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A Review of Money and Capital Markets in the Financial System and, Economic Growth and Development from 1999 to 2016

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ABSTRACT

This study examines the effects of money market and capital markets as business deals of economic landscape maintenance. Money market and capital market are terms used to define or explain the business deals of organisations on the bases of short and long term financial needs transactions. Finance is critical to business analysis in every economy. The world is faced with complexities of how to control and manage money and capital in relation to stock of or supply of money, materials and other assets that can be drawn on by a person, organization or state, in order to function effectively. It is a fact that Nigeria as a society tries to align to the protection of its environment against lack and/or deprivation. This study examines the level, and the indices of business failure or strength for growth, sustainability and stability. Primary and secondary data were used in this research, which aims at discovering appropriate measures to squarely and effectively address economic growth and development through efficient and effective money and capital markets activity. Binary logistic regression and chi-square were applied. The findings reveal that economic growth and development comes from efficient and effective money and capital markets administration and management of any business or market economy.

Keywords: Money market, Capital market, Financial system, Economic Growth, Economic development, Business, Realistic Control and inclusive Development.

CONTRIBUTION/ORIGINALITY

This study contributes to the assessment of the existing level of the understanding of the indices of money market, financial market, in relation to financial economics, and financial law in business analysis. This study projects new aggregate level distinction on research matter analysis of financial economics and law of business in societies, especially for economic growth and inclusive development through efficient and effective money and capital markets activities. It is vital to growth, development, and social tranquility management.

1.0 INTRODUCTION

1.1 Money market

Money market is the trade in short-term loans that take place between banks and/or other financial institutions and other corporate bodies. With money markets financial instruments with high liquidity and very short maturities or tenure are traded. Fixed income securities, like bond function as a body of the fixed income market with money market as a section of the body. Money market is used by those who participate in it as means for borrowing and lending in the short term, with maturities that usually span from one day to twelve months (one year).

Money markets are often used to generate smaller amounts of capital or are simply used by firms as a temporary repository for funds. Companies and governments use money market transactions to maintain their desired level of liquidity on a regular basis.

Money Market Participants

Institutions that take part in the money market include banks which lend to one another and to companies that are qualified for money market funds. Money traded in the money market include, treasury bills, bonds, other commercial papers; commercial papers are popular borrowing mechanism as they are exempt from Security and Exchange Commission (SEC) registration requirements. Money market is limited to financial institutions and organisations or companies that borrow and lend wholesale amounts.

Money market securities or cash investments as it is also called are IOUs (I owe you accounts) issued by governments, financial institutions and large corporations to business that need same for strategy build-ups. It is also a dealer market.

Capital Markets

Capital market is the part of a financial system that is concerned with raising capital (long-term investment fund) by dealing in shares, bonds, and other long term investments. It is market for buying and selling of equity and debt instruments or channeling of savings and investments between suppliers of capital such as retail investors and institutional investors and users of capital such as businesses, individuals and governments. Capital market is a financial market where long term debt or equity-backed securities are bought and sold. A market where buyers and sellers engage in trade of financial securities like bonds, stocks, other debt instruments.

Capital is a critical component of generating economic output, so, capital markets are vital to a viable economy. Capital markets are broad index of markets for buying and selling of financial instruments. There are two categories of financial instruments in the capital markets: equity securities known as stocks, and debt securities known as bonds. Stocks and bonds are issued for medium term and long term periods of one year or more. The capital markets are overseen by the Securities and Exchange Commission.

Apart from the distinction between equity and debt, capital markets are also generally separated into primary markets where stocks and bonds are issued directly from companies to investors, businesses and other institutions, or secondary markets. In the secondary markets are markets for existing stocks and bonds, dealing with exchange of existing or previously issued securities. Primary markets allow companies to raise and trade on capital without or before holding an initial public offering to make as much direct profit as possible.

Equities in the Capital Market

Equity markets are the meeting aggregate for buyers and sellers of stocks. The market where shares are issued and traded, either through exchanges or over-the-counter markets, and it is one of the most vital areas of a market economy, as it gives firms access to capital and gives investors a part of ownership in a firm and a potential to make profit based on the company's future performance.

According to www.businessdictionary.com/definiti... A market that gives companies a way to raise needed capital and gives investors an opportunity for gain by allowing those companies' stock shares to be traded, and also called stock market.

So, equity means, shares (stock), or other securities used by businesses, companies, government, or individuals as money or capital to make profit or as savings.www.investopedia.com/terms/m/moneym. According to Nwele (2014), Financial economics, Business analysis (including Business Economics), and financial law is panacea to inclusive development, social tranquility and peace in nation building.

Business

Business is an entity, organization or economic system where goods and services are exchanged for one another or for money, legally and to make profit, and which is for the interest of the society. It can also be seen as an enterprising entity engaged in commercial, industrial or professional activities, to make profit. Nwele, JO (2014). Every business requires some form of investment and enough customers to whom its output can be sold on a consistent basis in order to make a profit.

Major changes and new emphases have appeared on the development scene of the new world. Societies are opening to debate and markets to individual initiative; privatization and entrepreneurship are being encouraged; new technologies are becoming widely available; management of government services is gradually being relocated closer to the users. Economics tends to bring us to the understanding of realities.

Economics is a branch of business studies that deals with all the aspects of a country's economy, such as how a country uses its resources, the outcome of investing in industries and/or financial products, including how much time labourers spend or devote to work and leisure, the effect of taxation on a population, and why businesses succeed or fail. Nwele (2014)

On the other hand, Financial Economics is a branch of economics that analysis the use of and distribution of resources in individuality, markets, organization or state, in which decisions are made under uncertainty(s). The decisions to be made often considers want satisfying index of stocks, portfolios or the market. The economic theory in use in financial economics evaluates how time and risk with opportunity costs, including relative information can create incentives or otherwise for a particular decision. Rational and irrational behaviors of marketers are part of what financial economics take into account to decision table.

This study addresses critically, the mafia's corruption in societies - The idea here is to diagnose it so we can cure or treat it. Economic development ideally, refers to the sustained, concerted actions of communities and policy makers that improve the standard of living and economic health of a specific locality or society. In the words of Whitney

Sherry, "Economics is the study of the production and consumption of goods and the transfer of wealth to produce and obtain those goods."

Business Analysis

Business analysis is a research discipline through which business needs are identified and solutions determined that improve systems development components for strategic planning that leads to diversification in an organization for growth, development and sustainability. It evaluate actions to improve the operation of a business system, including the organisation's structure and staffing, business rules, policies, information systems and managing changes.

1.2 Law

Law on its own is a body of official rules and regulations, generally found in constitutions, legislations, judicial opinion, and similar provisions that is used to govern a society and to control the behaviour of its members. The Nature and functions of law have varied throughout history. In modern societies, some authorized body such as a legislature or a court makes law. This law is backed by the coercive power of the state, which enforces the law by means of appropriate penalties or remedies, especially as it relates to business dealings and individual or group behaviours. Legislation for behaviour warrants focus upon the legality of an action and not the morality of such action. For the purpose of this study, we shall be talking specifically on fraud, corruption, business, and financial laws.

2.1 REVIEW OF RELATED LITERATURE

Economics explains how people interact within markets to get what they want or accomplish certain goals. Then comes, the micro and macro concept: the individual and industries and then the entire country or international marketplace. According to the Quality Assurance Agency for Higher Education, Economics is the 'study of the factors that influence income, wealth and well-being.' It is a Social Science which incorporates mathematics and statistics as well as having connections with the physical sciences (biology, medicine and Physics) and many other disciplines (politics, law, geography, psychology, etc).Nwele (2014), explained economics as, the study of human behaviour in relation to ends and scarce means, wants and needs, demand and supply, with costs in scales and alternative uses.

2.1.1 Money

Money as a current medium of exchange in the form of coins and banknotes, is any item or verifiable record that is generally accepted as means of payment for goods and services, and repayment of debits within a social community or country. An ideal money has three critical characteristics: medium of exchange, economic good, and a means of economic calculation. Economics explains how people interact within markets to get what they want or accomplish certain goals through exchange system or process, including value assessment.

2.1.2 Financial economics

Financial economics is built on the foundations of microeconomics and decision theory, concerned with interrelation of financial variables, such as prices, interest rates and shares as, opposed to those that concerns the real economy. Its focus is mainly on asset pricing and corporate finance. This means the concept of allocation and deployment of economic resources across time and spatially in an uncertain environment.

2.1.3 Capital as a variable in financial economics

"Although theories of capital are of relatively recent origin, capital itself has existed in civilized communities since antiquity. In the ancient empires of the Middle East and to a larger degree in the Greco-Roman world, a considerable amount of capital, in the form of simple tools and equipment, was employed to produce textiles, pottery, glassware, metal objects, and many other products that were sold in International markets. The decline of trade after the fall of the Roman Empire led to less specialization in the division of labour and a reduced use of capital in production. Medieval economies engaged almost wholly in subsistence agriculture and were therefore essentially non-capitalist. Trade began to revive during the time of the Crusades. The revival was accelerated throughout the period of exploration and colonization that began late in the 15th century. Expanding trade fostered greater division of labour and mechanization of production and therefore a growth of capital. The flow of gold and silver from the New World facilitated the transfer and accumulation of capital, laying the groundwork for the Industrial Revolution. With the Industrial Revolution, production became increasingly roundabout and dependent on the use of large amounts of capital. The role of capital in the economies of Western Europe and North America was so crucial that the socioeconomic organization prevailing in these areas from the 18th century through the first half of the 20th century became known as the capitalist system, or capitalism.

In the early stages of the evolution of capitalism, investments in plant, and equipment were relatively small, and merchant, or circulating capital; that is, goods in transit, was the preponderant form of capital.

If investment appears unpromising of profit, saving still may continue at about the same rate, but a strong "liquidity preference" will appear that will cause individuals, business firms, and banks to hoard their savings instead of investing them. The prevalence of a liquidity preference causes unemployment of capital, which, in turn, results in unemployment of labour - Kemmerer, Donald L (2008).

2.1.4 Law and Business

Formal legal rules and actions are usually distinguished from other means of social control and guides for behaviours such as mores, morality, public opinion, and other instincts of custom and tradition.

2.1.5 Theories of Financial Economics, Law and Management of Fraud in Business

Financial economies uses financial econometrics (which is also a branch of financial economics) to parameterize the relationships between the variables – prices, interest rates, and shares to the consideration of asset pricing and corporate finance; these include current value, expectation and utility. The risk of business disputes, fines, prosecution or being sued may be avoided by the consideration of the business legal obligations and taking early preventive measures to legally manage any business entity.

What the Law Says About Business Fraud

Laws against fraud vary from state to state, and can be criminal or civil in nature. Criminal fraud requires criminal intent on the part of the perpetrator, and is punishable by fines or imprisonment. Civil fraud, on the other hand, applies more broadly to circumstances where bad-faith is usually involved, and where the penalties are meant to punish the perpetrator and put the victim back in the same position before the fraud took place.

3.0 EMPIRICAL ANALYSIS

3.1 Basic management task

Management task as a management action schedule, designed for effective exploit and control of target has five concepts of organizational operation function –Capacity, Inventory, Standards, Coordination and Control. The business of organizations and structure management for standard measurement, capacity utilization and coordinative efforts, and inventory control technique are digital service integration network.

Output ratio and management of capacity

Capacity is often viewed as a relatively straightforward notion and by definition, a complex concept. In determining how many customers a business office or trade unit can handle on specified hours or how many units of product the same organization can produce (or turn out) a day. Capacity outline appraisal is an identification of inputs and resources process management analysis in physical technology and service delivery. The physical technology on its own does not constitute capacity, until it is cross-matched with labour place technology. There are materials necessary for the achievement of productive capacity and forming a vital segment of operations management and fundamental principles on which business operates.

Concept Analysis

The natural effect of consumption, production, and price are incidence of socialism and development, is explained on the highlight of skill requirement in the work place, educational knowledge and training, and the measurement of maximum capacity of factors of production. The effectiveness of control on standard appraisal for comparison and in contrast upon the instrument of production and social enterprises, are the basis, dependent upon which economies grow or fall.

The justification of the convenience in the design and adoption of a common means in marketing exchange (for valuation and devaluation), innovations of barter improvement and abridgement in the trouble of unusual coincidence. The political analysis and assessment of money as a social and artificial convention, the transformation of the goldsmith efforts and inventions, and the banking process evolvement presented an expressional discuss of conventional development and hypothesis of new economic implications and trade relations. Planning, analysis, implementation, control and management are complex components of production.

Economic progress

In the philosophic conceptions of the great economic theories 'Man is the author, the centre and the end of all social and economic life.'

Investment and financial policy

We preach the doctrine of modern prosperity where the processes of enrichment, distribution of wealth which is therefore, the division of outlay between capital investment and earnings, and in relation also to monetary policy are accounted for. It is important to understand that before 1914, monetary policy meant for the most part of nations the concern of the central banks to preserve a stable exchange rate. But since then through wars, their effects and slumps, it has pursued other purpose that has far reaching social effects besides exchange rate stability.

With the great movement of change in the world, the network of relations involving production, distribution and consumption needs to be made as personal as possible because they are links of service between the brotherhoods of man.

In the principles of subsidiary function and relative efficiency our government should be active (and pro-active) to their responsibilities towards private entrepreneurship since the state of an economy determines the condition of every member of that society.

Interest Rate and Pricing

The financial system appropriation as panacea to the achievement of economic stability. With the vastness of system of trial and error of our successive governments in relation to approximations of variable of production and pricing, our grappling or otherwise with consumers votes of the 'Naira' not for a tenure or tenures, but every day in their decision making - using the scale of preference not on what they want, but on their needs.

An appropriated skill of the corporate match in selective variables of comparative result is an imperative scale for building capacity. That is why even children, in the choice world for service delivery learn that 'both' is not an admissible answer to a choice of 'which one.'

According to Nwele (2014), ***'financial system approach'*** is a certified set of objectives that coordinates the productive efforts of capacity. It is a measure of solid values of ***'property investment and wealth management.'*** Financial markets play very important role in the development of economies. Management is the sustaining icon or force and power of decision making, or judgment used in achieving effectiveness, efficiency, and operational excellence.

High interest rate, overhead cost, and inflation are dangerous concepts to economic stability. In context, everything about living has an origin, but in life, there is always a new beginning. Supply and demand are not the ultimate description of the determinant of price. They are merely categorized dragnet for analyzing and describing the numerous cause, force, and factors impinging on price. The relationship between price and supply and between price and demand are mere intricacies of the force of need. The forces of need on the other hand and by realistic expressions when measured on standard are incidentals of liquidity.

The natural effect of production price, and consumption are incidence of socialism and development. System and concept analysis, control and management of business loan and the flow of liquidity is the problem of open market operations and small business relations.

Project Definition in Financial Management

To define a project we may be required to digress a bit from horizontal to vertical of the benchmark indept in social economy, anthropology and econometrics.

A project according to Little and Mirrlees (1974), has been defined as any scheme or part of a scheme where investment of scarce resources can reasonably be analysed and evaluated as an independent unit. Some projects can be of compound units or integrated links, others can be of solitude while another is all encompassing, etc. a number of considerations – technical, economic, human and managerial are involved in the overall context of components assessment of input/output appraisal of projects.

When an inference is drawn on the bases of the nature of a project it is factorized to dimensional benefits discuss, value impact, and framework enumeration.

In the calculation curve analyses of projects the context is all about finance and social value. The value on cost and social benefit is both the rate of discuss and the considerations, depending therefore on the absoluteness of value and exclusiveness.

Every social or economic environment is peculiar and unique on its own, intrinsically by economic and political value appraisal and assessment. The financial statement analysis of projects does as a matter of technicality not follow horizontal framework model, but a double entry framework.

Conventions and concepts

As society and economy develop, the need for common service benefits and marketing arises. These grows as society moves from an economy of peasant agriculture and self-sufficiency to an economy built around division of labour (DOL), industrialization and urbanization. These attracts, contemporary organizational structure and design that are based on two factors – the key variables inside the enclave, and the key variables outside the enclave.

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The conventions are the considerations available within the organograms of the society in review. The considerations are the ease of the essential actions of the force of control on: organization, recruitment, placement, training, industrial relations motivation, cognitive dissonance, and leading. It is variable model in relation to processes of stimuli and the cognitive mediating processes within a social community. It is political science.

At any one time there is a certain state of technical knowledge of an entity and they societte. We need to know how total and marginal costs are related to other cost concepts and how all the costs can be calculated by column presented in clear terms and purpose.

3.2 Financial Economics

Financial Economics as a branch of economics that analysis the use of and distribution of resources in individuality, markets, organization or state, in which decisions are made under uncertainty(s), addresses the issue of prices, interest rates, and shares to the consideration of asset pricing and corporate finance; including current value, expectation and utility, and the calculation of present (or current) value and estimation of future value in decision making process.

3.3 An example of the calculus of financial economics

With a barrel of crude oil selling at $67 US

1. How many products – PMS (petrol), Gas, Engine oil, etc, is contained in 1 barrel of crude oil?
2. How many litres of petrol comes out of a barrel of crude oil that is refined?
3. How many litres of gas, engine oil, etc, comes out of 1 barrel of crude oil that is refined?
4. What is the Naira value of all the products: PMS (petrol), Gas, Engine oil, etc, that comes out of a barrel of crude oil that is refined?
5. What is the unit price per litre of petrol calculated from the total cost of getting the product to Nigeria (or when refined in Nigeria)?
6. What is the cost of the other unit products that comes out of the crude oil as a compound product when put in naira value, etc.

In neoclassical economics (or real business economics) you will sum up the calculus of the sub units of the oil and gas, subtract the total of all expenditure from the total of all sales accruing, to get the result of whether there is a business profit or loss. This is relayed by communication economics, to the political economy via development economics in the orbit of inclusive analysis and social decorum.

Today, with most economy functioning but sluggish, politicians of those nations are battling to get the next course of action; The solution to this problem was the concept of business and the basis of macro economic theory that was established by John Maynard Keynes in 1936.

Keynes – a British economist found that classical economics failed to explain prolonged unemployment and recessions, so he proposed the examination of the economy as a whole to find the answer, and what he discovered was that businesses and individuals hoard cash during tough times, restricting the supply of cash available to satisfy demand through consumption – This causes a surplus of goods and labour and slows economic recovery.

For example, how do we handle activities that have to do with business and economic policy relationship with financial management, including communication economics and politics? How do we solve the many problems of resource mobilization and inclusion for inclusive growth of an economy? A strategic management approach has been advanced on divergent process to galvanize the intellectual properties of all commercial and non-commercial orders of societies, in scope analysis that meet the aspiration of various academic levels.

A rational behaviour decision-making process is concerned with making of choice that results' to the most optimal level of benefit or utility for the individual or organization. In most conventional economic analysis the ideal situation is what comes into play - that is the assumption that all individuals or group taking part in an activity are involved in rational behaviour. The indices of financial economics management include but not limited to capital rationing – (placing restrictions on the amount of new investments or projects to be undertaken). This also appraises the level of commitment to the allocation of available fund across the individual or organizations' multiple investment opportunities.

All these are in the summary of the analysis of Adam Smith, Karl Marx, John Keynes, to say that economics shapes the world of business.

Transparency, i.e. the part of communication economics that informs well on shady deals, week enforcement of rules and illicit practices that undermine good governments and governance including ethical business operations and the society, is an attribute of business prudence that guides a developing society, to economic growth and development.

4.0 DISCUSSION

As I was writing the report of this research, world leaders gathered in Hangzhou for the 11th G20 Leaders Summit from September 4 to 5, 2016. China ratified the Paris climate change accord and US expected to do the same later in a joint stand against global warming by the world's two biggest polluters. At least fifty-five countries were involved in this meeting of greenhouse gas emissions.

My analysis of the 'prone' and 'cons' of the world's environment management today and by implication, the fight against fraud, and corruption for prudency in financial economics and business order in Africa (and Nigeria) is that, positive change in the character of African leaders and public officers is a vital tool to social tranquility and value stability. There is a great need for public office holders to eschew greed and envy, which causes fraud, corruption, abuse to the rule of law, financial disorder, and business failure. All these attributes and variables make up the factors that lead to economic recession and orgy of political crisis.

5.0 CONCLUSION

The perspective of corruption encompasses undue influence over public policies, institutions, laws and regulations by vested private interests at the expense of the public interest. Cultural change, rather than legal change is necessary to impede corrupt behaviour.

Political Corruption, when the laws and the regulations are abused by the rulers, side-stepped, ignored, or even tailored to fit their interests. That is by interpretation, when then the legal bases, against which corrupt practices are usually evaluated and judged, are week and further subject to ridicule, encroachment, and downright by the rulers, needs to be properly checked and prudently controlled in Africa (and in particular – Nigeria) for inclusive development to take its place in governance. We need to use experts in {Cyber security} to fight fraud and corruption that occur through cybercrime.

5.1 Recommendations

Collective bargaining, communication and consultation, grievance resolution, discipline, sound mechanisms for communication and participation; a safe and effective work environment, developing mutual trust in their reliability is recommended. African leaders (and Nigeria in particular) need to be visionary and creative, with inclusive growth to achieve inclusive development and stability.

To African leaders (and Nigeria in particular) – "there is a latin phrase: "Magna estveritas et praevalebit," – Meaning; great is the truth and in the end it will prevail.

Our leaders should learn that there is a moral order in the world and, anyone who breaks this moral order comes to disaster in the end. According to Froude JA…. , history is, "a voice sounding across the centuries, that in the end it shall be well for the righteous and ill for the wicked."

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