IMPACT: International Journal of Research in
Business Management (IMPACT: IJRBM);
ISSN(Print): 2347-4572; ISSN(Online): 2321-886X
Vol. 12, Issue 9, Sep 2024, 1–20

UNDERSTANDING THE SURGE IN THE INDIAN STOCK MARKET DURING AND POST THE SECOND WAVE OF COVID-19: AN INTERDISCIPLINARY ANALYSIS

Dr. Swati Jhawar, Shristi Jain & Ishaan Agrawal

NH Goel World School Raipur, Chhattisarh, India

Received: 02 Sep 2024 **Accepted:** 12 Sep 2024 **Published:** 21 Sep 2024

ABSTRACT

The unusual growth in the Indian stock market during and post the second wave of the COVID-19 pandemic has caught the attention of investors both in India and abroad. Between 2020 and 2021, investors were able to receive a whopping 84% returns from the BSE Sensex and Nifty 50. This paper delves into a comprehensive analysis incorporating the various factors contributing to this surge with an interdisciplinary approach. By analysing a range of economic indicators, government policies and market trends, we provide a detailed study explaining this phenomenon. Our study juxtaposes indicators like interest rates, the Volatility Index, the number of Covid cases etc. with the BSE Sensex and NSE's Nifty 50. In addition, we have also analysed the impact of other indicators like India's credit rating, bond yield, employment scenario, demographic factors, liquidity influx, fiscal policies and retail investor behaviour on the Indian stock market. Through a rigorous analysis, we have factored the key drivers which led to the continued growth of the Indian stock market in 2021 and the resulting impact of these on investor sentiments and confidence. This research facilitates greater insights into the trend of the stock market and can be useful for investors to protect their investments and capitalise on future opportunities.

KEYWORDS: *Indian Stock Market, BSE Sensex, National Stock Exchange, Covid-19 Pandemic, Economic Indicators, Market Trends, Volatility Index, Repo Rates*

INTRODUCTION

Financial markets play an essential role in an economy as they increase the efficiency and utilisation of financial instruments in the economy and allow firms to raise capital which can improve the ease of doing business and help encourage and nourish entrepreneurship in an economy. The COVID-19 pandemic had a significant impact on the world's stock markets including the Indian stock market which is the world's largest derivative market accounting for 99% of the total transactions.

The Covid-19 pandemic hit India in the last month of the year 2019. Originating from a laboratory in Wuhan, China, it spread across the globe putting pressure on governments worldwide to enforce lockdowns and shut down business activities. After the initial announcement of the emergence of the COVID-19 virus, India saw a sharp initial fall in the stock market as compared to the stock markets of developed economies which experienced a slow fall. The BSE Sensex saw a 33% fall, but from 4th April the Indian stock market saw a growth trajectory till 14th October 2021. Till 2019, India was one of the major emerging markets but after Covid India became the centre of attention. In this comprehensive study, we have analysed the changes in the major economic indicators in India which led to its monumental rise in geopolitics. In this paper, we have summarised and critiqued the relationships of various factors contributing to this unprecedented surge in the stock market, their implications for the economy, and the future trajectory of the Indian stock markets. We have considered the macroeconomic indicators (inflation, GDP growth rate), demographic changes, the government's monetary policy and the fiscal stimulus measures taken under the Atma Nirbhar Bharat initiative. Our aim for the research paper is to analyse the several factors which led to the growth of the Indian stock market amidst a deadly pandemic which created a lot of uncertainty in the market and clouded the vision of investors.

METHODOLOGY

We have conducted an interdisciplinary analysis of the growth of the Indian stock market in 2021 by juxtaposing various economic indicators and indices with the BSE Sensex and Nifty 50 and identifying existing trends. Firstly we have conducted an extensive literature review of all the past research papers addressing our topic and found that there was a research gap. All the previous papers had analysed the impact of the pandemic on the Indian stock market in 2019 and 2020 but very few of them had analysed the growth of the Indian stock market in 2021. Secondly, we have analysed various economic indicators such as inflation, GDP growth rate, credit rating, etc. using quantitative data analysis. The data for the above stated indicators was taken from reputable databases and financial statements. A comparative analysis was carried out to juxtapose the trends in the economic indicators with the performance of the Sensex, a commonly known Indian stock market index. Fourthly, a qualitative analysis has been used to interpret the findings and give reasons for the trends identified. This was done by looking at government policies, demographic trends and other factors affecting investor sentiments. All of this was then used to explain the growth trajectory in the Indian stock market.

LITERATURE REVIEW

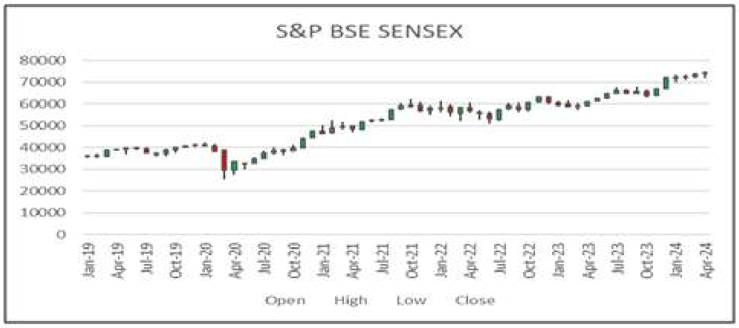
- **Mishra, S. (2024),**Throughout its century-long existence, the Indian stock market has had a spectacular metamorphosis, evolving into a vibrant and sophisticated financial ecosystem that is essential to the country's economic development. The market is a crucial venue for capital allocation and investment, with securities traded on well-known exchanges such as the National Stock Exchange (NSE) and the Bombay Stock Exchange (BSE). Under the jurisdiction of the Securities and Exchange Board of India (SEBI), it demonstrates inclusiveness by accepting a wide range of participants, including institutional funds and ordinary investors. Notwithstanding obstacles like fluctuations and adhering to regulations, the Indian stock market is robust and has several chances for generating money and promoting economic growth. This research seeks to give investors and stakeholders useful insights by thoroughly examining the market players, regulatory framework, historical history, and performance measures. It also attempts to throw light on new opportunities and developing trends in the Indian financial environment.
- **Rashmi Chaudhary, Priti Bakhshi and Hemendra Gupta, 2020,**Prior research has analysed the behaviour of the Indian stock market during the first wave of the Covid-19 pandemic, in which a pattern of declining returns was seen in the Indian stock market, with the BSE 500 and BSE Sensex plummeting by 13-14% in a day.

- **Varma, Yashraj, Renuka Venkataramani, Parthajit Kayal, and Moinak Maiti. 2021,** India being one of the fastest-growing economies, experienced a substantial fall of approximately 40% in its major stock indices' value. The stock markets in India started reacting to the pandemic well before its outbreak reached peak level owing to the knowledge from the experience of other countries.
- **Bala, A. (2013),** One of the financial system's liveliest segments, the stock market makes a significant contribution to economic growth. The stock market is a venue for securities transactions involving the buying and sale of shares, bonds, debentures, and other securities. Put differently, the stock market serves as a platform for the trading of different assets and derivatives. Additionally, it plays a crucial role in empowering corporate entrepreneurs to generate capital through public offerings for their businesses and endeavours. Rather than making investments elsewhere, long-term investors are now more interested in the stock market. The three main stock exchanges in the Indian stock market are the Bombay Stock Exchange (BSE), the National Stock Exchange (NSE), and the Calcutta Stock Exchange (CSE). The primary goal of the current study is to provide an overview of the literature on the Indian stock market in order to conduct a thorough analysis of the market. The research will make it easier for the reader to understand the trends and prospects of the Indian stock market in the past, present, and future. Investors might use the advice provided by this study to enhance profits while minimising risks. The Indian market has experienced extreme volatility recently, which has prompted more development going forward.
- **Kumar, V., Chaudhary, N., & Sah, S. K. (2021),** In order to track the growth of the Indian stock market in the banking industry, this study will analyse data pertaining to the Indian stock market. A listed company's shares can be purchased and sold on a stock market. In the stock market, as in any other market, buyers and sellers get together and engage in conversation. India's stock market is vital to the country's prosperity, especially in the banking industry. Therefore, the purpose of this study is to demonstrate the actual path to success in the Indian economy. Thus, the performance of the stock market determines the growth of the economy as a whole, and empirical data has shown that the development of the capital market is essential to economic growth. Thus, the Indian stock market heralds a new era in Indian history.
- **Srivastava, P., & Ugrasen (2017),** The stock market is a crucial financial sector contributing to economic development by facilitating transactions for buying and selling securities like shares, bonds, and debentures. It serves as a barometer for the Indian economy's performance. The Indian stock market, established by the Securities and Exchange Board of India (SEBI), has evolved over time, reaching global standards. India is projected to become the world's third-largest economy after 2035. The market's efficiency relies on accurate valuations of securities. This paper aims to explore the various technologies that attract investors to invest in the stock market for valuable returns.

Analysis and Findings

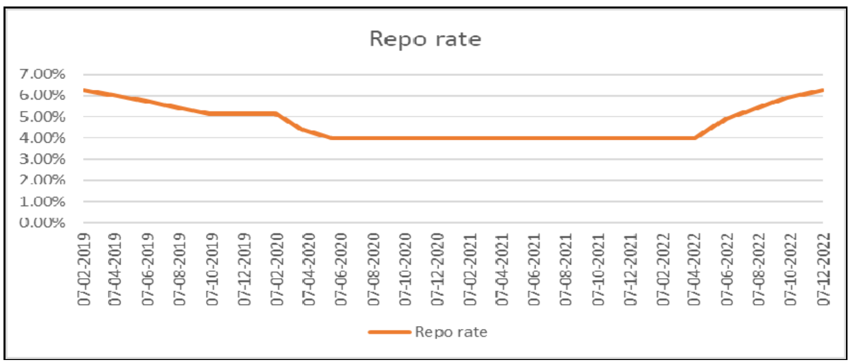
Our analysis delves deep into and explores the various key factors that have fueled the growth of the Indian stock market during the second wave of Covid-19.

Figure 1 shows the trend in the S&P BSE Sensex starting from January 2019 and Figure 2 shows changes in the repo rate charged by the Reserve Bank of India.



Source: BSE India

Figure: 1



Source: RBI

Figure 2.

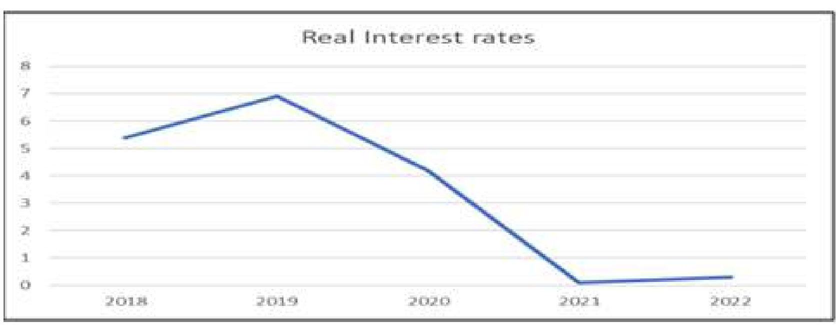


Figure 3

As seen from figure 1 and 2 above, there is an inverse relationship between the repo rate charged by the Reserve Bank of India and the S&P BSE Sensex, when the RBI cut the repo rate to 4% in 2021, in order to stimulate economic recovery, the S&P BSE sensex saw a significant boom. Lowering the repo rates decreased the cost of borrowing for banks which incentivised them to lower the interest rates which they charge to their customers. It encouraged commercial banks to borrow more and hence increased the volume of loans given out, which in turn lowered the interest rate.(with real interest falling to almost 0%). This encouraged investors to use leverage where they borrowed money to invest in the stock market. With the cheaper borrowing costs, investors amplified their potential returns which drove up the demand for the stocks.With record-low interest rates, the returns from traditional investment like bonds have decreased. As interest rates and bond yields move in the same direction, a fall in interest rates decreased the incentive to invest in saving accounts and hence made bonds more lucrative. Due to this the demand for bonds increased causing the prices of bonds to increase, and due to the coupon remaining constant, the bond yield decreased (as $-D(\Delta r/1+r)$ = bond price) (see Figure 5) This compelled investors to turn to the stock market for gaining higher returns through capital appreciation and dividends.The reduced interest rate also caused WACC, which is the discounting rate used to calculate the net present value of future cash flows from stocks using the DCF method, to fall. This led to higher predicted future earnings from stocks which pushed up stock prices.

Moreover, the cut in interest rates stimulated economic growth, as people's spending increased due to easier and cheaper availability of loans, which resulted in higher corporate earnings. Stronger economic growth expectations led to positive investor sentiment and greater confidence in the Indian stock market, which further led to stock price appreciation.

As the cost of borrowing fell, firms borrowed more in order to expand their business operations and to fund buyback programs. Share buybacks reduced the number of outstanding shares, causing earnings per share (EPS) to increase and stock prices to shoot up. For example during 2022 TCS made its biggest buyback worth around 18000 cr.

Figure 4.
Source: NSE

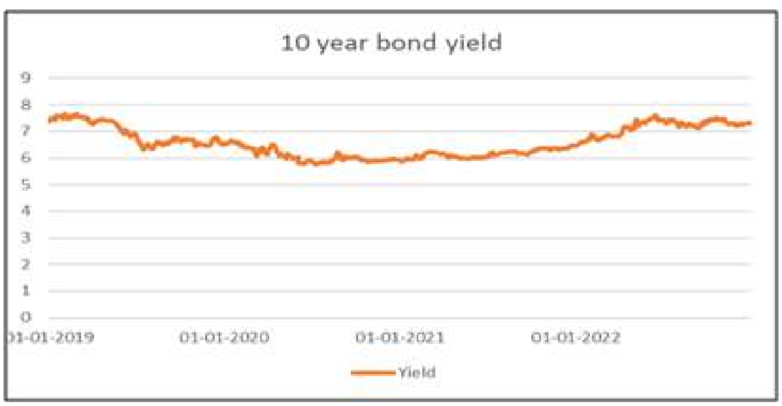


Figure 5.
Source: Investing.Com

volatility index was at rock bottom and when the VIX was at its maximum then the nifty 50 was at its lowest leading to negative returns. The volatility index shows the market's expectations and portrays investor sentiments. In 2021, the Volatility index was at its lowest compared to the other years in the pandemic, due to a mix of factors such as stimulus packages by the government, increased consumption due to lower interest rates and expectation of economic recovery etc.

This caused greater investment in the stock market and led to the growth of Nifty 50. Furthermore, RBI was successful in keeping inflation near the target level, reassuring stability in the market and eradicating uncertainty. This boosted investor confidence leading to higher investment into equity. (see Figure 10)

Another factor which contributed to the growth of the Indian stock market was the stability of India's credit rating. According to Fitch the rating was BBB- all along 2019, 2020 and 2021 (see Table 1); this stability in the rating led to higher investor confidence as confidence in the country's economic practices was reassured, lowering uncertainty. Despite falling output and lockdowns put in place, the credit ratings given by Moody's improved from Baa2 in 2019 to Baa3 in 2020 and 2021. This improvement led to positive foreign investor sentiments and a resulting increase in foreign direct investments by 10.19% in 2021 (see Table 2). The improved credit ratings increased the security of investments and thus led to increased investment in the Indian stock market. Due to the improvement of the credit ratings , the demand for government bonds increased which caused bond prices to rise and bond yields to fall. Consequently, people started shifting their investment from bonds to equity markets.

Table 1

Agency	Rating	Date
Fitch	BBB-	1/2024
Moody's	Baa3	8/2023
Fitch	BBB-	5/2023
Fitch	BBB-	12/2022
Fitch	BBB-	6/2022
Fitch	BBB-	11/2021
Moody's	Baa3	10/2021
Fitch	BBB-	4/2021
Moody's	Baa3	6/2020
Fitch	BBB-	6/2020
Fitch	BBB-	12/2019
Moody's	Baa2	11/2019
Fitch	BBB-	4/2019

Source: The Globaleconomy.Com

Table 2

S. No.	Financial Year	Amount of FDI inflows (in USD billion)
1.	2018-19	62.00
2.	2019-20	74.39
3.	2020-21	81.97
4.	2021-22	83.57

Source: *RBI*

Source: *BSE India and PRS India*

Figure 6.

Figure 6 shows the change in the BSE Sensex with the change in the number of confirmed covid cases. Firstly, in July 2020, there is an increase in the number of confirmed Covid cases and a decline in the Sensex value. This was the result of the increasing uncertainty clouding the market and increased fear of extended lockdowns and slowdown of business activities. In 2021, however, there is a huge increase in the number of Covid-19 cases and simultaneously there is growth in the BSE Sensex values. This occurred because India began the administration of the vaccine against Covid-19 in January 2021, which resulted in a decline in fear against the Covid-19 as people believed it to be curable and preventable and along with the other factors described, investors' sentiments turned positive. The number of covid cases no longer caused a significant fall in the Sensex values.

Development: it s Concept

Development is all about change, the ability in changing society and the environment, the individual, group or nation for good and for the better. Development entails a move, a move away from the old to a new tradition. It involves a positive change, the change that could bring the development of the economic, social, political, the individual, group and national change for progressive improvement and growth.

Development first and foremost is on the people the human capital development is therefore the totality of an increase, growth, improvements and enhancement of and controls of well being, economic, social, cultural, financial and generally in all sectors of the economy. Nigeria and other African countries are bedeviled by underdevelopment problems and challenges like lack of education and training, especially in the northern part of Nigeria, with the Boko haram insurgent who abhors western education, knowledge and skills learning as an ideology of the Muslim doctrine. This has impacted greatly on the labour force and increased the incidence of unemployment in the labour market due to insecurity and instability in the region. These challenges requires a serious investment in human capital and its resources for development

Development is a changing factor; it can change nations, societies from their traditional ways of life, ways of doing things to a more modern and better ways of doing things.

To Weems(2004) development must be about improvements of lives, or the ways of life of the people and should be defined by the opportunities for education, knowledge and skills acquisition of the people.

When we talk about development, there are three developmental objectives that define true development strategies. These involve:

- Raising people living standards, level of consumption and choice of consumption, choice of alimentation, health services education and skills acquisition through relevant growth processes.
- Developmental strategies must aim at creating conditions and policies that enables people's growth, self-esteem and wellbeing through the establishment of institutions which promotes human dignity, human living and respect.
- Increasing people's freedom by enlarging their choices of choosing varieties and alternatives of goods and services.

Generally Weems (2000) says that development must be about creating a better world for all citizen and it must be defined by advances in education, adequate education, trainings and skills and knowledge capacities needed for the environment, state, and Nigeria should not be left out in this pursuit.

Accordingly Nigeria should invest adequately on education so as to develop her human capital and increase the propensity of her labour force in the labour market.

Young Lee (1966) Obisi and Anyim (2012) asserted that South Koreas educational enthusiasm has made her invest heavily in education and human capital development thereby increasing her labour force with knowledge and skills and people who had helped to develop the South Korean economy this implies that a nation economy will be developed if the country invest in the human capital resources of its citizens, because human capital development is a catalyst for an enhance labour force in the labour market for national development. This will impact heavily on the recruitment of qualified and skilled labour force and enhance the labour market with multiple developmental sources for the growth of the economy by infrastructural development and other facet of the socio-economic system. With the development of human capital, specific abilities and innate one will be improved there will be the requisition of conceptual knowledge, development of capabilities, information and technological orientations for the utilization of machinery and other resources, services for development.

Labour Market

The labour market is a function of the supply and demand for labour force. It is a place where employers of labour and people looking for labour (occupation, employees) interact with each other for their buying and supply of labour force. In the labour market today employers of labour compete for the best offer, to hire the best skilled and knowledgeable employee. The workers also compete for the best satisfying and highly paid job. In the labour market, the labour demand is the firm, the employers demand for labour and the employees, the workers stand on the supply side. The supply for and demand for labour in the labour market is influenced by several changes in the markets, as bargaining power, rate of unemployment the rate of number of skilled labour, specialization in the industries and the economy. Kotlia (2014) looks at the labour market as the total supply and demand for human capital resource that allows for the placement of an economically active population in the job, categorized into sectors, demographics and professional qualifications that can perform and induce economic development of a nationandits citizens. Relationship he said are formed in the labour market between the owners of the means of production (employers) and employees in order to facilitate a good mixture and measure of the factors of production.

The Nigerian Labour Market

The Nigerian labour market like or unlike other existing labour markets has its own peculiarities that differentiate it from the standard labour market. For years the Nigerian labour market has been faced with challenges that have contributed to the increased income inequality of labour in the labour market. There is a high unskilled, unemployedworkforce, low rate of remuneration, that has led to brain drain to better markets and unemployment at home, thus the unemployment rate today in Nigeria is about 48% (Statist 2021) more than 8 times higher than that of the USA seen to be 5.% (Statist). The United State President Joe Biden in 2021 announcedthat in his one year in office employment rate in the USA has increased to 5% while the Nigerian President Buhari announced to his citizens that you can get the best degree from the best university the world and that there is no job opportunity with population of over 196 million. Statista 2019,

And a labour force of about 91 million out of which 21 million is unemployed (46.4%).This unemployed population do nothing of economic significance as reported by the Nigerian Bureau of statistics and are not participating in any form of labour, or partaking in any form of employment, while the rest work very few hours below 20 hours per week to be considered employed (NBS 2018).

Nigerian labour market is driven by the economic outcome, output from its robust informal sector that boasts of a contribution of 65% of the country Gross domestic product (GDP) than it’s more regulated formal sector. (Businessamlive 2017), Government policies has helped to stifle the informal sector with high tariffs and ban on imported supplementary products and raw material that has increased production and outputs. This has led to retrenchment, dismissal or casualization of workers and has thrown them again into the labour market as unemployed people seeking for jobs. This increase of labour force in the labour market has made workers to accept or do any job for a living.

The present trend of unemployment in the Nigeria labour market is frightening, and foretells a nation that is plagued with negative outcomes, such as high level of poverty, all sorts of crimes, migration, youths restiveness kidnapping and hostage takingfor ransomed, Low domestic industrial output, and an unattractive environment for foreign direct investors to come in (FDI).

It is commonly assumed in normal circumstances that workers would seek out jobs thatoffer higher pay in the labour market, but in the Nigerian labour market, it is not uncommon to see members of labour engage in bargaining for lesser paying jobs because frustration. Nigeria is noted for its high corruption level and lack of meritocracy in its employment policies. For several Nigerians see lesser paying jobs as a means of securing employment when compared to jobs where immense uncertainty of employment exists due the knowledge that employer assertions' in such highbrows forms and organizations are inclined to hire employees based on connections and the man know man, like the "quanxi" connection, attributes of the Chinese to business success in China.

There is also an assumption that workers as rational human beings would seek employment in jobs with high risk factors, such as possibilities of physical injury, lack of security and others, but will be satisfied with expectations of higher wages, and some good severance packages. In the Nigeria labour market this is not so, as workers would seek employment in such a high risk jobs, not because of high wage and incentives packages but for the need of getting employed any kind of employment is accepted whether or not with high wages or incentives.The saying that the market clears and regulates itself but in Nigeria this is not true due to the large difference between jobs available and the population size pursuing labour and seeking for ocupation. This throws labour (employees) at the mercy of labour market where employers take advantage to pay for labour (employees) a very low wage for their output, work or services rendered.

The Nigeria market especially the public services which is supposed to be the highest employer of labours according to Akinyosoye (2019) is highly tribalized through it tribes and states of origin requirement both in Federal and States level. This createshin drance to workers mobility to seeking alternative places of employment

Generally and globally, workers and employers are meant to follow collective bargaining agreement in negotiate for wages. In Nigeria the worker somehow has none or little bargaining power, they tend to seek out any source of employment no matter the payment due to the reality that the unemployment rate in Nigeria (48%). Employers engage on constant employee manipulations and no legal suits can be filed because the country's legal system can be compromised to the detriment of the employees (Yemi&Adesanya (2013).

It is also notable to infer that the labour market in Nigeria has issues of gender participation.

Statistically with 19.3% of males being employed, 21.6percent of women in the work force are unemployed (NBS 2018). Nigeria is plagued by high levels of gender based unemployment, due to discrimination of the women fold. The international labour organization (ILO 2014) noted that women are discriminated against in the workplace and experience a double discrimination due to their ethnicity and the ethnic minority. Other discrimination aspects in Nigeria is stereotyping, women are meant for home caring and child care. In the northern parts religion prohibits women from public appearance and taking up deployment. While the Boko haram ideology of western education is evil is interpreted t prevent the acquisition of knowledge, skill and human capital development that is necessary for self-development, self-reliance and economic development.

Fapohunda (2013) points out the reasons why the gender based pay gap and discrimination exists in the workplace and employment in the labour market. Some of these are, direct discrimination against women, gender based stereotypes which directly or indirectly affects carrier and educational decisions of men and women, work flexibility; that women opt for jobs that gives them more time to attend to their family (Olagbegi&Afolabi (2004) observed that men are more successful at negotiating wage rates than women.

World Development Report, 2012 has also noted that women have added less value to the workplaces; through minimal than their male counterparts. So we can see why sometimes the disparity,and why women are trying so hard to remove or gradually reduce these abnormalities by proving themselves worthy of high performances even in high managerial positions. The rationale for the eradication of gender based discrimination is seen in as economic efficiency rationale which postulates that increase in women's participation would increase economic production and the right-based equity right which states that it is their basic right (ILO 2014 P:14)

The Nigerian government over the years has initiated various polices aimed at stabling the labour market and reducing the unemployment rate in the economy. These policies like the structural adjustment programme (SAP), the Green Revolution, Back to land, the NEEDS, TaxReduction, the Social investment program, N.Power and others. Inspite of all these policies by the Nigerian government over the years, Nigerian youths, graduates and school leavers are still experiencing hardships in securing employments. This is all due to the facts that polices introduced by the government to ensure labour market stabilization are not efficient enough due to numerous economic and social problems that affectsNigeria, the non-implementation of its policies to the end. This unemployment pool in the Nigerialabour market is presently to the absence and development of its human capital resources that is necessary for overall development and self-sustenance. Human capital investment in education, knowledge and skills acquisition has been thrown to the wind and greater emphasis is placed on certificate and degree acquisition than technical, vocational skills and entrepreneurial knowledge. In countries like China, and India, skills acquisition, technological knowledge and intellectual contribution to production, economic growth, self and national development is celebrated than paper certificates and qualifications.

In the next years within 2025 and on, most Nigerians will loose their employment because of automation. The global labour market is going the robotization stage and if human capital development in Nigeria is jettisoned, and nothing is done, the youths and unemployment will grow to a crisis point and this will not augur for the nation and its economy, youths restiveness and crimes of all sorts will be on the increase.

Human Capital Development Problems and the Nigerian Labour Market

Nigeria like any other developing country ought to have been driving to the stage where it could adequately accommodate a good number of foreign direct investment, with the growth of a boot string domestic market just like most of the developed countries of the world. In most labour markets one would see the interaction and behaviours of the elements of demand and supply of labour search for jobs, income and wages, wage determination, inflation, unemployment, migration, collective bargaining and negotiation in relationship to favourable working towards economic development of the nations.

In the Nigerian situation thereare peculiarproblems that hinders the labour market from functioning properly and ultimally. These problems must be looked intoforsome equilibrium to be archived in the labour market for people cannot find place to work.The result is that the supply of labour may increase while demands fall drastically, and people will accept jobs even at low wages that may not sustain them. The essence of works is no more fulfilled nor satisfied.

Nigeria educational system is so much outdated and tends to produce graduates who lack in skills acquisition modern technological knowledge that are needed in today's industries and organizations. This inadequacy in human capital and manpower development breeds serious unemployment, social insecurity by jobless citizens and youths. According to Aluko and Aluko (2012) the too much overdependence on governance not to provide employment as an employer of labour has totally failed as the federal government pronounced in 2021. In 2021 the Federal government led by the president announced to Nigerianthatno matter if you obtain a degree from the best university in the world, that there is no employment for you in the public service of the nation both in the Federal and state levels. On the other hand his counterpartPresident Joe Biden of the United State of America in his first year broadcast to Americans noted that he has reduced unemployment rate by 5%, which means that has government is creating more jobs in the labour market for the citizens. This is a far cry from the situation in the Nigerian labour market were jobs are not created.

Nigerian as a country of teeming youth population above 65% of the Nigerian population are made of youths and out of this above 46.5% of them are unemployed (NBS 2018). Oil production represent 90% of the GDP which Nigeria mostly depend on. A decline in the global oil output,puts the country into crisis of sustainable development of its needs, budgets and infrastructure, this in part is due to poor human capital development for diversification and management of other productive sectors of the economy. Nigeria economy has therefore suffered immensely due poor human capital investment for development. Low income, hunger strikes, brain-drain, opticaltight, huge debts burden, political instability, kidnapping and banditry are all signs of poor human capital development initiatives. Nigeria's high population should indicate high potential for human capital development. When efforts are made to elevate these potentialsto change that is when the high population will translate in valuable humans' capital that is geared towards developments and profitable changes in the economy, but Nigeria lacks these efforts and inputs and the political will needed to elevate its human capital potentials. Nigeria is endowed with more human and material resourcesthan countries like Korea, Singapore or Japan, yet it comes nowhere near these countries in development both socio-economic and technological advancement. These nations make use of their human capital to make changes and develop their economy. What makes the difference in human capital is its development effective engagement, allocation and utilization (Akingbade (2008).

One another very important problem in the Nigerian labour market is the decrying situation of business and employers in the labour market. Business organizations, companies and industries are finding it difficult to fill in gaps in their establishment and business organizations. They claim that most Nigerian youths are unemployable. That most are not qualified, skilled to handle responsibilities that the modern organizations and the labour market demands. This goes to the lack of educational institutions in Nigeria to review and update its curriculum and learning techniques to meet the modern labour demand in the labour market to enhance development Oluwabunmi (2017).

Today we are in a globalized market with tremendous competition for the demand for labour. Big multinationals and organizations are going out for the best around the globe. The best in skills talents, creativity, technological and automation infact organizations like Goggle, Microsoft are establishing their own learning and acquisition centers were employment will in future depend on what you can do and not on certificates and university degrees,organizations has to train its prospective employees to as to maintain its competitive advantage and leading position in global competitive market environment.

We are in the growing era of technological and information advancement. The arrivals of these technologies has imparted greatly in the global labour market and Nigeria is not excluded.

The revolution in these technologies is an output of human capital development in modernizing the way we do things, do business faster and competitively with the need for more knowledgeable and skilled workers. This has comefrom the shift in education, human knowledge, growth and competence of human capital development that has created easy global connection, business streamlining, rapid response, innovation and improvement in the workplace and labour market.

The problem of inflation also poses a serious challenge to the functioning of the labour market in Nigeria. There is a constant and persistent increase in factor and prices of goods and services today in Nigeria. These comes with a negative effect on the labour market. Inflation heightened by low production and structural defects are peculiar to the Nigeria economy. This was made worse with the effect of Covid19 pandemic on the labour market. Many employers were not paying due to lock downs and low productivity as some laid off their workers as the whole economy was affected in closure and lockdowns for weeks or months. These and so many others not mentioned here are challenges facing the labour market in Nigeria, which government and labour specialist have to seriously consider to put up and try to reduce these challenges through a serious investment in human capital development in order to bring an equilibrium in the labour market so as to foster human and national development in all sectors of the economy thereby enhancing the nation's gross national product (GDP).

Notwithstanding the challenges, there is hope at the end of the tunnel. There are prospects of reappraisal in the labour market if certain policies are implemented and controlled to its fruitful end.

A large mismatch appears between the university and other highest institution output in the country and the labour market demand. Nigerian graduates do not get employed because their education from these towers do not match the skills to operate and work in the modern 21st century industries. So these higher institutions haveto change theircurriculum to meet the demands of the current labour market analysis and demeans (Longe 2017).

It is obvious that some employers in their labour market see the deteriorating effect as an advantage to recruit labour at a lower cost, maximize profits and reinvest in another sector for expansion. This prospects according to Karl Marx is not motivating to the employees ad may bring about conflicts with low morale and lack of motivation rewards and food wages workers will not be highly productive.

This will in turn affect the development and growth of the economy. According to the international labour organization (ILO) 2019. Nigeria has failed to address issue of poor worker consideration and listen to its labour union. The labour market in Nigeria has prospects and expectation if its encourages labour force participation and increase productivity levels by enhancing human capital development and create more policies, laws to abide or match the international labour organizations (ILO) conventions.

Expectations

Nigeria, a country known to have abundant natural resources yet untapped and a high population density could well invest in capital human development of its citizens and enjoy the benefits of development and immense productivity if it utilizes the proceeds of its oil production and profits into human capital development. This is long awaited for, that Nigeria immense oil revenue, can channeled to sufficient use, resources for human capital development, increase in knowledge and technological skills in the labour market for employers of labour to sufficiently tap for industrial and national development.

These resource will help in increasing investment in education, training institutions and skills acquisition centers and programs for information's and telecommunication (ICT) as well as research and development. These will enable foreigndirect investment to come in from Europe, America, India and Japan with revenues and sophisticated technologies. This will impact so much on technology transfers, revenue increase of the economy.

With these foreign investments contributions will be made towards national development through high level human manpower training and skills acquisition.

This will also make the Nigeria labour market to increase and be more efficient to absorb the necessary labour meant for the development of the economy. Youth and individuals citizens can take advantage of this foreign direct investment to develop intellectual knowledge, capacity and proper value for individual survival and self-understanding, bilateral relations and interactions that will put the nation in developmental strides that will enhance development and well-being of the citizens (Aluku &Aluko 2012).

Peconomic development of any nation, massive investment in education and training of the youths, citizens will help make more prolific the labour market and enhance opportunities for job seek and satisfy the needs of employers of labour.

In later years to come we Nigerians as a country that produce and celebrates manpower, human capital, skills can contribute to national development, can also export skilled labour to other nations and state, globally to sum it up as**a**

Theoretical Perspective of Human Capital and the Labour Market

The evolution of Human capital can be traced back to the time and emergence of classical economics of 1776 (Fitzsimons 1999) Adam Smith helped to develop this foundation through the Humans capital theory which was popularized in explanations of wage differentials (Becker 1962). It was an American economist Theodore Schultz (1902 – 1999, Becker 1962, 2006) But the economist Schultz in his work entitled "The emerging economic scene and its relation to High Education", examined then relation between education skills acquisition, labour market and productivity. The authors identified people, human capital resources as the source, the market force that generates economic growth as the old traditionaleconomics did not focus or content with people knowledge skills, and the human capacity as a value to reckon with in the labour market for productivity and economic growth. So the resurgence forthe human capital as a theory came up though work of Schultz and Becker in this modern time (kern 2009).Fromhence other theories have been established that considered the relationship that exists between human capital with the labour market productivity and economic growth, these theories are

Human capital theory (b) Growth theory (c) two modernization theory and (d) dependence theory Here we ignore dependence theory in our discussion because its underpinning is basically more relevant to macro-economic issues.

Human Capital Theory

According to Schultz 1961, 1962 and Becker 1964 they understood Human capital theory with education, skills acquisition and training of the labour force. So Oluwabunmi (2017)knew that human capital theory is an explanatory lens through which skills, knowledge and future earnings and choice in the labour market is seen. This will make a person increase his earnings when such increases his capacity on education training in increasing the human capital. The human capital is relevant as its provides a better perspective why the labour market requires people to be gainfully employed and earn better wages according to their educational training, increasing their productivity with an increasing choice and competitiveness in the labour market. Similar studies support the impact of the interaction between educations,. trainings and skills level of the labour force, the workforce, the labour market and the measurement of technological no how adds to more activity in society. (Nelson & Philips, 1966) with Human Capital theory, a more educated sand skilled workforce makes it easier for firm to adopt and faster implement new technologies, thus enhancing returns on investments I human capital through education and training helps to equip the labour market with high manpower for productivity and development (Izushi&Hugin 2014).

Adelakun on Human capital theory states that most empirical studies support the aggregate significant and positive effects of education and training of labour force.

Human capital theory therefore indicates that education leads to increase in productivity and efficiency of workers by increasing the level of their knowledge and skills. So the investment in education is considered worthwhile as investment not in futility but a future investment for productivity that is better than investment in physical capital. (Adelakun 2011).

Growth Theory

Growth theory was discovered and developed the 1950s and the 60s (Jovanovich 2000) Growth theory is concerned with determining the disparities that exists in economic growth and development in various countries and regions. According to Janice there are three reasons for this disparities in development among different nations and regions. These reasons are, the progress of science, innovation productive knowledge, the growth of individual skills and incentives. The growth theory is an aspect of learning by experience, and learning more by doing, hence one grows. Leaning process operates at operational level, in industries where each producer learns from the experience of others, or other experienced producers. Growth does not come through this alone but with the combination of the acquisition of education and on the job training and skill acquisition so as to be valuable in the labour market Lucas (1988) explains that education and worked experience forms the differences in growth of development in various regions and nation.

It is a known fact that growth and development will increase when there are incentives to innovate, invent things and produce them, through the acquisition of the needed skills as are provided to workers within a friendly environment for productivity and growth. This the growth theory which involves and concerns knowledge, education, skills and incentives essential for the labour market to enhance growth and development in the economy, and improved wages for employees.

Modernization Theory

As a Social psychologist McClelland (1961) rooted in his research work to explain the differences between societies using social and technological advancement as a case study. He came out to assert that some societies are more advanced than others because of their cultural and personalistic styles of life.

McClelland postulates that advancement of societies than others is caused by natural selection where they live and the necessity and needs for achievements. He claims that children can develop the need for achievement through literature that stresses theneed and significance of self-help, self-reliance and competition and general extroverted behaviours. This is the outcome of modernization theory which focus on education which can transform an individual's value, belief and behaviours. Exposure to modernization, modernized institutions such as schools, tertiary, vocations, factories and communication technologies would inculcate values in person's attitudes and personify for self-dependence. And this we advocate for Nigeria to invest more on human's capital development through education, training and skill acquisition for modernization and development. Nigeria must ignore the current Boko Harem (Western education is evil) ideology and brace up to educate its citizens especially in the northern Muslim states of Nigeria for economic self and national development so that they could be able to equip themselves for the needs for the 21st century modern labour market so as to be competitive in the economy. This means for modernization theory to include openness, exposure to new ideas independence from traditional autocratic authorities, willingness to plan for the future with a great sense of personal and social efficiency. Modernization theorist further stresses instruction and learning that demands and emphasis a sense of logical, analytic reasoning and critical analyst that provides us with technical and specialized knowledge to increase marginal productivity, economic development and a higher advantage in the labour market for inclusiveness, occupations and, employment today. So it is pertinent of societies that aim at development, like Nigeria must encouraged her young ones to become skill oriented, pursue entrepreneurship which can impact in them the values of modern societal needs for achievement n today labour market economy. The modernization theory is an aspect of what happening in today's global market. A market of specialisation, automation, skills acquisition and expertise where the best are employed It is no more certificates or university degree acquisition but what you can invent to meet up with technological advancement. Labour economists have forecasted that come 2050, 50% of Nigeria will be jobless, lose their jobs due to automation and technological advancement in the labour market. International telecommunications and technological industries like Google, Apple are now establishing center and institutions of their own to train and certificate their own employees for their industries and not requiring university degree holder who are not employable because of lack of expertise in their needs and required field in the labour market.

Nigerian government, the labour market must invest seriously in human capital, reform its institutions, universities curriculum to meet the modern requirements for the global market. The youths must not be allowed to be discouraged from education and training to develop their human capital resources but must be given the opportunities and secured environment if Nigeria want to avoid restiveness and compete favourably in the 21st competitive global economy. The time is now.

Prospects In the Nigerian Labour Market for Human Capital Development

Empirical studies in Nigeria has shown that in most industries, establishments, banks, employers of labour are only interested in their maximization of profits and they are not interested on the average employee what he has and are not given the time for personal development effort. But the future is bright as many industries according to Olalere and Adenugba (2014), conducted a research on human capital development in First Bank of Nigeria PLC, ad their finding revealed that human capital development programmes are constantly the policy of First Bank of Nigeria and this has improved the skills, attitude and the performance of staff in the bank which has invariably led to the greater achievement of the banks targeted objective and goals.

In Nigeria, the population is high with large labour force in the labour market. These labour force only needs the right education, training and modern skills to make them valuable for occupation and employment. The abundance of labour force implies reduced cost of labour for the labour market. This can help increase productivity bringing more profits to organizations. This will also attract foreign direct investment, help reduced unemployment rate in the country, while consequently reducing youth retireness, kidnaping and various crimes bedeviling the nation.

In the future in Nigeria it is expected that human capacity building must not be left on government alone but corporate bodies, firms, syndicates and private partners should be encouraged so as to achieve results. Just like companies like Amazon, Google and Microsoft are today doing to train their own, for their groups and industries. And such as the German government are doing in co-determination" partnership with trade unions syndicates to train their graduates to acquire the necessary modern skills after graduationto prepare them adequately for the German and global labour market.Likewise in future we believe to see our graduates, the Nigerian graduate getting out of school and ready engage in the labour market with their skills capacities and ability, not waiting to be employed by government or anyone.

We desire that our youths remain to develop the country than travelling abroad to do manual and mean jobs that are not expected of them. But with skills acquisitions and special trainings, the applicant pool in the labour marke twould be enough to satisfy the employers of labour who would no more claim that Nigerian graduates are not employable because they do not have thebasic skills while the well trained crops of Nigeria leave the system for abroad marketers.

Nigeria has the prospects of growth in itshuman capital is given the right direction, the youths encouraged to acquire double skill so as to meet up with the modern market requirements for the 21st century labour market exigencies. If these are done we believe that Nigeria's labour market will be one of the leading world labour markets that will be supplying ideas, innovations and technological no how to other countries of Africa and the world at large.

CONCLUSIONS

The Nigerian labour market is surrounded by an unfavaourble market and government policies. Nigerians must be able to brush up their capacities, entrepreneurial skills and knowledge to meet the demands of the modern labour market.

The Nigerian government should give dignity to labour, encourage the youths (to skill acquisition that suit the 21st century demand for labour, and motivate the skilled and professionals in the labour market and workplace so as to avoid the Nigerian labour and expert's brain drain to foreign markets. Many Nigerian experts and professional like doctors, nurses and professors are fleeing from the country to other countries where there are favorable conditions of services and employment.

Nigerian should look beyond myopic labour attitudes and models and seek out modern labour structures that suits the nation and accepted globally. This will help reduce the rate of unemployment, work and wage conditions, income inequality and other social vices that are bedeviling the nation. Educational institutions have to restructure their curriculum to train their students to become employable graduates, self-reliantso as to be able to be competent enough to meet the demands of the modern work place and the labour markets. This will help in their own development, their community and the economic development and growth of Nigeria

REFERENCES

1. *Akinyemi, S; Ofem, I. B. & Ikuemomore, S. O. (2012) Graduate turnover and employment in Nigeria, International Journal ofHumanities and Social Science,Vol 2, No. 14.*
2. *Anumudu (2017) Significance of human capital development as a panacea for Economic growth in Nigeria. IDOSR. Journal of Science and Technology Vol 2, No 1*
3. *Aluko, Y. A. &Aluko, O. (2012) Human Capital Development: Nigeria Greatest Challenge. Journal of management policy and practice. Vol 13, No 1*
4. *Asaju, K. (2012) Human Capital Development and Poverty Alleviation in Nigeria: A symbolic Overview, Journal of Publication and Governance, Vol 2 No 4.*
5. *Enyekit, E. O., Ahamaechule, S. &Teerah, L. E (2011) Achieving Human Capital Development in Nigeria through Vocational Education for nation building. Proceedings of the 2011 International Conference on Teaching and Change Vol 63-69.*
6. *Alika, Iyere Joseph, Stan Aibieyi (2014) Human Capital: Definitions, Approaches and Management Dynamics. Journal of Business Administration and Education.Vol 5, No 1.*
7. *Ejerh, S. I. (2011) Human Capital formation as a catalyst for National development: Nigeria in perspective. International Business and Management.Vol 2. No 2.*
8. *Giziene, V., &Simanaricienh, Z. (2015) The impact of human capital on labour Market. Lithuanian case proceeding-social and Behavioural sciences. Vol-191*
9. *Kottia, A, (2014) The concepts of the labour market problems of economic transition Vol 41, No 3.*
10. *Longe, O. (2017) Graduate unemployment in Nigeria: causes, consequences and remediable approach American Journal of contemporary research, Vol 7, No 4.*
11. *NEEDs 2 (2007) National Economic empowerment and development strategie (2007 – 2011). National Planning Commission, Abuja, Nigeria.*
12. *Ogwumike, F. O., Alabi, O. A. Alabi, O. B. (et al (2006) Labour Force participation, earnings and inequality in Nigeria. Working paper – African Economic Research Consortium, 1-28.*
13. *Ojo, O. D; Ugochukwu, N. O, &Obinna, E. J. (2011) Understanding the escalation of brain drain in Nigeria from poorleadership point of view. Mediterranean Journal of social sciences. Vol 2, No 3*
14. *Okojih, E. E. E (1995) Human Capital formation for productivity, Growth in Nigeria, in the Nigerian Economic and Financial Review. Vol.1,n.1,Uniben.*

15. *Okowa, E. Vincent, M. O. (2019) Human Capital Development and labourProductivity in Nigeria, 1980-2016.Australian Research Journal of Humanities, management and social Sciences, Vol 11, No 1.*

16. *Oluwabunmi, A. O., (2017) The impact of human capital development in Employments generation in Nigeria-African Journal of Economic Review. Vol. 5, No 3.*

17. *Onwioduskit, E. A., Adanigbe, E. T. & Buns, E. N. (n.d.) Macroeconomic determination of labour in Nigeria,Journal of monetary and Economic Integration.Vol 9 No 2.*

18. *Samiullah (2014). Relationship between unemployment and human capital. Journal of Resources Development and Management,Vol 3*

19. *Statista (2021) Forecasted unemployment rate in Nigeria labour market in 2021. Retrieved from https://www.statista.com/statistics/1119227/forcasted- unemployment-rate in Nigeria/*

20. *Statista (2021). Monthly unemployment rate in the United States from June 2020 to June 2021. Retrieved from https://www/statista.com/statistics/273909/seasonally-adjusted-monthly-unemployment-rate-in-the-us.*

21. *Shuaib Mohammed, Popooola Timothy Oladayo (2016) Determinants of Human Capital Development in Africa: A Panel Data Analysis. Quarterly Journal DeconomiaCopernican. Vol 7. No 4.*

22. *Vodak, J, (2010) How to measure Return on investment in Human capital Development and the labour market. Journal of Social Science. 1. Turkey, CAG University.*