EASE OF DOING BUSINESS AND CAPITAL MARKET DEVELOPMENT IN A DEMAND FOLLOWING HYPOTHESIS: EVIDENCE FROM ECOWAS

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Abstract: Capabilities of African businesses in a transformative role in solving the continent's challenges are underestimated and misunderstood. This study examined ease of doing business and financial development from a demand following hypothesis in the West African sub-region, employed Structural Equation Model covering the period of 2004 - 2017. Ten ease of doing business indicators and five distinct financial (capital market) development variables from the World Bank database were used. Findings indicate weak demand following the hypothesis of capital market development: positive and negative, depending on the measure of capital market development from the ease of doing business for West African countries majorly because of inadequate electricity. The indirect effect of the construction permit, property registration, access to credit, minority investors' protection and cross-border trading are indirectly significant to capital market development while starting a business, tax-paying, contract enforcement and settling insolvency are insignificant. The study recommended roadshow by West African capital markets to improve the listing of companies and the government should improve on the electricity supply.

1. Introduction
Investment into regions of a prosperous trade economy is a contemporary area of study in the literature on the Discussions of possibilities of growth. An improved investment environment and private sector performance coupled with improved indicator and parameter will fascinate investment into such an environment

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(Corcoran & Gillanders, 2015; Morris & Aziz, 2011). Leke and Signé (2019) opined that the capabilities of African businesses in the transformative role of solving the challenges of the continent (infrastructural gap, unemployment, and poverty) are underestimated and misunderstood. The continent's growing population and markets are an imperative opportunity for business (agricultural and resource wealth) coupled with increasing digital and mobile access.

The challenges of illiquidity, and the process of trying to boost the depth and liquidity of the African capital market (Yartey & Adjasi, 2007), has led to increased cross-border listings through broker-dealer deeds, from the fund manager and private equity funds within and outside economic confederacies of East African, Economic Communities of West African States (ECOWAS), and South Africa. Examples of the sub-regional initiative are the South African Development Community (SADC), East African Community (EAC) and West African Monetary Institute (WAMI) with active capital market integration programs.

West African Capital Markets Integration (WACMI) scheme was inaugurated in 2013 for the harmonization of trading and issuance of financial securities and the regulatory environment through the West African sub-region. The scheme was expected to pass through three stages. First is the physical stage where the relationship at the regulatory level between member countries is recognized and formalized. Second is the logical stage where qualified brokers will receive a common passport accepted by member securities exchanges and Securities Commissions and Depositories (CSDs). These brokers can participate in the West African market jurisdiction as Qualified West African Brokers (QWAB). The third is the integration stage where all member state exchanges will be linked as West African Securities Market (WASM) in virtual form for QWABs.

Investors prefer less uncertain economic environments for their investment (Kelsey & le Roux, 2018). Therefore, the West African business environment should be competitive through technologies and participation in West African jurisdiction and ultimately in foreign markets.

Capital market is important in boosting conditions for doing business, favorable financial accessibility will positively and especially boost externality for business development (George, Rao-Nicholson, Corbishley, & Bansal, 2015; Im & Sun, 2015). Capital is attracted through the business formation from investors with a pool of new capital to transform new ideas into production processes which allow investors to share benefits from the business (Asongu & Odhiambo, 2019).

Stock market development breeds an enabling environment for economic growth, but African stock markets are illiquid and small and are characterized by the infrastructural gap and frail regulatory institutions (Yartey & Adjasi, 2007). Financial development is determined by growth in the economy through business innovation and led to increased demand for a financial instrument that grows the

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financial sector (Calderón & Liu, 2002; Robinson, 1952). This is known as the demand following or growth-led finance hypothesis, which proposes causality to financial development from the economic activities of businesses. Innovation is costly and a risky activity that has a strong link with the provision of financial services (Dabla-Norris, Kersting & Verdier, 2012). Therefore, there is the need for demutualization, regional integration and automation, attracting foreign and institutional investors, regulatory and supervisory improvements, among others.

As a result of the foregoing problem statement, this study examined the ease of doing business variables (as provided by the World Bank database) and financial development through the capital market from a demand following hypothesis in the West African sub-region. Determining factor of stock market development has been captured in previous studies (Garcia & Liu, 1999; Yartey, 2007; Bekaert, 1995; La Porta et al., 1999; Demirguc-Kunt & Maksimovic, 1996) to include domestic savings and investments, quality of legal and political institutions (law and order, democratic accountability, bureaucratic quality), strong shareholder protection (especially minority rights protection) among others. These variables and more are captured in the ease of doing business index and are used in this pioneering study to examine the ease of doing business and financial development through capital market demand following in ECOWAS countries.

The supply model has been tested in many studies (Enisan & Olufisayo, 2009; Bundoo, 2000; Asongu, 2015; Christopoulos & Tsionas, 2004; Choong, Yusop, Law & Sen, 2003; Adeyeye, Fapetu, Aluko & Migiro, 2015) while the simultaneous study of both demand and supply model (Mlambo & Biekpe, 2003; Calderón & Liu, 2002; Chow, Vieito & Wong, 2019) are also numerous. The holistic study of the demand model is scanty in the literature. In the same vein, studies on ease of doing business (Khan, 2019; Ani, 2015; Corcoran & Gillanders, 2015; Ani, 2015) are presently germane to academia and policymakers. The majority of the studies make use of various econometric methods of analysis but there is no study about ease of doing business on capital market development.

This study bridges the gap (in literature and methodology) by examining demand following the hypothesis of financial development through the contemporary issue of ease of doing business using the structural equation model. The following part of this study is divided into section 2 which explains the literature review, section three is about methodology, and section four discusses the result and findings while section five provides the summary, conclusion and recommendations.

2. Literature review

The market-oriented economy should pronounce policies that will enable entrepreneurs to do business domestically in order to achieve an export-focused economic development (Asongu & Odhiambo, 2019; Kelsey & le Roux, 2018).

The elements that connect ease of doing business and economic development according to Adu-Gyamfi, Kuada and Asongu (2018) include opportunities of employment, wealth sharing and creation among others. Ease of doing business contributes to the advancement of living standards and generates capital through entrepreneurial innovations that are environmental-friendly (Alvarez, Barney & Newman, 2015; Bruton, Ahlstrom & Si, 2014).

In order to address unbalanced regional development, entrepreneurs should be provided with motivations to localize and grow businesses in less developed regions (Qian & Jung, 2017). Capital is attracted by numerous shareholders for doing business which ultimately leads to wealth formation and sharing by shareholders. The significance of institutions in advancing environments for doing business is a positive externality for business development (Autio & Fu, 2015; Im & Sun, 2015).

The ease of doing business report measures the business regulatory environment of an economy. It was introduced in 2003 covering 145 economies but has expanded to 190 economies worldwide. Ease of doing business is a combination of the index based on ten factors which are: starting business, construction permit, getting electricity, property registration, access to credit, and minority investors' protection. Others are tax-paying, cross-border trading s, contract enforcements and settling insolvency. The ease of doing business elements seem to address the anxieties of multinational companies before deciding to invest in an overseas country (Morris & Aziz, 2011).

The African Exchanges Linkage Project (AELP) is Africa's most hopeful capital market integration initiative which took a cue from the West African Capital Market Integration (WACMI) project. Motivated by Africa Securities Exchanges Association (ASEA), backed by a formal partnership with the African Development Bank (AfDB) and was officially launched in 2015. The focus of the AELP is to link some developed and vibrant Africa exchanges, open access to trading across exchanges, sharing market information amongst exchanges, as such providing access to a profound pool of liquidity for investors. The participating exchanges include the Casablanca Securities Exchange, Johannesburg Stock Exchange, Nairobi Securities Exchange, Nigerian Stock Exchange, Stock Exchange of Mauritius and Bourse Régionale des Valeurs Mobilières SA.

West African Capital Markets Integration (WACMI) Project was inaugurated in 2013 with its first cross border trade in 2015. The WACMI was established to provide a coordinated regulatory environment in the West African sub-region purposely for issuing and trading of financial securities across borders. WACMI has been an inspiration for the development of capital market integration across Africa. The participating exchanges of WACMI are the Nigerian Stock Exchange (NSE), Ghana Stock Exchange (GSE), and the Bourse Regionale des Valeurs

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mobilieres (BRVm). BRVm is a regional exchange located in Côte d'Ivoire (Ivory Coast) covering Benin, Burkina Faso, Guinea-Bissau, Côte d'Ivoire, Mali, Niger, Senegal, and Togo.

The integration program of WACMI is faced with some challenges as all integration projects experienced, these challenges include, among others, unequal distribution of resources, political dimension, the uncommon currency for the region (CFA, Naira, Cedi) which is being addressed with the introduction of ECO as a common currency for the West African Monetary Zone (WAMZ) language differences (i.e. English, French and Portuguese) which is addressed with the use of language decoders.

The enormous and assorted populations explain the consumer base with noteworthy domestic savings and investment potentials. Therefore, successful integration of key African capital markets can hasten up development and harmonize regulations for the domestic financial system and increase opportunities for risk diversification and innovation. In addition, WACMI will improve financing access for businesses and entrepreneurs in SMEs through a reduction in the cost of raising capital from various choices of financial products.

Theoretically, the Economic Development theory by Schumpeter (1934) is obviously a dominant economic text, while the book is not focused on regions but repeatedly made references to national dissimilarities. The theory forms the theoretical inclination for this study on the role of ease of doing business and entrepreneurship in regional financial development. The startup is an important development and backdrop of innovation activities (Spender, Corvello, Grimaldi, & Rippa, 2017).

Schumpeter (1934) concludes that innovations (commercial application of ideas or inventions) are a source of growth. Sources of growth (innovation) cover areas such as the introduction of new goods or quality of goods; new method of production; new market opening; new source of the raw material supply chain or work-in-progress goods; and opening of new business of any industry (creation or break up of a monopoly position). The commercialization of inventions and entrepreneurial opportunities will aid economic development (Fritsch, 2017).

Borlea et al. (2016) conclude that there exist correlations between financial markets and economic development in some regions while there exists no short, medium nor long term connection between financial markets and economic development in other regions. Developing countries and Sub-Saharan Africa exhibit a maximum correlation between the financial market and economic development irrespective of the financial market indicator used.

Economic development theory involves two (2) models: the demand model and the supply model. The demand model explains the idea of financial innovation as a function of market demand for financial services (Khraisha & Arthur, 2018). The

financial sector development is expedited by the real sector growth of the economy. The argument is that financial markets effectively respond to the changes and demand for certain financial mechanisms and activities (Enisan & Olufisayo, 2009). The supply model argued that well-functioning financial mechanisms and activities will stimulate the efficient allocation of resources through mobilization and the channelization of limited resources. The provision of trading and risk diversification opportunities will lead to reduced cost of resource allocation and increased specialization. In addition, for the mobilization of resources from the surplus unit to the deficit unit, the financial sector is expected to play a major role and promote efficient allocation, leading to the growth of other economic sectors.

Empirically, several studies conducted to examine the ease of doing business focuses on foreign direct investment (Kofarbai & Bambale, 2016; Corcoran & Gillanders, 2015; Morris & Aziz, 2011), while others focus on economic variables and growth (Khan, 2019; Ani, 2015). Studies (Gillanders & Whelan, 2010; Djankov, McLiesh & Ramalho, 2006; Djankov, McLiesh & Shleifer, 2007; Jayasuriya, 2011) have shown that ease of doing business together with its constructs is a good measure of development.

Corcoran and Gillanders (2015) find that ease of doing business rank, determined by the ease of cross-border trading s component, is highly significant to foreign direct investment (FDI) of middle-income countries, but not for low-income countries. Klapper, Laeven and Rajan (2006) in a study of a comprehensive database of European firms, find that entry regulations are significant to the number of new firms created. Similarly, Barseghyan (2008) in cross-country income differences employed the instrumental variable regressions, which shows that the high cost of entry leads to lower output per worker and subsequent low total factor productivity.

Jayasuriya (2011) examined ease of doing business and foreign direct investment between 2006 and 2009, using Arellano-Bond dynamic panel estimators and finds that doing business rank is significant to foreign direct investment in an average country but not significant for developing country. Bruhn (2011) examined the simplified business entry regulation's reform in Mexico, Using micro-level data, indicates that reform had led to an increase in the number of registered businesses in Mexico. Morris and Aziz (2011) find that property registration and cross-border trade are correlated to foreign direct investment for the combined sample of sub-Sahara African and Asian countries for the period of 2000-2005, while numerous ease of doing business construct correlate with foreign direct investment for separate samples of sub-Saharan African and Asian countries.

Asongu and Odhiambo (2019) studies the link between ease of doing business and economic development in Africa and finds that problem of doing business in Africa is attributable to the cost of starting business; inadequate energy and electricity;

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poor access to finance; high tax rates and low cross-border trading activities. Ease of doing business exhibit a positive significant effect on international trade and also mediate public governance and international trade relationship (Khan, 2019). More than average variation (56%) in foreign direct investment is caused by the construct of ease of doing business in sub-Saharan African countries with protecting minority investors, trading across borders and resolving insolvency been statistically significant (Nangpiire, Rodrigues & Adam 2018). Kofarbai and Bambale (2016) showed that the business environment and investment climate are significant to the ease of doing business in Nigeria.

3. Methodology

This study employed the Structural Equation Model (SEM) to analyze the data covering the period of 2004 - 2017. SEM was used to test the causal hypothesis of the demand model of financial development as stated by the theory of economic development. The study used secondary data obtained from the World Bank ease of doing business database and financial development database. SEM has the ability to model multiple dependent and independent variables deals with multicollinearity among the independents, robustness in the presence of missing data and data noise and can measure the direct and indirect relationship between dependent, independent and moderating variables (Garson, 2016). Path modeling is used to test and validate theoretical development (Hinseler, Ringle & Sinkovics, 2009)

The ease of doing business database consists of ten (10) determinants namely: getting electricity, settling insolvency, access to credit, stating business and minority investors' protection. Other determinants are construction permits, registration of property, paying tax, contract enforcement and trading across the border. The financial development indicator that is extensively used in literature is the ratio of liquid financial liabilities to GDP (King & Levine 1992; 1993), but as a result of the formation of capital market in emerging and developing economies, the use of market capitalization divided by GDP, values of a listed share divided by GDP, stock market turnover and others are being added to the list of financial development indicators (Von Furstenberg & Fratianni, 1996; Demirgtic-Kunt & Levine, 1995). The demand model states that the utilization of the economy productively leads to financial development. Robinson (1952) argues that "venture drives, finance follows" which simply means that financial development is expected to respond to the demand of venture capital for financial services.

The study used financial development indicators for West African countries with an active stock market. The study note that there are sixteen (16) countries that forms the West African block but only three (3) countries have active stock market (Nigerian Stock Exchange, Ghana Stock Exchange and The Bourse Régionale des

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Valeurs Mobilières SA). The Bourse Régionale des Valeurs Mobilières SA (BRVM) is a stock exchange located in Abidjan, Cote d'Ivoire serving eight (8) francophone West African countries (Benin, Burkina Faso, Guinea Bissau, Côte d'Ivoire, Mali, Niger, Senegal and Togo). All the ten (10) ease of doing business indicators for the three West African countries was used. The data were screened for missing data and tested for model fit.

The variables used for this study exhibit missing data and the missing data were replaced using multiple imputation (regression method) technique to correct this problem. This is because in order to model direct and indirect relationships, SEM model using SPSS-AMOS will not compute the estimates when there is missing data in the variables.

The data that were used to represent stock market development are Stock market capitalization to GDP (%), Stock market total value traded to GDP (%), Gross portfolio equity assets to GDP (%), Stock market turnover ratio (%) and Number of listed companies for every 1,000,000 people. The financial development indicators were selected based on availability in the 2019 World Bank financial development indicator for the country of interest in this study.

Five models were developed for this study, with the use of the five (5) distinct variables that are available to examine the demand following the hypothesis of the financial market to the Ease of doing business in ECOWAS capital markets.

Measurement model

The measurement model of this study relied on the demand following the hypothesis of the theory of financial development and economic growth. Figure 1 represents the measurement model, showing variables and the interrelationship.

Starting Business (SB) measures the variation between the performances of an economy against the regulatory best practice on Starting Business indicator components; Construction permit (DCP) represents the inconsistency between the economy's procedures and regulation of best practice on Construction permit indicator constituents; Getting Electricity (GE) shows the change between the performances of an economy and the regulation of top exercise on getting electricity indicator mechanisms; Property registration (RP) indicates the difference between economy's practices and the highest practice regulations on property registration indicator modules; Getting Contract (GC) processes the discrepancy among an economy's arrangements and the guideline of best practice on getting contract indicator tools.

Minority investors' protection (PMI) measures the contradiction between the techniques of an economy and the standard best practice on minority investors' protection indicator units; Tax paying (PT) measures the variation between the performances of an economy and the regulation of best practice on tax-paying

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indicator components; Cross-border trading (TAB) represents the inconsistency between economy's procedures and the regulation of best practice on cross-border trading indicator constituents; Contract enforcement (EC) shows the change between the performances of an economy and the regulation of top exercise on contract enforcement indicator mechanisms; Settling insolvency (RI) indicates the difference between economy's practices and the highest practice regulations on settling insolvency indicator modules.
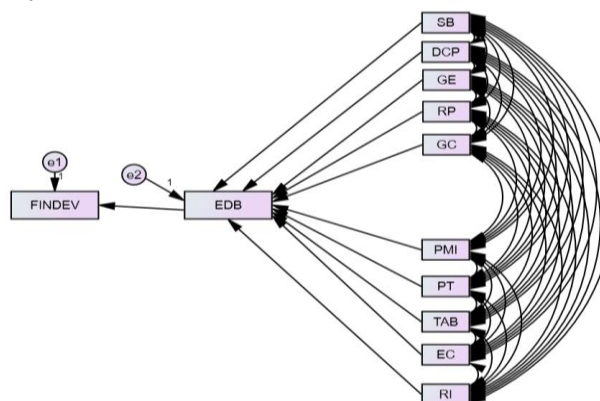

Figure 1 Measurement Model for Ease of Doing Business and Capital Market Development
Source: Author's Conceptualisation, 2020

These are all the measures of Ease of Doing Business (EDB) according to the index published by the World Bank. Ease of doing business is the difference between the performances of an economy against the ratio of best practice of forty-one indicators for the ten Doing Business measures. The scores range from 0 to 100 signifying the lowest and top regulatory performance respectively.

FINDEV means Financial Development (Capital market) and it was proxy in the five (5) models of this study with Stock market total value traded to GDP (SMVT) is the aggregate worth of shares traded in a stock exchange as a percentage of GDP; Stock market capitalization to GDP (MCAP) is the summative value of all shares listed in a stock exchange as a percentage of GDP; Gross portfolio equity assets to GDP (GPE) is the gross portfolio equity assets ratio to GDP. Equity assets comprise of shares, stocks, participation, and related documents such as American depositary receipts that represent equity ownership; Stock market turnover ratio (SMKTO) is the aggregate share value traded throughout the period divided by the average market capitalization for the period; and Number of listed companies for every 1,000,000 people (LISCOM) is Number of locally incorporated companies listed on the country's stock exchanges at the end of the year for every 1,000,000

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people excluding investment companies, mutual funds, or other shared investment vehicles. All sourced from the World Bank global financial development database of 2019.

4. Results and discussion

The fit measurement of the five models as shown in table 1 indicates the fit of the data to the model using χ^2 (10 and 9 after modification of the model) = 111.573 and 29.731 (model a and modification of model a), 125.549 (model b), 68.424 (model c), 38.361 and 28.153 (model d and modification of model d) and 124.421 and 69.265 (model e and modification of model e) with all models having $p = 0.000$. This indicates that the model is significant at 5%, which means that the model exhibits misfit between the covariance matrix of observed data and the implied covariance matrix of the model. However, it is expected that the model fit of the chi-square test is affected by the sample size.

Byrne, (2001, 2010) and Hair, Black, Rabin and Anderson (2014) suggest that other model fit measures be used with the chi-square measure. Therefore, Table 1 shows the result of the other fit measures used in this study.

Table 1 Model fit measurement

Models	IFI	CFI	NFI	RMSEA	CMIN/DF
1 a	0.854	0.841	0.842	0.497	11.136
b	0.970	0.967	0.958	0.237	3.303
2	0.837	0.823	0.826	0.531	12.555
3	0.910	0.902	0.896	0.377	6.842
4 a	0.955	0.950	0.940	0.263	3.836
b	0.969	0.966	0.956	0.228	3.128
5 a	0.843	0.830	0.832	0.528	12.442
b	0.918	0.911	0.906	0.404	7.696

Source: Author's Computation, 2020

Table 1 shows the model fit measures of IFI (Incremental Fit Index), CFI (Comparative Fit Index), NFI (Normed Fit Index), RMSEA (Root Mean Square Error of Approximation) and CMIN/DF (Minimum Discrepancy). In model 1a, where SMVT (Stock market total value traded to GDP) was the measure of FINDEV demand following to EDB and its components, the fit index indices of IFI, CFI and NFI are close to the threshold of 0.9 at 0.854, 0.841 and 0.842 respectively while the RMSEA and CMIN/DF are above the threshold. The modification indices as suggested by the system were applied and the fit parameter as shown in model 1b, indicates IFI, CFI and NFI with higher figures than the threshold (0.09) while the CMIN/DF also indicates 3.303, which was within the

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recommended < 5 points. This indicates that model 1 suggests a good fit but not with RMSEA.

Model 2 shows the response of FINDEV in the form of MCAP (Stock market capitalization to GDP) to the demand of EDB and its modules IFI, CFI and NFI are 0.837, 0.823 and 0.826 respectively while RMSEA and CMIN/DF are 0.531 and 12.555 respectively. The system did not suggest any modification indices therefore, model 2 suggests a good fit with IFI, CFI and NFI but does not fit with RMSEA and Minimum Discrepancy. The GPE (Gross portfolio equity assets to GDP) response as a measure of FINDEV to demand of EDB and its components is shown in model 3 with IFI (0.910), CFI (0.902), NFI (0.896), RMSEA (0.377) and CMIN/DF (6.842) indicating good fit with IFI, CFI and NFI but not a good fit with RMSEA and CMIN/DF.

Model 4a used SMKTO (Stock market turnover ratio) as a measure of FINDEV demand following to EDB and its mechanisms, the fit indices of IFI, CFI and NFI are greater than the threshold of 0.9 at 0.955, 0.950 and 0.940 respectively while the RMSEA (0.263) is above the threshold but the CMIN/DF was within the recommended < 5 points (3.836). The system suggests modification to the model which was applied and shown in model 4b IFI (0.969), CFI (0.966), NFI (0.956) greater than the threshold (0.09) with the CMIN/DF of 3.128 within the recommended < 5 points. This indicates that model 4 shows a good fit but not with RMSEA.

Model 5a shows the demand following FINDEV in the form of LISCOM (Number of listed companies for every 1,000,000 people) to EDB and its tools IFI, CFI and NFI are 0.843, 0.830 and 0.832 respectively while RMSEA and CMIN/DF are 0.528 and 12.442. The system suggests modification indices and therefore, model 5b shows the result of the modified model 5b with IFI, CFI and NFI 0.918, 0.911 and 0.906 respectively with RMSEA and Minimum Discrepancy of 0.404 and 7.696. This specifies that model 5 exhibits good fit but not with RMSEA and Minimum Discrepancy.

The model fit measures are guides and do not guarantee a correct model, therefore, in order to attain model goodness of fit, the theory that is being verified should not be compromised (Hair, et al 2010). Thus, the study aimed to examine the demand following the hypothesis of financial development and economic growth. Finally, model fit measures do not debunk the hypotheses as some of the model fit measures indicate the goodness of fit while SMKTO (Stock market turnover ratio) is shown as the best model fit of financial development in ECOWAS sub-region.

4.1. Analysis and discussion of structural models
The result of model 1a and b is shown in table 2a and 2b. In model 1a, the standardized and unstandardized estimates indicate that construction permits,

registration of property, access to credit, promoting minority investors and cross-border trading are positively and statistically significant to ease of doing business in ECOWAS countries while getting electricity is negatively and statistically significant to ease of doing business. Starting a business, tax-paying and settling insolvency is positive and insignificant to ease of doing business in ECOWAS while contract enforcement is negative and insignificant to ease of doing business. Ease of doing business is positive and statistically insignificant to financial development measured by the Stock market total value traded to GDP (SMVT) in ECOWAS.

The square multiple correlation estimate in table 3a indicates 0.009 variations in Stock market total value traded to GDP is explained by the ease of doing business and statistically insignificant while 0.969 variations in ease of doing business are explained by the ease of doing business indicators and statistically significant. The intercept indicates that holding ease of doing business modules constant, ease of doing business in ECOWAS countries with the active stock exchange will be statistically significant at 8.999. Holding ease of business constant, financial development measured by the Stock market total value traded to GDP will be 0.510 and statistically insignificant in ECOWAS countries with active stock exchanges.

Table 2a Regression Weights
(Standardised and Unstandardised Estimates for Model 1a)

Variables			Unstandardized Estimate	S.E.	C.R.	P	Standardized Estimate
EDB	<---	SB	.002	.032	.073	.942	.005
EDB	<---	DCP	.191	.045	4.273	***	.284
EDB	<---	GE	-.294	.095	-3.084	.002	-.443
EDB	<---	RP	.363	.052	7.033	***	.791
EDB	<---	GC	.142	.026	5.386	***	.302
EDB	<---	PMI	.221	.046	4.818	***	.323
EDB	<---	PT	.023	.074	.308	.758	.031
EDB	<---	TAB	.281	.055	5.069	***	.426
EDB	<---	EC	-.047	.037	-1.273	.203	-.064
EDB	<---	RI	.069	.062	1.126	.260	.064
SMVT	<---	EDB	.012	.019	.621	.534	.097

Source: Author's Computation, 2020

Table 3a Intercepts and Squared Multiple Correlations for Model 1a

	Intercept Estimate	S.E.	C.R.	P		R^2 Estimate
EDB	8.999	3.360	2.679	.007	EDB	.969
SMVT	.510	.929	.550	.583	SMVT	.009

Source: Author's Computation, 2020

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Table 4a Indirect Effects Estimate and Two-Tailed Significance of Ease of Doing Business Modules and Stock Market Total Value Traded to GDP for Model 1a

	RI	EC	TAB	PT	PMI	GC	RP	GE	SB	DCP
SMVT	.001	-.001	.003	.000	.003	.002	.004	-.003	.000	.002
Two-Tailled Significance	.312	.237	.359	.753	.324	.346	.359	.443	.652	.251

Source: Author's Computation, 2020

Table 4a indicates the indirect effect estimates and the significance of ease of doing business modules on the Stock market total value traded to GDP as a measure of financial development in ECOWAS capital market. The result shows that all the modules of ease of doing business have statistical insignificance indirect effect on the Stock market total value traded to GDP. This shows that there exists no demand following the hypothesis of the capital market in ECOWAS to ease of doing business.

Table 5 Covariances (Modification Indices)

			M.I.	Par Change
e1	<-->	TAB	4.263	1.207
e1	<-->	GE	6.347	-.854
e1	<-->	e2	16.035	.830

Source: Author's Computation, 2020

Table 2b Regression Weights
(Standardised and Unstandardised Estimates for Model 1b)

			Unstandardized Estimate	S.E.	C.R.	P	Standardized Estimate
EDB	<---	SB	.011	.011	1.000	.317	.023
EDB	<---	DCP	.077	.016	4.696	***	.114
EDB	<---	GE	.035	.034	1.035	.301	.053
EDB	<---	RP	.241	.021	11.637	***	.525
EDB	<---	GC	.121	.011	11.464	***	.257
EDB	<---	PMI	.264	.019	13.666	***	.386
EDB	<---	PT	-.012	.027	-.450	.653	-.016
EDB	<---	TAB	.116	.020	5.691	***	.176
EDB	<---	EC	.020	.013	1.549	.121	.028
EDB	<---	RI	.062	.022	2.786	.005	.057
SMVT	<---	EDB	-.018	.020	-.888	.375	-.147

Source: Author's Computation, 2020

The modification indices in table 5 indicate the covariance modification to model 1a and the study established the covariance of the unobserved variables to arrive at

model 1b. This indicates that there is a relationship between unobserved factors that affect the ease of business and Stock market total value traded to GDP (SMVT) in ECOWAS.

The result of model 1b as shown in table 2b depicting the standardized and the unstandardized estimates indicates that construction permit, registration of property, access to credit, promoting minority interest, cross-border trading and settling insolvency are positive and statistically significant to ease of doing business in ECOWAS countries with active capital markets while paying tax is negative and statistically insignificant to ease of doing business. Starting a business, getting electricity and contract enforcement is positive and insignificant to ease of doing business in ECOWAS countries with active stock exchanges. Ease of doing business is negative and statistically insignificant to financial development measured by the Stock market total value traded to GDP in the capital market in ECOWAS Sub-region.

Table 3b Intercepts and Squared Multiple Correlations for Model 1b

	Intercept Estimate	S.E.	C.R.	P		R^2 Estimate
EDB	6.464	2.019	3.201	.001	EDB	.940
SMVT	1.944	.985	1.973	.049	SMVT	-.050

Source: Author's Computation, 2020

The intercept indicates that holding the constituents of ease of doing business constantly, ease of doing business would be 6.464 and statistically significant while holding ease of business constant, Stock market total value traded to GDP in the active stock market in ECOWAS countries would be statistically significant at 1.944. The R^2 estimates in table 3b show that 0.940 variations in ease of doing business in ECOWAS is explained by the constituents of ease of doing business while -0.050 variation in Stock market total value traded to GDP is explained by the ease of doing business score.

Table 4b Indirect Effects Estimate and Two-Tailed Significance of Ease of Doing Business Modules and Stock Market Total Value Traded to GDP for Model 1b

	RI	EC	TAB	PT	PMI	GC	RP	GE	DCP	SB
SMVT	-.001	.000	-.002	.000	-.005	-.002	-.004	-.001	-.001	.000
Two-Tailed Significance	.236	.306	.208	.362	.312	.299	.288	.512	.108	.275

Source: Author's Computation, 2020

The indirect effects estimates and the significance of ease of doing business constituents on the Stock market total value traded to GDP as a measure of

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financial development in the ECOWAS capital market is shown in table 4b. The result confirms that all the constituents of ease of doing business have a statistically insignificant indirect effect on the stock market's total value traded to GDP. This shows that there is no demand following the hypothesis of the capital market measured by the Stock market total value traded to GDP in ECOWAS to ease of doing business.

Table 6 Regression Weights
(Standardised and Unstandardised Estimates for Model 2)

			Unstandardized Estimate	S.E.	C.R.	P	Standardized Estimate
EDB	<---	SB	.002	.032	.073	.942	.005
EDB	<---	DCP	.191	.045	4.273	***	.284
EDB	<---	GE	-.294	.095	-3.084	.002	-.443
EDB	<---	RP	.363	.052	7.033	***	.791
EDB	<---	GC	.142	.026	5.386	***	.302
EDB	<---	PMI	.221	.046	4.818	***	.323
EDB	<---	PT	.023	.074	.308	.758	.031
EDB	<---	TAB	.281	.055	5.069	***	.426
EDB	<---	EC	-.047	.037	-1.273	.203	-.064
EDB	<---	RI	.069	.062	1.126	.260	.064
MCAP	<---	EDB	-.309	.193	-1.603	.109	-.243

Source: Author's Computation, 2020

The standardized and the unstandardized estimates of model 2 indicates that construction permit, registration of property, access to credit, promoting minority investors, and cross-border trading are positive and statistically significant to ease of doing business in ECOWAS countries with active Stock market capitalization to GDP while getting electricity is negative and statistically significant. Starting a business, tax-paying and settling insolvency is positive and insignificant to ease of doing business in ECOWAS countries when Stock market capitalization to GDP is used as a measure of financial development in ECOWAS while contract enforcement is negative. Ease of doing business is negative and statistically insignificant to financial development measured by Stock market capitalization to GDP (MCAP) in ECOWAS Sub-region.

Table 7 Intercepts and Squared Multiple Correlations for Model 2

	Intercept Estimate	S.E.	C.R.	P		R^2 Estimate
EDB	8.999	3.360	2.679	.007	EDB	.969
MCAP	31.686	9.406	3.369	***	MCAP	.059

Source: Author's Computation, 2020

The intercept indicates that holding ease of business constant, Stock market capitalization to GDP in the active stock market in ECOWAS countries would be 31.686 and statistically significant as shown in table 7 while the R^2 estimates show 0.059 variations in Stock market capitalization to GDP (MCAP) is explained by the ease of doing business.

Table 8 Indirect Effects Estimate and Two-Tailed Significance of Ease of Doing Business Modules and Stock Market Capitalization to GDP for Model 2

	RI	EC	TAB	PT	PMI	GC	RP	GE	DCP	SB
MCAP	-.021	.014	-.087	-.007	-.068	-.044	-.112	.091	-.059	-.001
Two-Tailed Significance	.344	.186	.029	.876	.065	.035	.039	.131	.024	.857

Source: Author's Computation, 2020

The indirect effects of the ease of doing business constituents on Stock market capitalization to GDP as a measure of financial development in ECOWAS capital market are shown in table 8. The result indicates that all the components of ease of doing business except contract enforcement and getting electricity have a negative indirect effect on Stock market capitalization to GDP as a measure of financial development. Trading across the border, access to credit, property registration and construction permit are statistically significant while settling insolvency, contract enforcement, paying tax, promoting minority investors, getting electricity, and starting a business are statistically insignificant. This confirms that there is no demand following the hypothesis of the capital market measured by Stock market capitalization to GDP (MCAP) in ECOWAS capital market to ease of doing business.

Table 9 Regression Weights
(Standardised and Unstandardised Estimates for Model 3)

			Unstandardized Estimate	S.E.	C.R.	P	Standardized Estimate
EDB	<---	SB	.002	.032	.073	.942	.005
EDB	<---	DCP	.191	.045	4.273	***	.284
EDB	<---	GE	-.294	.095	-3.084	.002	-.443
EDB	<---	RP	.363	.052	7.033	***	.791
EDB	<---	GC	.142	.026	5.386	***	.302
EDB	<---	PMI	.221	.046	4.818	***	.323
EDB	<---	PT	.023	.074	.308	.758	.031
EDB	<---	TAB	.281	.055	5.069	***	.426
EDB	<---	EC	-.047	.037	-1.273	.203	-.064
EDB	<---	RI	.069	.062	1.126	.260	.064
GPE	<---	EDB	-.019	.031	-.623	.534	-.097

Source: Author's Computation, 2020

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In table 9, the standardized and unstandardized estimates of model 3 imply that construction permit, registration of property, access to credit, promoting minority investors and cross-border trading are positively and statistically significant to ease of doing business while getting electricity is negative and statistically significant to ease of doing business in ECOWAS countries when financial development is proxy by Gross portfolio equity assets to GDP. Starting a business, tax-paying and settling insolvency are positively insignificant while contract enforcement is negatively insignificant. Ease of doing business is negatively insignificant to financial development measured by Gross portfolio equity assets to GDP in ECOWAS sub-region capital markets.

Table 10 shows the intercept and squared multiple correlations (R^2) indicating that holding ease of business mechanisms constant, Gross portfolio equity assets to GDP in the active stock market in ECOWAS countries will increase by 2.333 points which are statistically insignificant, while the R^2 estimates show 0.009 variations in Gross portfolio equity assets to GDP is explained by the ease of doing business score.

Table 10 Intercepts and Squared Multiple Correlations for Model 3

	Intercept					R^2
	Estimate	S.E.	C.R.	P		Estimate
EDB	8.999	3.360	2.679	.007	EDB	.969
GPE	2.333	1.522	1.533	.125	GPE	.009

Source: Author's Computation, 2020

Table 11 Indirect Effects Estimate and Two-Tailed Significance of Ease of Doing Business Modules and Gross Portfolio Equity Assets to GDP for Model 3

	RI	EC	TAB	PT	PMI	GC	RP	GE	DCP	SB
GPE	-.001	.001	-.005	.000	-.004	-.003	-.007	.006	-.004	.000
Two-Tailed Significance	.295	.271	.236	.720	.237	.301	.246	.235	.217	.640

Source: Author's Computation, 2020

Table 11 specifies the indirect effect estimates and the significance of ease of doing business modules on Gross portfolio equity assets to GDP as a measure of financial development in ECOWAS capital market. The result shows that all the modules have a statistically insignificant indirect effect on Gross portfolio equity assets to GDP. This shows that there exists no demand following the hypothesis of the capital market in ECOWAS to ease of doing business.

Table 12a Regression Weights
(Standardised and Unstandardised Estimates for Model 4a)

			Unstandardized Estimate	S.E.	C.R.	P	Standardized Estimate
EDB	<---	SB	.002	.032	.073	.942	.005
EDB	<---	DCP	.191	.045	4.273	***	.284
EDB	<---	GE	-.294	.095	-3.084	.002	-.443
EDB	<---	RP	.363	.052	7.033	***	.791
EDB	<---	GC	.142	.026	5.386	***	.302
EDB	<---	PMI	.221	.046	4.818	***	.323
EDB	<---	PT	.023	.074	.308	.758	.031
EDB	<---	TAB	.281	.055	5.069	***	.426
EDB	<---	EC	-.047	.037	-1.273	.203	-.064
EDB	<---	RI	.069	.062	1.126	.260	.064
SMKTO	<---	EDB	.229	.111	2.071	.038	.308

Source: Author's Computation, 2020

The standardized and unstandardized estimates of model 4a as shown in table 12a denotes that construction permit, registration of property, access to credit, promoting minority investors and cross-border trading are positively and statistically significant to ease of doing business while getting electricity is negative and statistically significant to ease of doing business in ECOWAS countries when financial development is proxy by Stock market turnover ratio. Starting a business, tax-paying and settling insolvency are positively insignificant while contract enforcement is negatively insignificant. Ease of doing business has a positive and statistically significant impact on financial development measured by the Stock market turnover ratio (SMKTO) in ECOWAS sub-region capital markets.

Table 13a shows the intercept and squared multiple correlations (R^2) indicating that holding ease of business tools constant, Stock market turnover ratio in the active stock market in ECOWAS countries will decrease by 2.780 statistically insignificant basis, while the R^2 estimates show 0.095 variations in the Stock market turnover ratio is explained by the ease of doing business score.

Table 13a Intercepts and Squared Multiple Correlations for Model 4a)

	Intercept Estimate	S.E.	C.R.	P		R^2 Estimate
EDB	8.999	3.360	2.679	.007	EDB	.969
SMKTO	-2.780	5.393	-.516	.606	SMKTO	.095

Source: Author's Computation, 2020

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Nageri, K.I., (2020)
Ease of doing business and capital market development in a demand following hypothesis: evidence from ECOWAS

Table 14a Indirect Effects Estimate and Two-Tailed Significance of Ease of Doing Business Modules and Stock Market Turnover Ratio for Model 4a

	RI	EC	TAB	PT	PMI	GC	RP	GE	DCP	SB
SMKTO	.016	-.011	.064	.005	.051	.033	.083	-.067	.044	.001
Two-Tailed Significance	.234	.139	.017	.813	.050	.025	.042	.091	.015	.823

Source: Author's Computation, 2020

The parameters of the indirect effect and significance of ease of doing business modules on the Stock market turnover ratio as a measure of financial development in ECOWAS capital market are shown in table 14a. The result expresses that cross-border trading, promoting minority investors, access to credits, property registration, and construction permit tools have a statistically significant indirect effect on the Stock market turnover ratio while settling insolvency contract enforcement, paying tax, getting electricity and starting business tools exhibit a statistically insignificant indirect effect on the Stock market turnover ratio (SMKTO) in ECOWAS active stock market. This shows that there exists a demand following the hypothesis of the capital market in ECOWAS to ease of doing business.

Table 15 Covariances (Modification Indices)

	M.I.	Par Change
e1 <--> e2	4.265	2.485

Source: Author's Computation, 2020

The modification indices in table 15 indicate the covariance modification to model 4a as suggested by the system and the study established the covariance of the unobserved variables to arrive at model 4b. This indicates that there is a relationship between the unobserved causes that affect the ease of doing business and the Stock market turnover ratio in ECOWAS.

The standardized and unstandardized estimates of model 4b in table 12b indicate that construction permit, registration of property, access to credit, promoting minority investors, cross-border trading and settling insolvency are positive and statistically significant to ease of doing business while getting electricity is negative and statistically significant to ease of doing business in ECOWAS countries when financial development is proxy by Stock market turnover ratio. Starting a business, tax-paying and settling insolvency is positive and insignificant. Ease of doing business has a positive and statistically insignificant impact on financial development measured by the Stock market turnover ratio (SMKTO) in ECOWAS sub-region capital markets.

Table 12b Regression Weights
(Standardised and Unstandardised Estimates for Model 4b)

			Unstandardized Estimate	S.E.	C.R.	P	Standardized Estimate
EDB	<---	SB	.011	.028	.413	.680	.023
EDB	<---	DCP	.144	.039	3.644	***	.213
EDB	<---	GE	-.202	.084	-2.415	.016	-.305
EDB	<---	RP	.315	.046	6.908	***	.687
EDB	<---	GC	.119	.023	5.090	***	.252
EDB	<---	PMI	.207	.040	5.134	***	.303
EDB	<---	PT	.075	.065	1.159	.246	.104
EDB	<---	TAB	.218	.049	4.476	***	.331
EDB	<---	EC	-.006	.032	-.174	.862	-.008
EDB	<---	RI	.108	.054	1.990	.047	.099
SMKTO	<---	EDB	.143	.114	1.263	.207	.193

Source: Author's Computation, 2020

Table 13b specifies the intercept and squared multiple correlations (R^2), affirms that holding ease of business tools constant, the Stock market turnover ratio in the active stock market of ECOWAS count tries will increase by 1.340 basis insignificant statistically, while the R^2 estimates show 0.082 variation in the Stock market turnover ratio is explained by the ease of doing business score.

Table 13b Intercepts and Squared Multiple Correlations for Model 4b

	Intercept Estimate	S.E.	C.R.	P		R^2 Estimate
EDB	6.108	3.056	1.999	.046	EDB	.962
SMKTO	1.340	5.537	.242	.809	SMKTO	.082

Source: Author's Computation, 2020

The parameters of the indirect effect and significance of ease of doing business tools on the Stock market turnover ratio as a measure of financial development in ECOWAS capital market are shown in table 14b.

Table 14b Indirect Effects Estimate and Two-Tailed Significance of Ease of Doing
Business Modules and Stock Market Turnover Ratio for Model 4b

	RI	EC	TAB	PT	PMI	GC	RP	GE	DCP	SB
SMKTO	.015	-.001	.031	.011	.030	.017	.045	-.029	.021	.002
Two-Tailed Significance	.220	.793	.144	.311	.268	.241	.270	.138	.162	.438

Source: Author's Computation, 2020

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The result expresses that all ease of doing business tools has a statistically insignificant indirect effect on the Stock market turnover ratio in ECOWAS active stock market. This shows that there exists no demand following the hypothesis of the capital market in ECOWAS to ease of doing business.

Table 16a Regression Weights
(Standardised and Unstandardised Estimates for Model 5a)

			Unstandardized Estimate	S.E.	C.R.	P	Standardized Estimate
EDB	<---	SB	.002	.032	.073	.942	.005
EDB	<---	DCP	.191	.045	4.273	***	.284
EDB	<---	GE	-.294	.095	-3.084	.002	-.443
EDB	<---	RP	.363	.052	7.033	***	.791
EDB	<---	GC	.142	.026	5.386	***	.302
EDB	<---	PMI	.221	.046	4.818	***	.323
EDB	<---	PT	.023	.074	.308	.758	.031
EDB	<---	TAB	.281	.055	5.069	***	.426
EDB	<---	EC	-.047	.037	-1.273	.203	-.064
EDB	<---	RI	.069	.062	1.126	.260	.064
LISCOM	<---	EDB	-.030	.005	-5.643	***	-.661

Source: Author's Computation, 2020

Table 16a shows the standardized and unstandardized estimates of model 5a, indicating that construction permit, registration of property, access to credit, promoting minority investors and cross-border trading are positively and statistically significant to ease of doing business in ECOWAS countries while getting electricity is negatively and statistically significant to ease of doing business. Starting a business, tax-paying and settling insolvency are positive and insignificant to ease of doing business in ECOWAS while contract enforcement is negative and insignificant to ease of doing business. Ease of doing business is negative and statistically significant to financial development measured by the number of listed companies for every 1,000,000 people (LISCOM) in ECOWAS.

Table 17a Intercepts and Squared Multiple Correlations: (Model 5a)

	Intercept Estimate	S.E.	C.R.	P		R^2 Estimate
EDB	8.999	3.360	2.679	.007	EDB	.969
LISCOM	2.875	.256	11.223	***	LISCOM	.437

Source: Author's Computation, 2020

The R^2 in table 17a indicates 0.437 variation in listed companies for every 1,000,000 people is explained by the ease of doing business. The intercept indicates that holding ease of doing business mechanisms constant, financial development measured by listed companies for every 1,000,000 people will be 2.875 and statistically significant in ECOWAS countries with active stock exchanges.

Table 18a Indirect Effects Estimate and Two-Tailed Significance of Ease of Doing Business Modules and Number of Listed Companies for every 1,000,000 People for Model 5a

	RI	EC	TAB	PT	PMI	GC	RP	GE	DCP	SB
LISCOM	-.002	.001	-.008	-.001	-.007	-.004	-.011	.009	-.006	.000
Two-Tailed Significance	.347	.212	.005	.992	.034	.016	.023	.154	.006	.885

Source: Author's Computation, 2020

Table 18a indicates the indirect effect estimates and the significance of ease of doing business mechanisms on listed companies for every 1,000,000 people as a measure of financial development in ECOWAS capital market. The result shows that ease of doing business mechanism such as cross-border trading, promoting minority investors, access to credit, registering properties, and construction permits have a negative and statistically significant indirect effect on listed companies for every 1,000,000 people while settling insolvency, contract enforcement, tax-paying, getting electricity and starting business indicates the statistically insignificant indirect effect on listed companies for every 1,000,000 people. This shows that there exists an element of demand following the hypothesis of the capital market in ECOWAS to ease of doing business.

Table 19 Covariances (Modification Indices)

			M.I.	Par Change
e1	<-->	e2	4.649	.123

Source: Author's Computation, 2020

The modification indices in table 16 indicate the covariance modification to model 5a in the covariance of the unobserved variables to arrive at model 5b. This indicates that there is a relationship between the unobserved causes that affects the ease of doing business and listed companies for every 1,000,000 people.

In table 16b, the standardized and unstandardized estimates of model 5b impliy that construction permit, registration of property, access to credit, promoting minority investors, cross-border trading and settling insolvency are positively and statistically significant to ease of doing business while getting electricity is

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negative and statistically significant to ease of doing business in ECOWAS countries when financial development is proxy by listed companies for every 1,000,000 people.

Table 16b Regression Weights
(Standardised and Unstandardised Estimates for Model 5b)

			Unstandardized Estimate	S.E.	C.R.	P	Standardized Estimate
EDB	<---	SB	.012	.015	.771	.441	.023
EDB	<---	DCP	.233	.026	9.109	***	.346
EDB	<---	GE	-.376	.051	-7.399	***	-.567
EDB	<---	RP	.268	.029	9.078	***	.583
EDB	<---	GC	.156	.016	9.910	***	.332
EDB	<---	PMI	.303	.029	10.599	***	.443
EDB	<---	PT	-.039	.035	-1.095	.273	-.053
EDB	<---	TAB	.297	.032	9.301	***	.452
EDB	<---	EC	.008	.017	.484	.628	.012
EDB	<---	RI	.085	.030	2.841	.005	.078
LISCOM	<---	EDB	-.043	.006	-7.035	***	-.953

Source: Author's Computation, 2020

Starting a business and contract enforcement is positive and statistically insignificant while tax paying is negative and statistically insignificant. Ease of doing business is negative and statistically significant to financial development measured by listed companies for every 1,000,000 people (LISCOM) in ECOWAS sub-region capital markets.

Table 17b Intercepts and Squared Multiple Correlations: (Model 5b)

	Estimate	S.E.	C.R.	P		Estimate
EDB	9.013	2.904	3.104	.002	EDB	.862
LISCOM	3.504	.296	11.857	***	LISCOM	.352

Source: Author's Computation, 2020

Table 17b shows the intercept and squared multiple correlations indicating that holding ease of business mechanisms constant, listed companies for every 1,000,000 people in the active stock market in ECOWAS countries will increase by 3.504 points which is statistically significant, while the squared multiple correlation estimates show 0.352 variation in listed companies for every 1,000,000 people is explained by the ease of doing business score.

Table 18b Indirect Effects Estimate and Two-Tailed Significance of Ease of Doing Business Modules and Number of Listed Companies for every 1,000,000 People for Model 5b

	RI	EC	TAB	PT	PMI	GC	RP	GE	DCP	SB
LISCOM	-.004	.000	-.013	.002	-.013	-.007	-.011	.016	-.010	.000
Two-Tailed Significance	.062	.759	.005	.419	.005	.002	.002	.048	.003	.682

Source: Author's Computation, 2020

Table 18b indicates the indirect effect estimates and the significance of ease of doing business mechanisms on listed companies for every 1,000,000 people as a measure of financial development in ECOWAS capital market. The result shows that cross-border trading, minority investors' protection, access to credit, property registration and construction permit have negative statistically significant indirect effects on listed companies for every 1,000,000 people while getting electricity have positive statistically significance indirect effect on listed companies for every 1,000,000 people. Settling insolvency, contract enforcement, paying tax, and starting business exhibit statistically insignificant indirect effects on listed companies for every 1,000,000 people. This shows that there exists a component demand following the hypothesis of the capital market in ECOWAS to ease of doing business.

In summary, the study developed five models using a different measure of capital market development (Stock market total value traded to GDP (SMVT); Stock market capitalization to GDP (MCAP); Gross portfolio equity assets to GDP (GPE); Stock market turnover ratio (SMKTO) and Number of listed companies for every 1,000,000 people (LISCOM)).

The direct effects of the ease of doing business and the indirect effects of the modules of ease of business were measured. The results indicate that the biggest variation in capital market development in ECOWAS through the ease of doing business is shown in the number of listed companies for every 1,000,000. This indicates a weak demand following the hypothesis of capital market development and ease of doing business for ECOWAS countries, which is supported by the findings of Dabla-Norris et al (2012) but in contrast to the findings of Adeyeye, Fapetu, Aluko & Migiro (2015). This means that the capital market in ECOWAS should use the number of listed companies in the stock market as a measure of capital market development. Implementation of policy that will ensure improved electricity, similar to the findings of Kofarbai and Bambale, (2016); Asongu and Odhiambo, (2019) and Asongu, le Roux and Biekpe (2018) in order to reduce the cost of production as revealed in the indirect effect of model five, will encourage the establishment of more companies and subsequently, more listing of companies in the stock exchange.

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The indirect effects of the mechanisms of ease of doing business show that construction permit, registration of property, access to credit, minority investors' protection and cross-border trading are indirectly significant to capital market development which is supported by the findings of Tchamyou, (2017); Asongu, (2017) and Asongu, Nwachukwu & Orim, (2018). Therefore, to encourage demand following the hypothesis for ECOWAS capital markets, the stated modules should attract more attention from the policymakers. Improvement in construction permits, registration of property, access to credit, minority investors' protection and cross-border trading scores will encourage capital market participants to develop financial instruments in response to the demand of ease of doing business in ECOWAS countries through capital markets. The modules of starting a business, tax-paying, contract enforcement and settling insolvency are insignificant to capital market development in ECOWAS which is in contrast to the findings of Verhagen (2017) and Abor & Quartey, (2010). This indicates that the policies on starting a business, tax-paying, contract enforcement and settling insolvency are boosts to companies to participate in the capital market. This is not to say that there is no need to improve on the scores in order to encourage more companies to participate, thus capital market regulators should continually strive to improve on these modules.

Finally, starting business, construction permit, getting electricity, registration of property, access to credit, minority investors' protection and cross-border trading are significant to ease of doing business in ECOWAS while paying tax, contract enforcement and settling insolvency are insignificant to ease of doing business in ECOWAS as in the findings of Nangpiire et al (2018). This indicates that the business environment in ECOWAS is friendly which is in contrast to Bruhn (2011) but in support of Barseghyan (2008) in terms of contract enforcement, settling insolvency and paying tax and still need to be improved on while the other modules call for serious attention of the policymakers to improve the business environment.

5. Conclusions and recommendations

This study examined the demand following the hypothesis of the capital market in ECOWAS countries with active capital markets to ease of doing business. The ECOWAS countries implemented the WACMI to integrate capital markets in the sub-region. This move was taken in order to provide a coordinated regulatory environment in the West African sub-region purposely for issuance and trading of financial securities across the border. Capital market indicator of financial development used are Stock market total value traded to GDP (SMVT), Stock market capitalization to GDP (MCAP), Gross portfolio equity assets to GDP (GPE), Stock market turnover ratio (SMKTO) and Number of listed companies for every 1,000,000 people (LISCOM). Ease of doing business is a composite index

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based on data of ten factors consisting of starting a business, constructions permit, getting electricity, property registration, access to credit and minority investors' protection. Others are tax-paying, cross-border trading s, contract enforcements and settling insolvency. These factors of ease of doing business factors are used to address the concerns company making a decision to invest.

The study developed five models using the demand following the hypothesis of the theory of economic development. The study used the SEM methodology to determine the direct effect of ease of doing business on capital market development in ECOWAS and also ascertain the indirect effect of the mechanisms of ease of doing business on capital market development.

This study concluded that ease of doing business showed the highest variation on listed companies than other measures of capital market development in ECOWAS. This study ascertains that the capital market in ECOWAS does not exhibit demand following the hypothesis from the capital market measure used in the study except in the case of the number of listed companies. This indicates that the market has the potential to respond to ease of doing business in the case of the improved policy that will enable the market to thrive. Moreover, the modules of ease of doing business are found to be significant to ease of doing business in ECOWAS and have an indirect effect on capital market development in ECOWAS.

Based on the findings of this study, the following recommendations are hereby made; The ECOWAS capital markets should embark on a roadshow to attract more listing of companies. This can be achieved by developing an attractive financial instrument and listing requirements that will lure companies to the capital market. The government of ECOWAS should improve on power energy generation. This can be done by attracting genuine investors that can make judicious use of the capital market to raise long term capital for power energy generation for the region. ECOWAS government should see the ease of doing business as an opportunity to provide jobs to the increasing population in order to address the unemployment rate. This can be done by providing an enriched enabling environment for entrepreneurs and businesses through improvement in the ease of business mechanisms' scores.

Author Contributions

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The author has not any competing financial, professional, or personal interests from other parties. The authors declare no conflict of interest.

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