, terrorism, war, and sharp drops in commodity prices, among others. Nigeria has had a number of occurrences that have caused economic policy uncertainty during the past few periods ranges from terrorism, banditry, the renew hope agenda of president Tinubu administration reform policies, while some of these occurrences were local, others had an international scope; thus, these EPU indices unfavorably to stock market development measures.

The influence of EPU on stock market development measure with stock traded turnover has not received much attention in empirical research conducted within and outside Nigeria; despite the possibility that growing literature on economic policy uncertainty could have a negative effect on stock market development proxied with stock market trade volume. This leaves a significant vacuum or research lacuna in the literature, which this study aims to address. The majority of research studies in the literature have, in fact, primarily concentrated on how EPU affect macroeconomic variables such as exchange rate, All Share Index, interest rate, industrial production and employment (Ahir, Bloom, Furceri, 2022; Al-Thaqeb, Algharabali, 2019; Alawadhi, Alshamali, Alshamal, 2021; Bahmani-Oskooee, Saha, 2019; Riaz, Hongbing, Hashmi Khan, 2018; Zalla, 2016; Arouri, Estay, Rault, Roubaud, 2016; Raulatu, Ugbem, Augustine, Paul, 2019; Ukwueze, Asogwa, Odo, 2018; Salisu et al., 2023). Therefore, there exist empirical gap to the best of researcher's knowledge within and outside Nigeria contexts to investigate how EPU influence stock market development in Nigeria which served as the motivation for this study. In light of the gap identified, the aim of the study focused on effect of EPU and stock market development proxied with stock traded volume in Nigeria. Also, as established by various scholars such as Ng, Saffar, and Zhang (2020), Baker, Bloom, and Davis (2016), Liu and Zhang (2020), Lo and Rogoff (2015), Nagar, Schoenfeld, and Wellman (2019) and Ozili (2021) that circumstances surrounding stock market, economic growth and EPU were negatively influenced by unpredictable shock events and market forces. Thus, this study hypothesized that; EPU may have negative and significantly influence stock market development in Nigeria.

2. LITERATURE REVIEW

This sub-chapter focused on conceptual definition of stock market development proxied with stock trade volume and economic policy uncertainty.

2.1. Stock Market Development

Stock market development is conceptually viewed as way of; (1) collecting and analyzing investments and capital base; (2) enabling financial risk management, and stock trading; (3) pooling savings; and (4) simplifying trade of financial instruments. Thus, this study proxied stock market development from stock market perspective by using stock trade turnover. Stock trade turnover is the volume stock traded and it is measure by Stock traded volume ratio to market capitalization.

2.1.1. Stock Traded Turnover

According to Abdullahi and Fakunmoju (2019), stock turnover is the ratio of the market capitalization value to the financial value of the traded stocks over a given period of time as measured by stock traded volume. Stock market traded turnover is an important indicator for stock market development specifically in the developing stock market like Nigeria. Loukil, Zayani and Omri (2010) accentuated that market information spread boosted investors' patronage which in turn increases stock market turnover. This study employed stock market turnover to measure stock market development.

2.2. Economic Policy Uncertainty (EPU)

Gulen and Ion (2016) defined Economic Policy Uncertainty (EPU) as the inability of economic agents to accurately forecast whether, when, and how the government will alter its current economic policy. The ultimate definition of economic policy uncertainty is the

way in which fluctuations in market development circumstances influence economic decision-making and, consequently, the conduct of economic subjects. EPU can also be traced to political decision-making affecting the behaviour economic agents in Nigeria in present or future decisions. Qijiao (2021) argued that unpredictable decision by Government or economic regulators regarding various sectors in an economy that will determine reaction of populace or consumers is categorized as economic policy uncertainty.

The study constructs an index of economic policy uncertainty (EPU) for Nigeria following the news-based approach developed by Baker et al. (2016). The index is based on news articles published by Nigerian newspapers over the period of 2010–2023. The computed index tracks major Economic, Policy and Uncertainty events in the country, increasing during periods of higher uncertainties around key economic and political developments.

According to Abdullah (2020), EPU arises when an economic agents had insufficient or no knowledge available to predict an economy's future policies. In an uncertain environment, economic agents have limited knowledge of present conditions and potential future outcomes, and policymakers are unable to fully predict anticipated events that may occur. Thus, EPU focused on non-existence of information forecasting of economy path policies. EPU is one of the major issues that is more characterized with developing economies due to unstable economic authorities in making economic decisions.

2.3. Theoretical Framework

This study anchored on real options channel and precautionary savings channel theories; as the both underpinned theories explain how EPU affect financial development via stock market development and economic growth.

- **Real Options Channel Theory**

Bernanke (1983) and Brennan and Schwartz (1985) are the authors of this hypothesis. The genuine option theory is based on the idea that businesses have a series of real alternatives regarding potential investments to make. The value of options associated with non-reversible investments is the subject of the real options channel. In particular, once an investor embarks on an investment that is entirely or partially irreversible, he will incur significant costs should he decide to exit the venture. The economic agent will lose the investment's immediate profits if he decides to postpone it, but he will again have the choice to make the investment or not in the next time. The economic agent will wait to acquire fresh relevant information that might probably help him make a better judgment regarding the investment because he is unable to predict what profits could result from the venture. Therefore, when it comes to hiring and investing in initiatives for which the costs of adjustment always make such an investment costly to reverse, uncertainty makes organizations cautious about what they do (Ogbuabor, Onuigbo, Orji, Ojonta, 2021). Thus, unforeseen circumstances affect investment in an economy.

- **Precautionary Savings Channel Theory**

Carroll and Kimball (2016) connote precautionary saving as the additional savings that emerge from a household's knowledge of future uncertainty that may affect investment. In order to protect themselves against uncertainty, a household can save more money by either cutting back on spending or working longer hours. Precautionary saving is, thus, the response of current spending to future risk based on the current situation. A rise in uncertainty about future income flow leads to an increase in savings when risk aversion is declining (Leland, 1968). Economic agents reduce their consumption and increase their

output in order to protect themselves from impending bad events when faced with uncertainty.

Salisu et al. (2023) demonstrated that a high level of uncertainty about the household's future income distribution leads to precautionary saving. Moore (2016) showed that decreased growth in durable goods consumption and economic uncertainty led to an increase in the household saving ratio. In conclusion, the cautious savings channel may result in an increase in investment and a drop in household consumption. Thus, both real options channel and precautionary savings channel theories explained how uncertainty event determine macroeconomic investment.

2.4. Empirical Review and Gap in the Literature

Though there had been several related studies, however, scholars focusing on how Economic Policy Uncertainty (EPU) affect stock market development proxied with stock trade turnover close to non-existence to the best of researcher's knowledge. However, Gilal (2019) studied the link of EPU on Indonesian stock returns within 2000–2017 while Baker, Bloom, Davis and Sammon (2021) investigate how policy uncertainty affect USA corporate investment. Findings revealed that EPU dejected investment in the USA which encourage precautionary delay due to irreversible investment as well as EPU had inverse effect on stock return in Indonesia.

Also, Bahmani-Oskooee, and Saha (2019) examined irregular influenced of policy uncertainty on stock prices in the USA, Canada, UK, Korea and Japan using the nonlinear autoregressive distributed lag (NARDL). Finding revealed that policy uncertainty has an irregular short-term effect on stock prices in the USA, Canada, UK, and Korea, while all five markets experienced significant long-term impacts of uncertainty. The study also found that rising policy uncertainty has short-term adverse effects on stock returns in the USA, Canada, UK, and Japan, and that lowering policy uncertainty has positive impact on stock prices in Canada, Japan, and the UK. Zalla (2016) investigated how EPU affected stock exchange, interest rate, industrial production and employment in Ireland. The study established that EPU innovation negatively influenced macroeconomic and financial variables. Arbatli, Davis, Ito, and Miake (2017) found that elections, leadership transitions, financial crisis, the USA debt downgrade of 2011, the Brexit referendum, and the recent pronouncement of Japan on consumption tax caused by EPU which in turn reduced employment, investment and output performance in Japan. These empirical studies reviewed above failed to consider crude oil prices, money supply and foreign direct investment in modelling stock market development and EPU. Thus, these variables considered as variables modelling gap among past related studies.

Furthermore, Riaz, Hongbing, Hashmi, and Khan (2018) empirically examined connection between EPU and other macroeconomic variables in the U.S. using the ARDL. It was revealed that stock returns from transportation industry unfavorably influenced by unpredictable economic policies. Abdullah (2020) assessed the impact of EPU on stock returns in a number of Gulf nations of Kuwait, Saudi Arabia, Qatar, Oman, United Arab Emirates, and Bahrain. It was shown that stock returns of these Golf nations were strongly affected by U.S. EPU. Rehman, and Apergis (2019) investigated the association between the sensitivity of EPU and investor's sentiment in Asian and European markets within 1995 to 2015 and their study established that ambiguity around economic policies had adverse reflection on investors' sentiment.

Lastly, Ogbuabor, Onuigbo, Orji, and Ojonta (2021) investigated the influenced of EPU on the Nigerian Stock Market. It was revealed that all-share index and EPU have

a consistent long-term connection with EPU having a major adverse influence on all-share index in Nigeria. Salisu et al. (2023) focused on predictability of the EPU and its connection with exchange rates and stock prices and finding revealed that EPU negatively affected exchange rate and stock prices in Nigeria. Similar studies by Caldara, and Iacoviello (2022) on geopolitical risk, Faccini, Matin, and Skiadopoulos (2021) focused on uncertainty surrounding climate policy, the COVID-19 pandemic-related global fear index developed by Salisu, and Akanni (2020), and the COVID-19 pandemic-related uncertainty model developed by Narayan, Iyke, and Sharma (2021); they all found that geopolitical risk and uncertainty events negatively affected economic growth.

It is evident that past related studies majorly focused on how EPU affects the stock market All Share Index, interest and exchange rates, industrial production and employment among others within and outside Nigeria; but these past related studies failed to investigate how economic policy uncertainty (EPU) influenced stock market development proxied with stock market trade volume. Thus, there exist empirical gap this study intended to fill. Therefore, based on aforementioned empirical reviewed and gap identified, this study developed hypothesis that; EPU has negative and significant influence on stock market development proxied with stock trade volume in Nigeria.

2.5. Conceptual Framework

The conceptual framework below depicted the link influence of EPU and money supply, interest rate, crude oil prices and foreign direct investment as control variables on stock market development proxied with stock traded volume. The diagram below shown conceptual framework or conceptual model reflecting econometric model of the study.

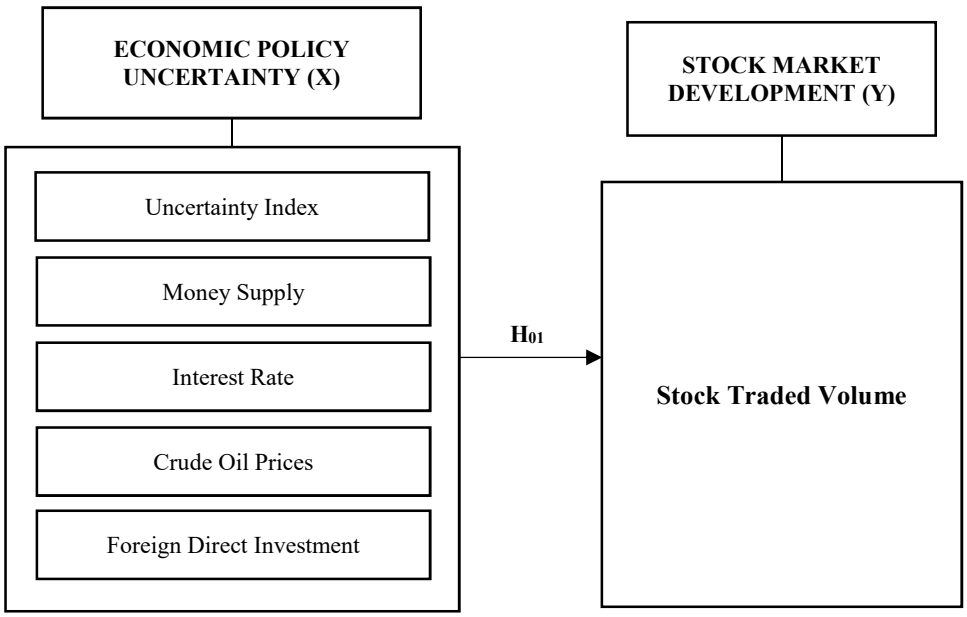

Figure 1. Economic Policy Uncertainty and Stock Market Development

Source: Researcher's Conceptual Framework (2024).

3. METHODOLOGY

This study used secondary source to provide data for the study variables and adopted an *ex-post facto* research design. Quarterly secondary data from the news-based methodology created by Baker et al. (2016) to create an index of economic policy uncertainty (EPU) for Nigeria. The news stories from Nigerian newspapers from 2010 to 2023 form the basis of the index. The calculated index tracks significant events in Economics, Policy, and Uncertainty and the Nigerian Stock Exchange Fact books in different editions from 2010 to 2023 and data were sourced from (https://www.policyuncertainty.com/wui_quarterly.html) and Central Bank of Nigeria Statistical Bulletin. The study carried out unit root tests through Augmented Dickey Fuller (ADF), Phillip Perron (PP) and Ng-Perron unit root tests and the study used Autoregressive Distributed Lag (ARDL) model proposed by Pesaran *et al* (2001) to examine short period, the long run and short run among series. Therefore, the study ARDL model was stated in equation one (1) below;

$$\Delta STV_t = \alpha_{0t} + \sum_{i=0}^{n} \beta_i \, \Delta STV_{t-i} + \sum_{i=0}^{n} \gamma_i \, \Delta EPU_{t-i} + \sum_{i=0}^{n} \delta_i \, \Delta MS_{t-i} + \sum_{i=0}^{n} \theta_i \, \Delta INT_{t-i} + \sum_{i=0}^{n} \vartheta_i \, \Delta COP_{t-i} + \sum_{i=0}^{n} \vartheta_i \, \Delta FDI_{t-i} + \emptyset_1 STV_{t-1} + \emptyset_2 EPU_{t-1} + \emptyset_3 MS_{t-1} + \emptyset_4 INT_{t-1} + \emptyset_5 COP_{t-1} + \varepsilon_t - - - - Equation\ 1$$

Where:
STV = Stock Trade Volume
EPU = Economic Policy Uncertainty
MS= Money Supply
INT = Interest Rate
COP = Crude Oil Prices; and
FDI = Foreign Direct Investment
ε_t = disturbance term.

The above econometric model was adopted from anchored theories and reflect hypothesis developed from empirical review and gap identified.

Table 1. Measurement of Variables

Variable	Proxy	Computation	Source
Dependent Variable			
Stock Market Development	Stock Trade Volume	Ratio of Stock market Trade Volume to market capitalisation	Security and Exchange Commission Report
Independent Variables			
Economic Policy Uncertainty (EPU)	Uncertainty News Index by Baker et al.	Macro -Economic Uncertain Indices	https://www.policyuncertainty.com/wui_quarterly.html

Table 1 (cont.). Measurement of Variables

Variable	Proxy	Computation	Source
Control Variables			
Money Supply	It is M2 – time deposits + money market funds. M3: M2 + all other Certificate of Deposits (CDs) (large time deposits, institutional money market mutual fund balances), deposits of Eurodollars and repurchase agreements. M4-: M3 + Commercial Paper. M4: M4- + T-Bills (or M3 + Commercial Paper + Treasury-Bills)		Central Bank of Nigeria (CBN) Publication
Interest Rate	Prime Lending Rate		Central Bank of Nigeria (CBN) Publication
Crude Oil Prices	Bonny Light crude oil		Central Bank of Nigeria (CBN) Publication
Foreign Direct Investment	Investment Inflow		Central Bank of Nigeria (CBN) Publication

Source: Author's Computation (2024).

4. RESULT AND DISCUSSIONS

The descriptive statistics via Mean, Standard Deviation (SD), Minimum and Maximum values on dependent and independent variables of the study as well as skewness, kurtosis and the Jarque-Bera results were also presented in order to test for normality of data.

Table 2. Summary of Descriptive 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
MS	32724.8	69841.9	20989.8	9432.6	0.73	2.38	8.210	0.407
COP	48.01	98.43	6.43	2.28	0.34	1.45	12.583	0.130
FDI	102.89	784.54	119.78	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

Source: Author's Computations (2024).

The skewness and kurtosis values in table 2 depicted descriptive trend of the study variables. The probability of the Jarque-Bera statistic confirms that Economic Policy Uncertainty (EPU), Interest Rate (INT), and Foreign Direct Investment (FDI) were not normally distributed since probability of Jarque-Bera statistic were less than 5% while Money Supply (MS), Crude Oil Price (COP) and Stock Trade Volume (STV) were normally distributed since the probability of the Jarque-Bera statistic were greater than 5%. Both skewness and kurtosis shown that EPU, INT, MS, COP, FDI and STV trend to the positive side which means that there were increased in MS, INT, EPU, COP, and STV but the high level of corrupt practices and bureaucracy in the Nigeria system could not allow

this positive increment in MS, INT, EPU, COP, and STV reflect in the Nigeria economy as a whole.

Correlation Test

Table 3 depicted correlation coefficient indicates multi-collinearity issues. The correlation coefficients were all significantly below 0.8, signifying that there is no problem of multi-collinearity in the model, according to the results.

Table 3. Correlation Matrix

Variables	EPU	INT	MS	COP	FDI	STV
EPU	1.0					
INT	-0.18	1.0				
MS	0.62	-0.29	1.0			
COP	-0.04	0.04	-0.19	1.0		
FDI	-0.26	0.05	0.62	0.12	1.0	
STV	-0.32	-0.53	0.22	0.72	0.29	1.0

Source: Author's Computation (2024).

The Table 3 above further revealed that there exists connection between the study variables. EPU had negative relationship with INT, COP, FDI and STV which indicated that there is inverse relationship between INT, COP, FDI and STV while EPU had positive connection with MS. This insinuates that uncertainty news on economic and sector matters had negative connections on stock traded volume in Nigeria except MS. This correlation result reflected that despite increase in MS, INT, FDI and uncertainty news (EPU), there is no reflection on stock traded volume in Nigeria and this was resulted from political instability, corrupt practices and lack of political will to take advantage of positive increment of MS, INT, EPU, COP, and FDI.

The table 4 focused on the stationarity reaction of the study variables. The study adopted 5% level of significance for unit root tests.

Table 4. Panel Unit-Root Test for Study

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	0.125	8.735**	1.634	7.094**	1.073	6.329**	I(1)
INT	5.976**	-	2.519**	-	4.834**	-	I(0)
MS	0.850	6.208**	0.423	8.632**	1.043	7.934**	I(1)
COP	1.245	2.525**	0.141	3.276**	0.932	6.231**	I(1)
FDI	3.784**	-	4.178**	-	3.972**	-	I(0)
STV	4.892**	-	4.978**	-	5.021**	-	I(0)

Source: Researcher's Computation (2024) (**) 5% Level of Significance.

Table 4 depicted the unit root of the series for the study variables. There exists a mixed stationarity reaction of the study variables. Thus, Autoregressive Distributed Lag (ARDL) was the appropriate estimate to be employed.

Table 5. F-test results for ADRL bounds co-integration and Critical Values of the ARDL Test

Dependent Variable	**Functional Model**	**F-statistics**	**Cointegration Status**
STV	STV = f(EPU, INT, MS, COP, FDI)	6.421	Cointegrated
Level of Significance	***Lower Bound I(0)***		***Upper Bound I(1)***
1%	1.32		2.86
5%	2.53		3.94
10%	1.30		2.76

Source: Author's Computation (2024).

Table 5 depicted the bound test longrun movement of study variables which shown that F-statistics was 6.421 greater than upper bound I(1) of 3.94, thus null hypothesis of no co-integration among study variables was rejected. This indicated that there exists longrun connection among study variables.

Table 6. ARDL Short Run Error Correction and Long Run Estimates

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
ΔCOP	-0.144	0.007	-3.513	0.000
ΔMS	0.325	0.003	7.151	0.000
ΔFDI	-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
COP	-0.213	0.018	-8.502	0.000
MS	0.482	0.049	9.793	0.000
FDI	0.010	4.237	0.002	0.218
C	-0.001	0.003	-0.185	0.853

Dependent Variable: Stock Traded Volume (STV)

Notes: $R^2 = 0.648$, *Adjusted* $R^2 = 0.627$, *F-statistic = 84.301, Prob(F-statistic) = 0.000 and Durbin--Watson stat = 1.983*

Δ denotes first difference operator

Source: Author's Computation (2024).

Table 6 depicted that short-run ARDL model depicted that EPU had negative and significant influenced on STV (β = -1.625, t-stat = -5.011, P<0.05), and also INT (β = -2.083, t-stat = -6.253, P<0.05), COP (β = -0.144, t-stat = -3.513, P<0.05) had adverse influenced on STV but MS had positive and significant influenced on STV (β = 0.325, t-stat = 7.151, P<0.05) while FDI (β = -0.201, t-stat = -0.186, P>0.05) negative and insignificant influenced on STV short-run. This indicated that EPU, INT, COP, and MS were major determinant of STV in the short run. Likewise, in the long run it was shown that FDI had a positive and insignificant effect on STV (β = 0.010, t-stat = 0.002, P>0.05), while MS (β = 0.482, t-stat = 9.792, P<0.05) and INT (β = 9.704, t-stat = 4.837, P<0.05) had positive and significant influences on STV (β = -1.625, t-stat = -5.011, P<0.05) and COP (β = -0.213, t-stat = -8.502, P<0.05) had adverse and significant impact on STV. The finding implies that uncertainty news, INT, COP and FDI play significant role in STV. The unpredictable information surrounding uncertainty news (EPU) in Nigeria scare away stock investors to invest in the Nigeria stock market which caused declined in stock turnover. In Nigeria, the Central Bank of Nigeria (CBN) continue to increase interest rate which is not attractive to stock investors in Nigeria to borrow more funds from financial intermediators to purchase stock or participate in stock market as well as volatility in COP make stock investors not to invest in quoted oil and gas companies in Nigeria. Thus, priority and sound analysis should be given to EPU, INT, FDI, COP, and FDI in Nigeria which will determined whether an investor should invest in Nigeria stock market or not.

Lastly, Adj.R^2 value is 0.627 indicated that roughly 62.7% of STV variability explained by explanatory variables. With a Prob(F-statistic) = 0.000 and an F-statistic of 84.301, the entire model is statistically fitted and free from serial autocorrelation problem since the Durbin-Watson statistic is roughly 2.0. EPU and other explanatory variables' short-term dynamic impact on STV is investigated, and the results are shown in Table 6 with statistical significance and a negative coefficient of ECTt-1 which indicated that if the variables deviate from the equilibrium level by 1% in the short term, they will return to it at a rate of 67.6% quarterly. Thus, null hypothesis that, EPU does not significantly influenced STV was rejected. Related studies such as Ogbuabor, Onuigbo, Orji, and Ojonta (2021), Rehman, and Apergis (2019), Riaz, Hongbing, Hashmi, and Khan (2018) aligned with this study finding that EPU influenced Nigerian Stock Market via All Share Index, investor's sentiment and stock returns. However, they all failed to established how EPU affect stock traded turnover, thus, there still room for further discussion.

5. CONCLUSION AND RECOMMENDATIONS

Considering finding achieved, the study concluded that EPU determined stock market traded volume in Nigeria. The study employed Baker et al. (2016) Economic Policy Uncertainty (EPU) Index to scrutinize whether and how predominant policy uncertainty, INT, FDI, COP, and FDI stimuli their decision to patronize stock market in Nigeria. To this end, the study creates a novel measure of stock investors exposure to economic policy uncertainty combining with INT, FDI, COP, and FDI in determining stock traded volume or stock turnover in Nigeria. Therefore, stock investors within and outside Nigeria contexts should give maximum consideration to uncertainty news on economic policies, interest rate, foreign direct investment, crude oil prices and money supply before investing in the Nigeria stock market since Nigeria as an economy belong to the category of developing nation with unstable macroeconomic policies and inconsistent in Government policies. Thus, the study recommended that it is imperative for policy makers in Nigeria to guarantee

that potential investors and other economic agents are always aware of the government's policy orientation so as to be guided in their stock investment decision model. This is due to the possibility that the stock market may suffer from the uncertainty brought on by these economic uncertainty issues such as terrorism, farmers/herders clashes, ethnic and religious tensions, exchange rate policies, political tensions and that the Nigerian stock market requires a more stable and investment-friendly environment to thrive which will enhance sound increment in stock turnover and patronage in the Nigerian stock market. Also, domestic stock investors should diversify across sectors in the Nigerian stock market which will lessen high level of risk exposure from unpredictable policies from money supply, interest rate, and crude oil prices which might enhanced stock turnover in the Nigeria stock market.

Suggestion for Further Study

Considering study variables employed in modelling EPU and stock development as control variables such money supply, interest rate, crude oil prices and foreign direct investment. However, there other control variables not employed in this study such as public debt or level of taxes, industrial production or employment among others should be consider in future related studies when modelling EPU and stock market development in Nigeria.

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