GROWTH AND DEVELOPMENT OF THE NIGERIA CAPITAL MARKET: ISSUES, PROBLEMS AND PROSPECTS

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BEING A PROJECT PRESENTED TO THE DEPARTMENT OF BUSINESS ADMINISTRATION IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION (MBA) OF THE AHMADU BELLO UNIVERSITY, ZARIA.

SEPTEMBER, 2000.

DECLARATION

I here by declare that this project was written by me under the supervision and guidance of Mallam Dalhat Imam who took all pains to peruse through my work and effect all necessary corrections.

That before now, no other similar work had been done or was carried out as at the time this research was conducted. All the information and data collected for this project that are not original have been duely acknowledged in my bibliography.

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CERTIFICATION

This Project work entitled: **"Growth and Development of the Nigerian Capital Market: Issues, Problems and Prospects"**, meets the requirement governing the award of degree of Master of Business Administration, Ahmadu Bello University, Zaria, and is approved for its contribution to knowledge and literacy presentation.

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Great men are not born but are made. I am great, thanks to God and a number of people.

I am most grateful to the Almighty God who has never failed me. He has always been on my side. He has been merciful unto me and has been my source of inspiration.

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My special appreciation also goes to my brothers and relations for being what they are.

I also thank Anche, Samson and Ismaila for sacrificing to ensure the production of the Project.

I wish Life and Love will treat us kind, Amen.

DEDICATION

This research is dedicated to my daddy, Mallam Mailafia Gambo who out of concern for my education sold our only cherished dog to pay my school fees.

ABSTRACT

With automation, deregulation and globalisation, the Nigerian capital market has become more automated, efficient and internationalised. However, the high level of illiteracy which doubles with the low level of awareness along with other problems like poor infrastructure among others have served as impediments and clogs in the wheel of the capital market's growth and development.

This study has attempted to assess the extent of growth and development and tried to proffer solutions as to how the Nigerian capital market can meet up with international standards. It has tried to also make a forecast of the future in a bid to predict its performance by 2010.

Findings reveal that even though the stock exchange performance is not too satisfactory, a crystal look at the political dispensation in the country and the government policies on privatisation, deregulation and response to automation and globalisation as well as government's effort to improve on our SMEs, and infrastructure particularly the Telecommunication Industry, there are great prospects of the exchange. There is the tendency that in the next decade, the Nigerian capital market will not just be a leader of the emergent markets but will be transformed to be one of the global advance stock markets.

TABLE OF CONTENT

Title Page
Declaration..... ii
Certification..... iii
Acknowledgement..... Iv
Dedication..... v
Abstract..... vi
Table of Contents..... ..... vii-ix
List of Tables..... x
List of Figures..... xi

CHAPTER ONE

1.0 Introduction..... 1
1.1 General Overview..... 1
1.2 Statement of the Problem..... 2
1.3 Objective of the study..... 3
1.4 Research Questions..... 3
1.5 Scope of the Study..... 4
1.6 Significance of the Study..... 4
1.7 Definition of Terms and Acronyms..... 5
1.8 Plan of the Study..... 6
Footnotes

CHAPTER TWO: LITERATURE REVIEW

2.0 Literature Review
2.1 Introduction..... 8
2.2 Concepts of Growth and Development..... 11
2.3 Historical Background of the Nigerian Capital Market.. . 17
2.4 The NSE: its Activities, Organisation and Functions..... 20
2.5 The Role of E-Business in Stock Markets Development- 25
2.6 Industrialisation and Corporate Growth and Development
26
2.7 The Contribution of Entrepreneurship to Economic Development 29
2.8 Summary..... 35

Footnotes

CHAPTER THREE

3.0 Research Methodology.....36
3.1 Introduction.....36
3.2 Research Methods.....37
3.3 Research Design.....40
3.4 Sources of Data 41
3.5 Methods of Data Collection.....42
3.6 Data Analysis Techniques.....42
SUMMARY.....42
Footnotes

CHAPTER FOUR

4.0 DATA PRESENTATION AND ANALYSIS
4.1 Introduction.....43
4.2 The Contribution of Privatisation and the NSE to capital formation...43
4.3 Transforamtions and New developments in the Capital Market.....46
4.3.1 The NSE.....46
4.3.2 The ASE.....55
4.3.3 Growth Trend and Statistics of the NSE.....58
4.3.4 Legal Transformations.....
4.4 Problems and Challenges of the Nigerian Capital Market.....64
4.5 Internationalisation of the NSE and Global Stock Markets.....70
4.6 Factors that have Enhanced The Growth and Development of Nigerian Capital Market.....72
4.7 Strategies for future Growth and Development.....73
4.8 Prospects of the Capital Market.....75
4.9 Summary.....77
Footnotes

CHAPTER FIVE

5.0 SUMMARY,'CONCLUSION AND RECOMMENDATION

5.1 Summary.....78

5.2 Conclusion.....79

5.3 Limitation of the Study.....80

5.4 Recommendation.....80

5.5 Suggestion For Further Research.....82

Bibliography

Appendices

LIST OF TABLES

Table 1 - Growth in the Number of Listed Securities pg. 58

Table 2 - Growth Trend in the level of Activities including Market Capitalisation

LIST OF FIGURES

Figure 1	-	Organization and Structure	Page 22
Figure 2	-	Composition of the Capital Market	Page 23
Figure 3	-	Break down of share ownership	Page 47
Figure 4	-	CSCS flow of Activities	Page 50

CHAPTER ONE

1.0 INTRODUCTION

1.1 GENERAL OVERVIEW

The world is fast changing. It has become a global village thanks to innovation in automation, "clearly, older trading system that rely on personal contact between trades are being replaced by computer networks in which traders throughout the world communicate and trade over microwaves and optical fibres,"[1] Nothing in our modern globe is static. Perhaps the only thing that seem constant is "change."

The Nigeria Capital market has undergone series of transformations over the years with the stock exchange markets being automated as well as internationlised. Developed nations appear to be the pace setters with the developing nations following suit. "... globalisation has combined with deregulation and liberalisation of markets to alter the configuration and modus operandi of national stock markets. Besides, the growing trend in the development of national stock markets points towards global integration with implications for modernisation and increased competitiveness of stock exchange." [2]

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1. Wriston Walter in Shala, Daniel; Understanding capital market and secrets of making money on the stock exchange; Macmillan Nigeria, Pg. 41
2. Herbert, Wilson E. in the Shala, Daniel; understanding capital market and secrets of making money on the stock exchange; Macmillan Nigeria, Pg. vii

"The disequilibrium in savings and investment needs of economic units and the resultant desire to channel savings of surplus units into productive investments by deficit units are undoubtedly the main essence of capital market development." [3] The intermediation role of the capital market helps in creating facilities for the translation of savings into investments, thereby boosting economic growth and development.

"Stock exchange are changing rapidly in operational and structural terms in response to developments in financial markets propelled by communication and computer technology. These developments have been accompanied by the evolution of a myriad of stock markets points towards global integration with increased competiveness of stock exchanges"[4]

1.2 STATEMENT OF THE PROBLEM

Along with the dynamic world, the Nigeria capital market has undergone series of transformation such that the activities and attendant output of the stock exchange does not seen satisfactory compared to that of other developed countries.

There are certainly different school of thought about the performance and the attendant output of the Nigerian capital market. Aloysius, V. believes that it remains substantially underdeveloped. There is little or nothing in

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3 Alile, H. I. (1994): "Role of Capital Markets in Africa's Economic Reforms"; in the Nigerian Stock Exchange Factbook
4. Ibid

the market; new public issues by private enterprises are few, with less than 10% of companies that are qualified for listing on the market actually apply to get listed." He goes on to maintain a position that B[1]asically, the Nigerian capital market has remained inefficient in the performance of its intermediary function. For it to perform the function for which it was established and its 'raison d'etre', it must be efficient ....."[5]

Alile, H.I on the other hand argued that "The NSE can be said to have achieved to some extent its mission in contributing to capital formation in Nigeria, it is trying very hard to realise its over-riding long-term goal which is growth in term of market capitalisation and trading volumes"[6]

1.3 OBJECTIVE OF THE STUDY

The objective of this study is basically to assess the performance of the Nigerian Capital Market with a special focus on the Nigerian Stock exchange in terms of growth and development, proffer solutions and make some forecasts on what is anticipated in the twenty first century.

1.4 RESEARCH QUESTIONS

Based on the statement of the problem, there is the need to answer a number of research questions which should lead us to a viable solution. Thus this study should help us to answer the following research questions:

i. How is the performance of the Nigerian Capital Market ?

ii. Do the activities of the Market have any influence on the Nigerian economy?

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5. Aloysius, V. (1999) "The University Accountant" Official Journal of the Nigerian Universities Accounting Students Association; p37 (6) Alile, H.I (1999) "the stock Exchange and Capital formation in Nigeria;

iii. How can we improve its performance such that we can create impact on the global equity market?

iv. What is the level of awareness/participation?

1.5 SCOPE OF THE STUDY

This study covers the performance of the Nigerian Capital Market with a microscopic view of the Nigerian Stock exchange. It tries to look at the evolution and new developments as well as expansions in the activities of the NSE. It also tries to look at some of its associated problems as well as the prospects of the market given the present challanges and opportunities. The period under focus is predominantly the 90's.

1.6 SIGNIFICANCE OF THE STUDY

Our competitive world demands a lot of innovations to be able to be afloat. The performance of the Nigerian Capital market, the Nigeria Stock Exchange in particular, is a very good indicator as to where we are going. The level of industrialisation has a direct relationship with the activities of the Capital Market. With a shipwrecked and bastardised economy, Nigeria needs to rise just like Japan did after the bombing of its cities of Hiroshima and Nagasaki in 1945, in a bid to take its rightful position as the leading country in Africa. Thus there is the need to first and foremost, assess our performance in the Local and international Capital Market and to swing against the tides by bringing in some innovations

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strategies and constraints" Being paper presentation at the senior executive course No 21 organized by NIPSS, Kuru, Pg. 24

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which may include creative destruction. This means that there is also the need to project the future so as to ensure a smooth landing.

1.7 DEFINITION OF TERMS AND ACRONYMS

Bonds: A security issued by a government, government agency, or private company as a means of raising money. They are mostly redeemable and carry a fixed rate of interest.

Broker: Is an agent that buys or sells securities on the floor of a stock exchange (trading house) on behalf of investors who are by themselves not allowed on the floor of the stock exchange. A broker 9 is only relevant in the secondary market.[5]

Capital Market : A financial frame work for facilitating the transfer of medium to long term funds between lenders and borrowers!

Debenture : A document setting out the terms of a loans, usually to a company.

ADRs : American Depositing Receipts. This refers to investment instrumented in dollars and issued through banks to offshore investors.

ATS : Automated Trading System.

CSCS: Central Securities Clearing Systems

GDRs: Global Depositing Receipts. This is related to ADRs.

SRO: Self-Regulatory Organisation.

SMEs: Small and Medium Scale Enterprses

T: Transaction Day

T+2: 3 working days (transaction day plus two working days)

T+3: 4 working days (Transaction day plus three working days)

Offer for sale: This refers to the public offer of shares in a company by existing shareholder(s).

Offer for subscription: This refers to direct issues to public by floating a number of shares or debenturestocks. The proceeds of issue go to the issuer, a company, or government to finance expansion and/or modernisation.

Rights Issue: This refers to offer to buy more shares generally made to existing shareholders and sometimes at concessionary prices. Many quoted companies now use this method to raise additional capital need for their operation and so avoid the excruciating interest rates hitherto charged in the money market.

1.8 PLAN OF THE STUDY

This study is divided into five chapters. Chapter one introduces some vital aspects of the study. It states the background, problem, research questions, objectives of the study, significance, scope, plan, and definition of terms and acronyms of the study.

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5 Ako, Rose mbatomon(1999); Capital Market Manual ; pg13

Chapter two is comprised of the literature review. This covers the historical background, growth and development, and current changes in the Nigerian Capital Market.

The Nigerian Financial System, the role of Regulatory Bodies, Legal Transformation and Automation.

Chapter Three contains the research Methodology which after being introduced, covers research design, sources of data collection, Methods of Data Collection, Population and sample design, data analysis techniques and justification for the methods used. The chapter is then summarised.

Chapter Four represents the Data Presentation and Analysis. The chapter is first of all introduced. Subsequently, other areas covered include Data Presentation, Data Analysis, Problems of the Nigerian Capital Market, Prospects of the Nigerian Capital Market, Challenges ahead, Results/Findings and a Summary of the Chapter.

Chapter five is comprised of summary, conclusion, recommendation and limitations of the study.

CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 INTRODUCTION

Ever before the British began the exploration of Nigeria in the area called Nigeria today, there were a lot of kingdoms in the said area we had the Oyo Empire, the Karnem-Bornu Empire, the Benin Kingdom etc. In fact, history tells us that these kingdoms and empires had good relations with each other in times of peace and engaged in sophisticated trade. For instance, the Trans-Sahara Trade some centuries ago was an international capital market amongst these various kingdoms from the North of Africa down to its Western and Central parts. A system was evolved whereby goods were freely traded and resold at various strategic exchange rates and centres. Because there was a lot of confidence and trust in each other, goods at times were deposited in the market and buyers came, took the goods they needed, and deposited what they had with them in exchange. This of course shows that there had to be valuation of the goods traded and one can assume that modern theories of scarcity and choice also existed then. Accordingly, any scarce materials would certainly be valued. In this way, the rudimentary economies of these kingdoms were fostered and goods, which could not be got in an area before, were made available by traders. Accordingly, there was social contentment and economic fulfilment.

Coming nearer the present around the 19th century, we had no more of most of those kingdoms. Trade took other forms, with the entry of explorers. But

even before they came, for communities in various parts of the area (now called Nigeria), another form of capital market was in existence and is still existing today. This can be described as the rural capital market. Basically, there were three forms of market exchange, which included:

1. Co-operative societies
2. Ajo, Esusu and Adashi
3. Pledge

1. CO-OPERATIVE SOCIETIES : An ordinary Nigerian, and indeed African, has a highly co-operative spirit. We find natives coming together to help each other. From their surplus savings, farmers contributed to a joint fund in the community. From this pool, monies were withdrawn and allocated to deserving areas. For instance, money could be used to construct a town hall or market stalls, which would be for the good of the whole. Besides, individuals could also take loans from this source to finance various personal projects and an arrangement was made for repayment. Of course, there was no interest. Usually, the community chief kept the funds in trust for the common good of all. There were little or no incidents of fraud; accordingly the system worked very well for the general betterment of the economic and social conditions of the community members.

2. AJO, ESUSU AND ADASHI: The three words, Ajo, Esusu and Adashi, meaning the same thing are the three major Nigerian Lingual interpretations of what could be described as "thrift capital market". It has been suggested that

this system was borrowed from the Middle East or India. We are at a loss in tracing this assertion and the dormant gives no rationale for it either. However, it is a system where by a group of people come together and contribute a certain amount to a common pool every month. The whole contribution or part thereof, is then taken by one member each month. For instance, if 10 members contribute N10.00 each every month, at the end of each month the common pool has N100.00. This is then handed over to one member, who will use the fund allocated the way he desires. The following month it goes to the next person, and they all contribute again and another person takes, and it goes on an on like that until everyone must have taken.

3. PLEDGE – (a) This could be in the form of a contract in which one in need would approach another with the commodity in abundance. The lender usually would require some kind of security in most cases articles of equivalent value, although at times, on the basis of trust, security is not required. However, in order to protect the borrower, the customary law requires the lender not to make use of the deposit in such a manner as to deplete its value nor even use it all if the borrower is not using the commodity borrowed.

(b) Another form of pledge was the indigenous form of mortgage by which owner of a piece of land in order to secure loan of money(s) worth gives the possession and use of the land to the pledge creditor, until discharged of the debt. As a check on the creditor, he was not allowed to reap what he did not sow on the land, although, the creditor could enjoy the first of trees and crops he personally planted on the land.

These three forms of exchange of goods and obtaining credit or allocation of funds showed the stage in which Nigeria was with respect to the capital market early last century. However, times have changed, and practices have changed. The British did all they could to stamp out the forms of market, economies. However, the Obasanjo's military Government decided to institute a commission on co-operative, and it did have a lot to play for the confirmation and further development and protection of this system as a means to economic development.[1]

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2.2 CONCEPTS OF GROWTH AND DEVELOPMENT

Financial system as an instrument of fostering economic growth and development did not receive much attention in economic literature until the recent re-surgence of interest in the field through the works of economic researchers. The pioneering work drew attention to the relationship between real and financial developments especially in terms of the role of financial intermediary, monetizartion and capital formation in determining the part and pace of economic development. To them, the Keynesian liquidity preference theory which admits balances and bonds and which excludes debt accumulation for financing ignores the path of intermediation and hence, the roles of both bank and non-bank financial intermediaries.

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[1] Ade-A history of West

HG
5881
Mai

The Concept of "financial deepening" (that is, increase in the stock of financial assets relative to GNP) was introduced by Shaw and McKinnon in 1973 a measurement of efficient allocation of Capital by shifting more of the available

resources to those with better investment opportunities. Their practical experience and insight with country case studies led to the development of models designed to explain how financial deepening would be a complement to, and not a substitute for, the accumulation of physical capital.

In relating financial intermediaries to developing countries, Hugh Patric enunciated a much broader and expansive role and scope for financial policies for economic development objectives especially in those developing countries where capital, markets do not exist or are underdeveloped and under utilised. His thesis will be seen to have tremendous impact on countries such as Indonesia, Taiwan, South Korea, Philippines and Turkey. To him the lack of demand for financial institutions in the developing countries is due to a number of factors:

a) Excessive regulatory controls

b) Restrictive banking legislation

c) Religious barriers in some countries against loans and interest charges and

d) Imperfections and distortions in the operation of the market mechanism. His strong position is the development of all supply-led system in which the creation of financial institutions and the supply of financial assets and liabilities would proceed in advance of demand for them.

In this case, supply creates its own demand. The objective is

a) To transform traditional resources from the traditional sectors to the modern sectors; and

b) To promote, stimulate and develop entrepreneurial response in the modern sector.

In this context, supply-led policies are most likely to increase public awareness of possibilities in financial markets and hence generate a demand response that is helpful to development. The Japanese example during that country's stage of rapid industrialisation illustrates this very clearly. It may observed that the increase in the demand for financial assets are against real wealth (landed property, simple agricultural tools, household and consumer goods) into productive forms is not only promoting financial assets holding; financial intermediaries provide wealth holders with an alternative means of holding wealth. The role of financial intermediaries in converting the family farmland into productive use through the application of financial and technical inputs, the increase in labour force on the farm arising from opportunities for economics of scale, changes in production organisation through investment opportunities, provides a framework for fostering specialised skills expanding output and diversifying the economy.

The financial system can then be seen as an economic sector using inputs to produce a complex set of services output, most of which in turn become intermediate input in the production process. The contribution of the sector to development is a function of the quality and quantity of its services and the

efficiency with which the services are provided. This would depend on how successful the sector is in building, channels for the flow of financial operations, inculcating financial habits and discipline and developing human skills for carrying out complex financial operations.

A further inquiry into the financial deepening thesis of Shaw was undertaken by David Gill who has developed some useful relationship and country analysis and comparisons of some indicators of financial assets. He divided the financial market into three segments:

i) Monetary intermediaries made up of central banks and commercial banks;

ii) The non-monetary intermediaries made up of a wide range of specialised institutions such as savings and loans institution, development bank, mutual funds, investment trusts along with insurance and pension funds;

iii) The securities market, primarily markets for stocks and bonds.

He introduced the Raymond Goldsmith variation, which recognised not just the process of growth in financial assets, but the variation in the speed of growth by relating the ratio of total assets of financial institutions to GNP (a ratio which Goldsmith called the financial intermediation ratio) for the purpose of determining the financial deepening among countries and between the developed countries on the one hand and the developing countries on the other hand. The result of his exercise shows that for the developed countries about a century ago, 80-90 per cent of the financing flowing from the financial institutions came largely from the commercial banking system, a situation still true of most developing countries today. In the developed countries, the role of the

commercial banking system in financial deepening has declined over time to about 40%. The growth of the non-monetary intermediaries and the relative reduction the scope of the commercial banking system have become a fairly standard phenomenon of the process of economic development and structural change and an important factor in the process of financial deepening. The growth of the securities market was accelerated by the development of specialised intermediaries like pension and insurance funds that have mobilised the saving of the household sector.

Gill used the observations in the three segments above to develop what he called the "planned Approach" which lays emphasis on the development of the financial markets beyond the basic banking system into non-bank sources of finance such as the securities market. This development is largely a function of the trend towards greater mobilisation of savings through the use of appropriate financial policies, and the development of a wide variety of instruments issued by financial institutions. Examples are time deposits at commercial and investment banks, savings deposit at housing banks, loans associations, exchange bills and securities and bonds issued by private corporations Federal and State Government and their agencies. The resulting growth in the ratios of these monetary and financial assets to (GNP) as the development process gets underway is evidence of financial deepening.

Without doubt, as Shaw and McKinnon have pointed out, the trends of inflation and interest rates and crucial to the development of the process. To the extent that inflation persists, the rate of interest on deposits must be high enough

to maintain the real return and real level of financial activity. In effect there must be a positive relationship between direct finance ratio and changes in interest rates on primary securities. This has the implications that interest rates should fall whenever a large proportion of primary securities is financed by intermediation leading to reduced cost for borrowers. This is equivalent to the debt- intermediation view of monetary theory which sees a complementary relationship between real balances (m/p) and real physical capital formation (k) as opposed to the Keynesian theory which see m/p and k as substitutes or competitive with the assets portfolio of wealth holders.

Millard long sees the repression theory a not providing insight into the way finance affects real activity. In his view, it is merely equating financial deepening with financial development which focuses only on one service provided by the financial system – that of intermediation or savings transfer. There is to be proper understanding in greater depth of the relationships between finance and real sectors of the economy, the issues at stake should go beyond whether increased monetary holdings is a complement or a substitute accumulation of physical capital.[3] The diversification of the financial system by creating specialised institutions, or allowing all-purpose banks or developing securities markets as currently being discussed becomes crucial to the debate. According to Long, "what is required is a more concrete, less abstract view of finance as a service sector composed of large edifices manned by saving bank tellers, loan officers, chatty brokers, etc" In effect, an understanding of the financial system as an economic sector is the human input that is required to produce a complex

set of service output, most of which in turn become intermediate inputs in the production process transforming the financial system stage by stage from holding area assets as financial assets. Though diversification of assets, there is term transformation of maturities from short to long though financial institutions that provide opportunities for the development of secondary markets in which long-term securities can be traded.

2.3 HISTORICAL BACKGROUND OF THE CAPITAL MARKET

British interest in Nigeria has been subjected to sharp criticism elsewhere. Generally speaking, one can say that its basic interest was to get a cheap source of labour and raw materials and a market for its manufactured goods. It was not really interested in the welfare of the people although it made a lot of pretensions to be so. Its fiscal policy in Nigeria was highly foreign oriented. It introduced a lot of its mercantile laws suited for English Trade and forced them upon the people.

Before going on to British rule and policy growing on to British rule and policy with respect to the Capital market, it would be appropriate to first se how the indigenous market was to a large extent altered.

About 30 years before, the British rule came into Nigeria, there was little or no need for these laws and the sophistication brought along with them which was unknown to people. Nigeria was swept off its balance and confused by implementation of the British laws. A readjustment was therefore necessary to adapt to this revolution.

For instance, in 1934, Strickland was commissioned to report on the capital market in Nigeria vis-à-vis the various co-operatives in existence. He recommended that he British society system be introduced and that pledge be done away with.

As regards pledge of real chatted, he received English law of mortgages, introduced english principles of fore closure, equity of redemption, etc. As a result, alternates had to employ means of getting (former) oral mortgage agreement on payer.

The ordinary Nigerian farmer had a low per capita income and lived within the extended family system, whereby there was a lot of giving by the head of the family and other responsible members to those in need. Besides, it was a sign of wealth to take as many wives as one could and have many children; all of whom had it be fed and housed. For each wife, a dowry was paid and a marriage ceremony took place. For each child born, there was a lavish ceremony; while on the death of an elderly family member an elaborate burial was arranged. Other festivals came up and money had to be spent. So, although there was little coming in, a lot of consumption took place, and consequently there was little or no savings.

The economic policy of the British colonial Government in Nigeria was geared towards the interest of the imperial government in England. No wonder, therefore, that the successive governments until 1955, nourished Nigeria as a fertile market for the distribution of British manufactured goods and in which to exploit natural resources for British Industry.

Douglass Gustatson, has better words on this, he wrote thus;

"...As a result of the nature of the colonial relationship, Nigeria was developed to a considerable extent as a branch of the parent economy. The entire colony centered on trade source of raw materials and a market for finished goods. All the economic and financial institutions created service this system were oriented around external trade, and assets not required in Nigeria for this purpose exported. The banking system was actually withdrawing capital from the Nigerian economy. Official Government resumes were all held overseas as were the substantial investment of marketing boards and the post office savings bank Other savings of the community in the form of insurance payments and pension fund, contributions were also invested abroad".[2]

This says it all; it shows how the actors in the capital market were manipulated to serve a foreign interest at the expense of the local populace. For example, savings of Nigerians from their hand earned income where invested abroad instead of in Nigeria. In 1972, the British administration set up the west African currency board to provide for and to control the supply of currency to the British west African colonies and protectorates, the board members were appointed by the British secretary of state and the Board was to charge monies to be delivered in West African against repayment in London. The currency was interchangeable with the British Sterling at par?

However, the real concept of "Capital Market" as known today came with Nigeria's (10 year plan) local loan ordinance of 1946 which allowed for floatation

of local loan to the time of £300,000 (N600,000). The Units were multiples of £10 (N20) at an interest rate of 3¼% with a maturity of between 10 to 15 years. There was over subscription of the issue by over £500,000 (N1, 000,000), yet local participation in the issue was terribly poor.

In 1951, in order to finance four commercial corporations, a loan Development Fund was created. Payments accruing from revenue were paid into the fund and loans at low interest rates with easy repayment terms where advanced to these corporations from the fund.

With the launching of the 1946 ten-year plan between 1946 and 1955, the British government is said to have carried out an "open door policy". This has also been described as the first conscious effort by the British to give investment opportunities to Nigerians and revolutionise the Capital Market".

But despite this, colonial policy held back growth in the capital market and industrial sector because growth would have had the effect of reducing the market of British made goods and because British anticipated with terror the probable political implications of the advents of the factory in her colonial possessions.

2.4 THE NSE: ITS ACTIVITIES, ORGANISATION AND FUNCTIONS.

INSTRUMENTS TRADED IN THE NIGERIAN CAPITAL MARKET

Instrument traded in the Nigerian Capital market are classified into:

a. Equities

b. Debts

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[2] Ibid

c. Government Development loan Stocks

d. Revenue Bond

Equities: these are referred to as ordinary shares. Their basic features is that they convey ownership rights on investors. They represent that part of risk through which the shares holders as a fractional owner undertakes entrepreneurial risk associated with a business venture. Equities are issued through :

- Offer for subscription.
- Offer for sale
- Offer for rights
- Private placements

Debt Instruments: these are interest bearing instruments rep[resenting the smallest unit of public lending to a company or government. They could be in the form of debentures, guilt edged securities or corporate mortgage. The basic features include:

- Absence of control or voting rights
- Specified maturity date
- Relatively little risk on the part of their owners
- Regular interest payments irrespective of whether or not the company makes profit.

Government development Stocks: These are the special types of debt instrument issued solely by the federal Government. The features include:

- Little Risk

- Certainty of Redemption at maturity

Revenue Bond: these are simply debt instruments issued by state and local government for Funding various forms of development projects. They have similar feature of those of the government development stocks.

ORGANISATION AND STRUCTURE

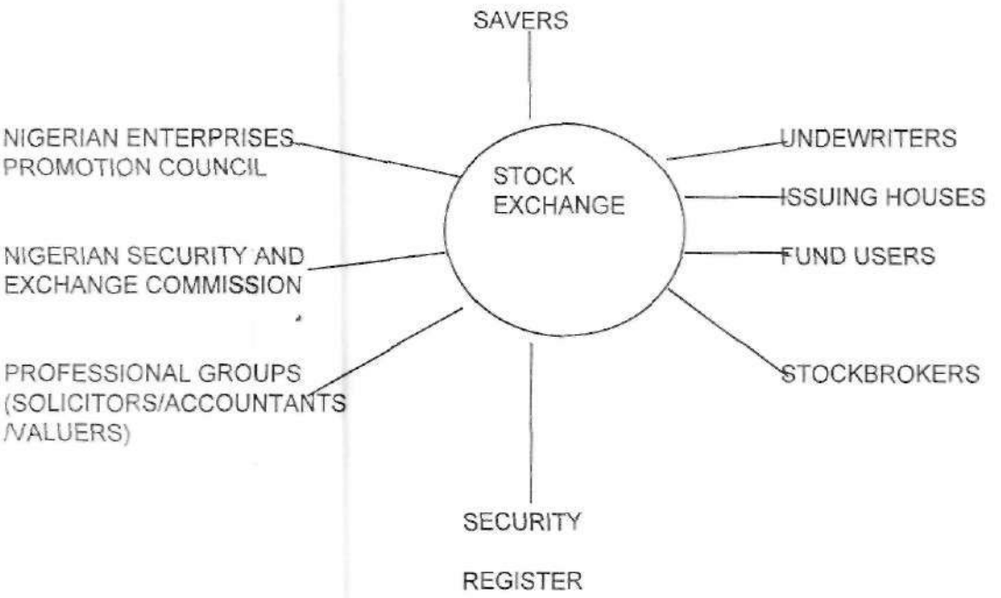


Figure 1

The stock exchange cannot exist on its own. It is regulated and influence by various bodies, the main one being the NSEC.

The dealers include:

Brokers and

Jobbers .

A better understanding of the structure of the market is properly explained by A.K.O, R.M .[3] The writer was able to put it in form of a chart as shown below.

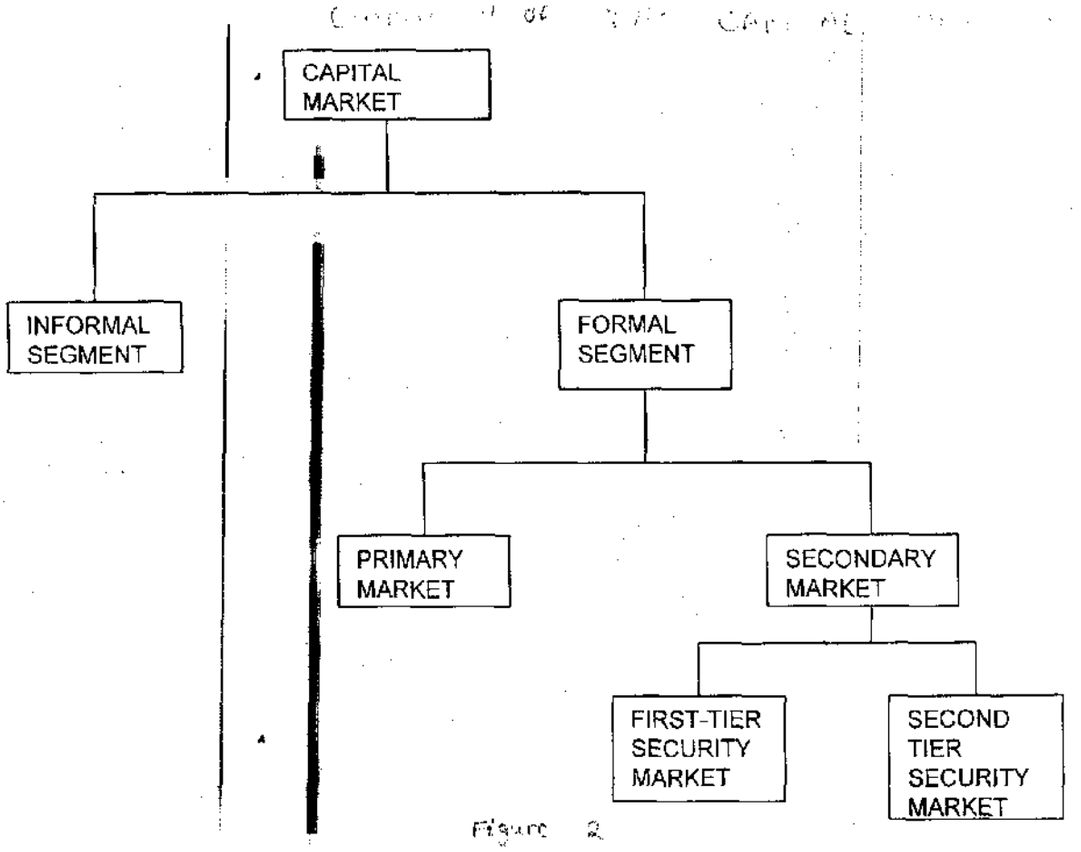


Figure 2

The Capital Market is composed of both the formal and informal segments each of which is comprised of both the demand side(comprised of institution seeking long term financing) and the supply side which is comprised of institution and individual with inevitable funds. There are the market operators otherwise known as the financial intermediaries which mediate between the demand and supply sides. Such intermediaries as identified by Ako, R.M. (1999)[4] include:

Issuing houses

[3] Ako, R.B.(1999); Capital Marrket Manual; P14-16; La-Rose limited

Brokers/Dealers

Investment Advisers

Portfolio/Fund Managers

Registrars

Trustees

Solicitors

Auditors

Reporting Accountants

Receiving Agents/Banks

The informal segment is comprised of private companies as borrowers with individuals and private companies (both local and foreign) as investors.

The formal segment is comprised of the primary market and secondary market.

The primary is a market for new issues of securities.

The secondary issue on the other hand is a market for existing securities. It is in turn classified into the first tier and second tier securities market.

The capital market constituencies can generally be divided into four categories:

Providers of funds: this includes investors like individual, units trust and other corporate bodies

Users of funds : this includes companies and government

Intermediaries: This includes facilitators like stock broking firms, issuing houses, registrars.

4

Regulator: this includes the securities and Exchange Commission and the Nigerian Stock Exchange

Regulatory Bodies.

The Nigeria capital markets regulated by the following bodies:

-The Federal Ministry of finance

-The central bank Of Nigeria

-The Securities and Exchange Commission

-The Nigerian Stock Exchange

2.5 THE ROLE OF E-BUSINESS IN STOCK MARKETS DEVELOPMENT.

E-Business is about increasing revenues, cutting costs, improving customer services, and developing new business models and ventures that may be entirely or substantially, based around the Internet.

In words of Graham Muggeridge, "he said, "it happened with the typewriter, the telephone, the word processor and the mobile phone; business is fundamentally transformed by innovation. Today it is happening at speed with a technology that combines all these innovations into one flexible easy-to-access and truly global package; the Internet.

We might be tired of hearing it but the Internet is one of the most exciting technologies of all time. Yes, it can be breathtaking but, when thinking about what exactly it means for us and for our business. It is important to approach the matter logically and not get so carried away that we forget to apply the

appropriate criteria: the delivery of cost benefits and other commercial advantages that we would apply to any other proposed innovation in how we do business.

Furthermore, it is essential to realise that the Internet does not simply represent yet another technology. No, the Internet amounts to a change in the nature of how technology can make business work; it makes strategic demands upon a organisation which are unprecedented in their requirements for the organisation to show vision, imagination, technical ability, and—above all—are in—depth knowledge of its markets, customers needs and possibilities for delivering products and services in radically new ways.

2.6 INDUSTRIALISATÍON AND CORPORATE GROWTH AND DEVELOPMENT

What is Industrialisation?

Industrialisation could be defined as the process of becoming industrially developed. Hence it may be termed industrial development.

Cooperate Growth and Development.

Corporate growth may be defined as a quantitative growth in corporate bodies at a country. Corporate growth and development means more output and changes in the technological and industrial arrangement by which it is produced

and distributed. Growth may be involved not only more output derived from more input, but also greater efficiency, i.e. increase in output per unit input.[5]

Development goes beyond growth to imply changes in the composition of the allocation of input by sectors. Growth concentrates on the amount of production, while development highlights changes in functional capacities. This could be physical co-ordination or ability of the economy to adapt.[6] Growth goes hand in hand with development. There cannot be growth without development.

Industrialisation and Corporate Growth and Development

According to Bryce(1960), industrialisation is an effort in which underdeveloped countries place a major hope of finding solutions to their economic problems. This view was expressed by J. Nehru in his 1958 speech: "Real progress must ultimately depend on industrialisation".

Wealth and standard of living are directly related to the extent of industrialisation. In the past, developing countries used to rely mainly on sale of raw materials. The prices of raw materials fluctuated more than that of finished goods. Hence, the need for industrialisation to stabilise their national income. Industrialisation has led to the development of the manufacturing companies and co-operates growth.[7]

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[5] Kindleberger, C.P. and Henrick, D.(1958): Economic Development;McGraw-Hill Inc.,Tokyo. P.3

[6] Ibid. p. 3.

[7] Bryce, M.D. (1960): Industrial Development: A guide for Accelerating Economic growth; McGraw. Hill Book co. Inc., New York. P. 3-4

The most important and reasonable reason for embarking on industrialisation is to aid increase a country's national income.[8] Industrialisation as an integral part of overall economical development must aid in increasing economic advancement by helping to ensure a better use internal natural resources. Industries also help to provide employment.[9] Some other advantages of industrialisation include increased savings, creations of capital market and creation of technological and managerial skills.[10]

Industrialisation can help businessmen (e.g. special export firms).[11] This helps to bring about co-operate growth and development.

The theory of growth of the firm has regarded size as incidental to growth rather than it being incidental to size. The growth and development of large firms is much more independent of industry than is the case for small and medium - sized firms.[12]

Industrialisation brings diversification of firms businesses. A firm diversifies whenever it embarks upon product of new products without entirely abandoning its old range of products. The new products include intermediate

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[8] Ibid. p. 8

[9] Kaynor, R.S. and Schultz, K.F. (1967): A pratical guide to Industrial Development; Frederick.praeger publisher, U.S.A. pg. 1.

[10] Ibid . pg. 1

[11] Ibid . pg. 1

[12] Devine, P.J. et al (1974): An Introduction to Industrial Economics; Endinburgh. Pg. 233-235

products which are sufficiently different from other products it produces to imply some significant difference in the firm's production and different programs.[13]

Industrialisation leads to the establishment of companies. This leads to competition and hence growth and development of the co-operate sector. Increased industrialisation makes companies diversify their production and this also helps brings co-operate growth and development.

Industrialisation should not be overrated as a means of achieving economic progress. There should not only be concentration on industrialisation alone, but other existing sectors should be developed as well to bring about cooperate growth and development.[14]

2.7 CONTRIBUTION OF ENTERPRENEURSHIP TO ECONOMIC DEVELOPMENT.

2.7.1 INTRODUCTION

Kaynor and Schultz (1967) defined the term "entrepreneur" as an individual who is to some extent an innovator, but who also functions as a manager. He is able to deal with the basic problem organisation of and he has the courage to go into the money market and put together a business

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[13] Ibid. pg. 187.

[14] Bryce, M.D. (1960): Industrial Development: A guide for Accelerating Economic growth; McGraw. Hill Book co. Inc., New York. Pg. 6-8

enterprise.[15]According to Adiya (1981) there are two main sides of an entrepreneurship – Management (co-ordinator) and ownership which derives from one's capital investment in the firm).In a one man business the entrepreneur is both the manager and the owner, hence,. But in a company he is only a manager[16]. The reward for entrepreneurship is profit.

Kindleberger and Henrick (1958) generally defined economic development to include improvement in material welfare, especially for persons with the lowest income; the eradication of man's poverty with disease and early death; changes to the composition of output that generally includes shifts in the underlying structure of production away from agriculture towards industrial activities. The general population rather than the situation of a privileged minority and the correspondingly greater participation of broadly

based groups in making decisions about the directions, economic and otherwise, in which they should move to improve their welfare.[17]

According to Baldwin (1996),Schumpeter visualized the major innovations which lead the economy forward are made under uncertain and risky conditions. Ordinary businessmen hesitate to invest in such environments. It is the entrepreneur that gets things moving. He is motivated by much more than the

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[15] Kaynor, R.S. and Schultz, K.F. (1967): A pratical Guide to Industrial Development; Frederick.praeger publisher, U.S.A. pg. 1.

[16] Adiya, K. (1981); Analytical Economics for West Africa; Fatiregun press, Ilesa. Pg.1.

[17] Kindleberger, C.P. and Henrick, D.(1958): Economic Development;McGraw-Hill Inc.,Tokyo. P.1.

standard desire to raise his income levels. His goals include conquering his competitors, desire to establish his private dynasty and the wish to create something entirely new. This drive is so strong that he will undertake investments activities in a highly dynamic economy, while a person who is motivated the ordinary will not.[18]

In the Schumpeter system, entrepreneurship is the key to economic development. The role of the entrepreneur is to innovate, undertake new combination of productive factors. He may introduce a new commodity into the market, utilise a new productive method, open up a new market area, develop a new source of raw material supply, or completely reorganise an existing industry. The entrepreneur is neither an inventor nor a capitalist who furnishes investiable funds, though a particular entrepreneur might also fulfil such roles. The essence of entrepreneurship is creating something new in the market. Schumpeter believed there is never any lack of technological talent needed to introduce invention into the economy. Thus, the most crucial person to the development process is the one who directs the use of investment funds, not one who furnishes funds.[19]

The entrepreneur obtains necessary funds for financing the investment from credit creativity banks which merely create new money on the basis of the functional reserves system and then lend it out to the entrepreneur (according to

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[18] Baldwin, R.E. (1996): Economic Development and Growth; John Wiley and Sons, U.S.A. Pg. 36.
[19] Ibid. P.36.

Schumpeter's model). This inflationary policy leads to an increase in the real investment in the following manner. Assume the economy to be stationary with full employment, but no net investment. New profit opportunities exist, and if entrepreneurs are present they will exploit them. A firm will initiate investment activity by borrowing from commercial banks. The funds are used to bid away factors of production needed for their capital projects from the consumption goods industries in which they are being used. The shift of the factors curtails the output of the consumption goods and in a sense, forces the economy to save more that is consume less in real terms of consumer goods go up factor than money incomes of most quality of consumer goods obtained with these declines.[20]

Soon, many entrepreneurs start investment activity with additional innovation plans. Prices and money income begin to increase throughout the economy. Borrowing is now no longer confined to innovative activities. The expectation of businessmen to expand investment under existing methods of production. Before long, however the goods flowing from the initial entrepreneurship undertakings start to have a noticeable effect on economic activity. This process was named "creative destruction" by Schumpeter. New product and methods start replacing old commodities and techniques of firms engaged in producing these traditional items are forced into positions requiring

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[20] Ibid. 36-37.

either costly readjustments or even bankruptcy. The early entrepreneurs, in the meantime, are paying off their banks loans out of profit made from investment.[21]

The destruction carried by innovation and the deflation associated with loan repayments brings the investment loan to a halt. The uncertainty caused by the creative destruction becomes so great that even entrepreneurial investment activity stops. As this happens the bank repayment became more relevant, the investment program based on existing techniques collapse. Its only basis for existence was rising prices and investment quickly decreased once the rate of inflation begins to decline. Not only does the boom come to an end, but also a depression phase of the business cycle is, according to Schumpeter, usually short lived. The economy automatically tends to return to a full employment position. The stage is then set for another wave of investments.[22]

On narrow economic grounds, Schumpeter could see no reason for economic development of this kind just described ever coming to an end. It was uneven and disharmonious to a certain extent, but not enough to upset the free market capitalist system. The benefits in terms of increase in the quality and quantity of goods made available to all income groups more than offset the costs of uneven growth.[23]

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Schumpeter, nevertheless, was pessimistic about capitalism's future. First, he thought, he saw investment turning form an individual activity

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[21] Ibid. pg. 37

[22] Ibid. p. 38

[23] Ibid. p. 38

undertaken within the bureaucracy of big business corporation in which control was frequently separated from ownership, was weakening the fundamental capitalist institutions of private property and freedom of contact. Finally Schumpeter was concerned about the ability of businessmen and industrialists to hold their leadership in capitalist governments. He was afraid they would not keep the allegiance of labour, and socialism would eventually emerge. He saw no reason for the rate of economic development to be any less under this system.

The works of Grabel (1995),[24] Clarke (1996) [25] and Corrigan (1989)[26] have confirmed that deregulation, globalisation and innovation have increased both the efficiency of and volatility, in financial markets. Their works have revealed that although all the above factors may lead to efficiency, they may not be without side effects. Such side effects may increase include an increase in volatility, which in turn adds another source of risk in the financial markets. Even though some scholars argue to the contrary.

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[24] Grabell, Illene. 1995. "Assessing the Impact of Financial Liberalization onStock Market Volatility in Selected Developing Countries", Journal of Developing Studies. 31 (6) 903-17

[25] Clark, R.1996. "Equilibrium, Interest Rates and Financial Liberalization in Developing Countries". Journal Studies 32 (3): 391-413

[26] Corrignan, E.1989. "Reflections on the 1980s" in federal Reserve Bank of New York Seventy Fifth nnual Report. New York.

Teser and Werner (1995)[27] for example argue that volatility is not correlated with any measure of financial integration and that it does not rise because of financial liberation.

2.8 SUMMARY

In this chapter, the researcher has been able to review the various literatures that have affected the performance and activities of the Nigerian Capital Market either directly or indirectly. Basic concepts were reviewed as well as the contribution of E-business and industrialization to corporate growth and development. Above all, having perused through the chapter, one would appreciate the basic genesis, metarmorphosis, various legislations that have shaped the capital market, the NSE in particular. For example, we can now appreciate how the then Lagos stock exchange came into existence in 1961, how it became the NSE and how various branches were developed and today we have at least seven branches including that of Abuja.

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[27] Teser, L. and I.M. Werner, (1995): "US Equity Investment in Emerging Stock Markets" The World Bank Economic Review 9(1):109-29

CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 INTRODUCTION

This chapter is devoted to the methodology used in the research process after laying a foundation on the various available methods of research. This will enable readers of this research work to know the types of research methods available, the sources of data used and the methods of data collection and analysis used in this research.

Research is defined as a " Scholarly or scientific, as well as diligent investigation or enquiry in the seeking of facts or principles. It is a systematic approach for providing, answers to questions'^ Ezejelue and Ogwo, 1990)[1]. It is also define as " a systematic and objective search for new knowledge to the solution of a novel problem" (Akwezuilo, 1993: 1)[2]

Research can also be seen as any organised enquiry that aims at providing information for solving identified problems.[3]

Research is a systematic approach to investigating, acquiring and applying knowledge in a bid to answer controversial questions. Thus a research work should be able to contribute to the knowledge. Invariably, any research work would provide a better understanding of a phenomenon.

[1] Ahmed, Mohammed Zakar (1999); MBA Research and Seminar Note (unpublished), ABU, Zaria.
[2] Ibid
[3] Namdi, Asika (1991); Research methodology in the Behavioural Science; Longman Nig.,pg.2

Research may be basic or applied. Basic research deals with relationships between two or more variables in a particular field and making generalisations or prepositions about their relationships. Most academic researches are of this nature. Applied research on the other hand tests the product of basic findings. The objective is to test theories, models or concepts derived from research in the real problem situations. Most business researches are of this nature (Oyibo, M.K, 2000 pg 27)[4]

It is important to note here that this study intends to make use of data that has been collected.

The various sources of data collected will be carefully studied And analysed in order to come out with a meaningful conclusion of findings and recommendations that are aimed at assisting policy makers in Nigeria and other developing countries in taking appropriate decision in a bid to improve the performance of their capital markets.

3.2 RESEARCH METHODS

For the researcher to successfully attain a dependable solution to a problem, he must be conversant with the various available methods of research, and should be able to identify which of them is/ are relevant to the issue in question. The researcher should also be able to identify which of the methods he is adopting. This is what necessitates our discussion on the various research methods and the choice of the best method(s) used.

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[4] Oyibo, M.K. (2000); The Role of Privatisation in the Development of Nigerian Economy, pg 27

There is no single generally agreed classification of research. Some authors classify it in terms of physical and social environment in which the study is carried out. For example, laboratory experiments, field experiments, field study, and survey research. Other writers on the other hand classify research in terms of the types of information obtained from the studies. For example, Historical research, descriptive research, and experimental research. For convenience, we will take sides with the school of thought that classifies research into historical, survey, experimental, and descriptive research method.

3.2.1 HISTORICAL RESEARCH METHOD

This method interprets past methods of attitude, events and facts. History involves any integrated narration of description of past events or facts written in a spirit of critical inquiry for the whole truth.

The purpose of carrying such a method of research includes:

i) To arrive at an accurate accounting of the past.

ii) This may involve nothing know what happened in the past, how and why it was allowed to happen in such a way.

iii) To get a clear perspective of the present problem such as the current debt crisis are understandable only on the history of the debt in the country.

The major source historical researches are mainly documents and relics. Documents are usually written whereas relics are generally archaeological or geological such as tools and utensils.

3.2.2. EXPERIMENTAL RESEARCH METHOD

This is the most scientifically sophisticated research method. The purpose of this method of research is to derive verified functional relationships among phenomena under controlled conditions. It is used to identify the condition underlying the occurrence of a given phenomenon.

3.2.3. SURVEY RESEARCH METHOD.

This method studies both the large and the small population by selecting a sample study chosen from the population. To discover the relative incidence, distribution, and interaction of sociological and psychological variables. Such surveys are normally referred to as sample sources. This research method differ from historical research in the sense that it deals with the present whereas historical deals with the past. Unlike the historical research, survey research is oriented towards the determination of a given phenomenon.

3.2.4 DESCRIPTIVE RESEARCH METHOD

This method of research emphasises the specific nature of a phenomenon. The specification can either be simple or complicated and it is important in the social science as well as other fields of educational endeavour. This research method gives a picture of a situation or population. When a phenomenon is being considered, it generally begins with a full description, which sheds more light on that phenomenon. It is basic for all types of research conducted in assessing the situation as a perquisite to inferences and generalisation. Since it cannot establish cause or effect relationships, we can

conclude that it is in itself sufficiently comprehensive to provide answers to questions. For the description, the cause of a phenomenon or predict what the future phenomenon will be.

It is also important to note some of the tools that can be used for gathering data for research purpose. They include:

- Observation.
- Interview.
- Questionnaires
- Postal Questions
- Reports
- Telephone conversation
- Results of some findings.

3.3 RESEARCH DESIGN.

Research Design means the structuring of investion aimed at identifying variables and their relationship to one another. There are three main categories of research which include: Survey, experimental and Expose Factor.[5]

This study is a survey kind of research. A survey research studies both large and small publications by selecting the samples chosen from the population and interrelations of sociological and psychological variables. Survey

[5] Namdi, Asika (1991); Research methodology in the Behavioural Science; Longman Nig., pg.27

research focus on people, the vital facts about people and their believes, opinion, attitudes and behaviours.

The longitudinal survey design will be used especially the trend and cohort method of the survey design. The performance of the NSE since inception will be examined with a bias to this approach.

3.4 SOURCES OF DATA.

Data collected for research purpose can either be a primary or secondary data or both. Primary source of data are the data expressly collected for a specific purpose while secondary sources of data are collected for some other purposes, more administrative reasons.

These two types of sources of data are used although the more commonly used in this work is the secondary sources.

3.3.1 PRIMARY SOURCES OF DATA.

This study makes use of primary data collected as a result of visits of Nigeria Stock Exchange in Lagos and Kaduna and following some personal interviews and discussions with some of the staff members. The researcher was able to visit some of the Branches of the NSE, for example, the Lagos and Kano branches where he witnessed trading activities in the Trading Floor.

3.3.2 SECONDARY SOURCES

Most of the data used in this research works are from secondary sources. Most of the sources are from textbooks, Newspapers, magazines publications

particularly annual publications of the stock exchange, office of statistics (OFS), central bank of Nigeria (CBN) and security and exchange commission (SEC).

3.5 METHODS OF DATA ANALYSIS.

The methods of data analysis will be based on graphs, percentages and partly trend analysis. All these tools will be applied with a view to fairly assessing the performance of the Nigeria Capital Market and arriving at logical findings and conclusion. Specifically, a time series analysis of the Capital Market for predominantly the 1990s is applied in this research work.

CHAPTER FOUR

4.0 DATA PRESENTATION AND ANALYSIS

4.1 INTRODUCTION

4.2 THE CONTRIBUTION OF PRIVATISATION AND THE NSE IN CAPITAL FORMATION.

4.2.1 PRIVATISATION AND CAPITAL FORMATION.

It is not complete to talk about the Nigeria capital market, the NSE in particular without discussing about the role of privatisation. This is because government policy has pushed privatisation at fore front of the capital formation process. Quite a number of reasons have has been ascribed to the privatisation process but the government's desire to privatise enterprise is believed to be based on economic reasons.

Alile, H. I. (1999) was able to carry out a post privatisation assessment of the privatised public enterprise, which revealed that economic objective of the exercise has been achieved as follows:

i) Turnover and profitability of the privatised companies increased dramatically after privatisation. Average profit before tax grew by 400 percent.

ii) Average cash dividend payout showed a post privatisation increase of 363.6 percent.

iii) An examination of the average dividend payout to after tax profit shows a post privatisation upwards trend of 64.7 percent for all companies.

iv) Most of the privatised companies have witnessed at least two fold increase in their prices

v) An assessment by market capitalisation showed that the privatised companies had by 9th march, 1999, collectively registered a post privatisation market capitalisation of N83.8 billion, as against N4.0 billion at the time of privatisation. This indicates a growth of 1995 percent. Meanwhile, the 28 companies, which were listed for the first time as a result of the divestment exercise, recorded a post privatisation growth of 1311 percent from a market capitalisation of N 2.7 billion at the end of 1998.

vi) The debt to equity ratio of many of the companies dropped as a result of privatisation. It is only 12% of the affected companies recorded a higher post privatisation leverage which means most privatised companies now rely more on equity capital financing method.

vii) Privatisation has improved market awareness in Nigeria in the view of the fact that the capital market is the preferred vehicle for divestment to ensure widespread share ownership. The level of awareness may be measured by the level of subscription to the offers of the 28 new companies privatised, 16 were either fully or over subscribed.

viii) Since privatisation, some of the affected companies have increased their shares through bonus issues, right issue and public offers for subscription.[1]

Furthermore, Alile (1999) reported that privatisation proceeds of about N3 billion represent additional capital receipts to government, which can be ploughed back into the factors of the economy that may have been insufficiently addressed.[2]

Privatisation is not without some disadvantages. Some of such include;

i) Lack of consumer protectionism. The consumer is longer protected. He is left at the mercy of market forces; there is no more subsidy, etc.

ii) Another factor is that the ownership of such affected privatised enterprise is transferred to a rich few. Nigeria economy is bastardised and characterised by uneven distribution of wealth with only a few rich people, which have such surplus funds for investment. The majority of the masses who lived below such poverty level will not be opportuned to invest in such.

iii) When the major and sensitive government parastals are sold to a rich few, the tendency is that such class of people are likely to influence the country not only economically but politically as well. Economic influence is paripassu with political influence.

4.2.2 THE NSE AND CAPITAL FORMATION.

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[1] Alile, H. I (1999): The Stock Exchange and Capital Formation in Nigeria: Strategies and Contracts (Being the text of a paper presented at the Senior Executive Course No. 21, Organised by National Institute For Policies and Strategic Studies, Kuru); p 12-13

2 ibid. p.14

It has been already established that a stock market exist primarily to serve as a vehicle for mobilisation of long-term funds. The extent, to which the exchange has served this purpose, therefore constitutes the first and probably the most important criterion for evaluating its performance over time.[3]

Capitalisation mobilisation may be broad but we will limit its scope of definition to the channelling of savings with new uses through issuance of securities, which results in a net increase in capital formation.[4]

4.3 TRANSFORMATION AND NEW DEVELOPMENTS IN NIGERIA CAPITAL MARKET.

4.3.1 THE NSE:

The Nigeria stock exchange since its establishment (incorporation) in 1960 (as the Lagos stock exchange) has undergone a lot of transformations. By December 1977, it had become the Nigeria Stock Exchange.

Meanwhile Lagos branch of the stock exchange was open in 1961.

The exchange, a self-regulatory organisation (SRO), makes and enforces laws for its members. However the market is regulated by the Securities Exchange commission.

The NSE which commenced operations in 1961 with 19 securities worth N80 million eventually had 264 securities listed on the market with a capitalisation of approximately N335billion as at 1998. The 264 securities were

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[3] ibid. p.15

made up of 26 government stocks, 57 industrial loan(debenture)preference stocks and 181 equity (ordinary) shares of companies.)[5]

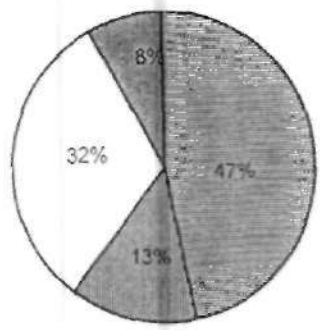
The listed securities comprised:

Guilts _____ 19

Industrial_____55

Equities (1st & 2nd tier) _____190.

Still as at 1998, the breakdown of the share ownership was as follows:



Foreign Technical Partners

Govts. And Agencies

Institutional Investors

3 million individual investors

Note: Institutional Investors Include:

- Pension Funds
- Insurance Companies, etc

Figure 3

Source: The Nigerian Stock Exchange Yesterday, Today & Tomorrow (Item 1.6) (1999)

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4 ibid. p.

[5] The Nigerian Stock Exchange and You (Presentation Notes) 1998: pg 3

"Since April 27, 1999 when the transition was made, so much progress has been made, that the change over to ATS now seems like it happened in the distanced past".[6] This has indeed transformed the level and efficiency in transaction in the stock market. For example, there is a reduction in the clearing and settlement cycle of the market from T + 5 to T+3, though a trade guarantee fund where trade settlement is done in the event of overtrading, and clearing and delivering effected through book entry following depositing and trading of securities. With this development, " the Nigeria Stock Market now operates beyond the benchmark for emerging markets and at par with the developed market of Western Europe and the United States of America (USA)."[7] This has gone a long way to ".... Reduce the risk profile of the Nigerian stock market, putting our market on a better pedestal to compete for international investments capital".[8]

The new development on the stock market can be termed as a swift metamorphosis and reawakening of the NSE market towards achieving its mission. The mission statement of the Nigeria Stock Exchange which reads " to promote increased capital formation in Nigeria by providing issuers and investors with a responsive, fair and efficient stock market through competent and dedicated professionals using the latest technology, thus assuring local and foreign investors access to the Nigerian stock market with confidence in both the

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[6] Ibru, Goodie M.; NSE Fact Book (2000) p.9
[7] ibid
8 ibid.
9 ibid.

regulatory framework and in the reliability of the trading and settlement systems"[9] seems to be achieved.

With all these efforts, it has become clear that the change over to the ATS has led to a reduction of the market down from T+5. Furthermore, the transition

cycle of the market

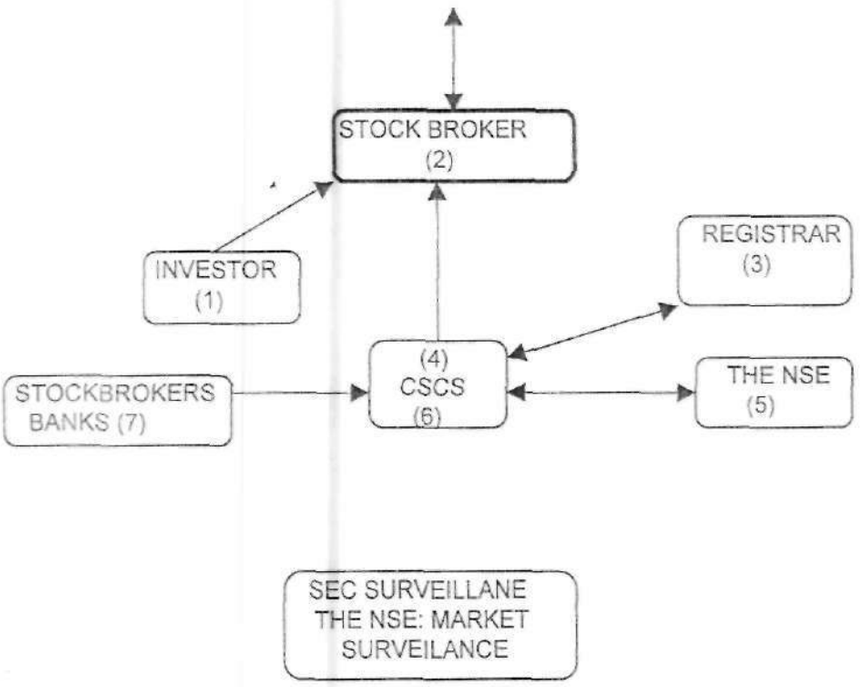
s seen to redued through the adoption of a delivery – versus – payment (DVP) trading regime, which has generally enhanced the efficiency in the market. In a related development, we have trade guarantee funds to which each stock broking house made a contribution, and is managed independent of the stock Exchange by placementof banks in quarterly rotation.[10]

The CSCS (Central Security Clearing System) Ltd was commissioned on April 8th 1997 and commenced operation on April 14th, 1997. This covers the network of activities which enhances the T+3 clearing system.

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[10] ibid. (front page)

CSCS FLOW OF ACTIVITIES



Source: THE NIGERIAN STOCK EXCHANGE FACTBOOK 2000.

The above represents the flow of activities for the CSCS.

Basically the functions include:

Central depository for the shares certificates of companies quoted on the NSE

Sub registration for all quoted securities (in conjunction with registrars or quoted companies)

Issuers of central securities identification numbers to stockbrokers and investors

Clearing and settlement of transactions.

safe keeping/ custodians (in conjunction with custodians member(s) for local and foreign investments.

We can now say that the NSE is now characterised by automation, internationalisation, efficiency with beyond the bench mark for emerging markets.

Other international achievement include the NSE's election to the executive board of ASEA. To crown it they were mandated and eventually hosted the year 2000 conference of ASEA in Nigeria.

THE AUTOMATED TRADING SYSTEM (ATS)

The automated trading system has the following features:

- Display of market data.
- Display of broker order & executing.
- Order entry
- Opportunity for amendment to orders

- Check on client balances
- Cooperate announcements
- Surveillance system[11]

The advantages and benefits of the ATS include:

a) Speed: Fast dissemination off information to market participants

b) Increased price discovery, transparency and efficiency (including cost minimisation.

c) Utilities for enforcement and surveillance

d) Ease at getting information. Information on the market can easily be obtained on the Internet CAPNET and REUTERS, electronic contributors system. The Reuters code is NSXA telephone 234/26660287,2660305,2660335 fax 234/ 2668724, 2668281.

e-mail:HYPERLINK mailto:nse@linkserve.com.ng", nse@linkserve.com.ng.

Web page:www.nse.com.ng.

TRANSFORMATIONS

On the overall, we can say that there is a considerable development " the market has also become an important source of new capital to business entities as new issues raised in the capital market almost N10 billion at the beginning of the 1990's".[12] It has certainly undergone a lot of transformation. "Market

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[11] ibid. (2.0) - The NSE and You

[12] Kabir, L. M. : Organisational and Functional Roles of Nigerian Stock Exchange in The Economic Development; (August 1993); Being MBA Project (unpublished) p.99

operators have become more efficient and innovative. The level of professionalism has also evidently improved".[13] The glaring area of improvement includes its program towards improving the clearing and settlement process. The level of market awareness is also more pronounced. Despite all these improvements, we cannot conclude that we have arrived. The level of awareness for instance is still not too satisfactory. With an economy, of a higher percentage of the people as illiterates, what do we expect? The area of infrastructure is another clog in the wheels of its development. At this juncture, we may not forget the words of MKO Abiola of blessed memory, who once said that " A stock Exchange market flourishes in an environment, amongst other where the telephone, fax and telex work efficiently".[14]

Though not entirely due to the exchange inefficiency but the inadequacy of infrastructural facilities also operation.[15]

Today, with the global trend in technology, we can say a stock exchange will achieve efficiency only in a conducive environment which amongst others is highly automated.

The performance has been acknowledged internationlly with the International Finance Corporate (I FC), a member of the World Bank Group, rating the Nigerian Stock Market in 199I among the best performers in the world. Using its global composite Index for the Nigerian Stock Market, IFC also rated

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13 ibid.

14 Alile, H. I. And Anao, R. R.: The Nigerian Stock Market in Operation, 1986. P27

15 ibid.

our market in 1994 as one of the best three performers in terms of returns on investment in dollar terms. In 1996 and 1997 respectively, the Nigerin Stock Market ws ranked second best among the world stock exchanges in terms of dividend yields.

CRITICISMS

The stock exchange has suffered a lot of criticism in the past. Some of these include:

a) Poor investment funds: the poor performance of the stock market is responsible for high interest rated in the banks and other financial institutions in the country.[16]

b) High- handedness in dealings; the activities of the stock exchange seem to discourage local entrepreneurs from entering into the market. Even the central security clearing system is said to for the delivery of share certificates and forms. If an investor buys shares, it becomes difficult for him to collects his share certificate until the company it buys from announces its audited reports.[17]

However, the bulk of the blame according to Onwuegbu Dennis (1999), could be traced to malfunction in the Nigeria economy and investors apathy.[16] Our economy is characterised by poor savings by Nigerians and micro economic

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[16] Onwuegbu, D. (1999): "Infotec Today" (Jan./Feb. ed.)
17 ibid.

instability. For instance the high rate of inflation 72.8% in 1995, 29% in 1996, 8.5% in 1997, 9.8% in 1998, In 1999 and ....in year 2000. In year 2001, it is expected that the rate of inflation will still raise. But the interesting thing about the Nigeria economy is that where there seems to be a very poor performance in the economy it is an indicator that it will be followed by a giant leap. For example in 1995 the rate of inflation was 72.8% all of a sudden it became 29% in 1996. And eventually 8.5% in 1997. at any rate, the continuous devaluation of the Naria has continued to make the situation unfavourable. For example from N85 to $1 in 1998, it has continued to deteriorate. Look at the trend activities there is the fear that it may deteriorate to above N130 to $1 in 2001.

While the capitalisation of the Nigeria Stock Exchange stood at US $3 billion dollars by early 1999, and nearly 70% of listed shares have been on since 1997, the New York Stock Exchange has a market Capitalisation of $1 trillion made possible by global depository receipt.[17]

Another sad factor is the lack of keen interest by institutional investors, one of which is the government.

475901

4.3.2 THE ABUJA STOCK EXCHANGE (ASE)

The ASE was billed to be incorporated back in 1998. it was a "fallout of the Dennis Odife – panel report in1996, which recommended among other things the urgent needs to mobilise the country for prosperity through transparency to provide for capital mobilisation and trading in rural areas in the forms of capital

trade points (mini stock exchanges) and the establishments technology – driven national stock exchange in Abuja to operate to international standards".[18]

The ASE is expected to be equipped with functional communication facilities so as to allow broadcasted across the country to link to the exchange. It is also expected that the equipment of the exchange are to be fully automated. There has been a lot of argument and crisis as to whether the ASE is necessary. However, " the promoter said it has all it takes to justify the confidence reposed in them by the government, insisting that the admission to exchange would be purely by competence, capital adequacy, cooperate structures track records and experience in order to enhance the professionalism of the market intermediaries"[19]. But the argument is that with internationalisation, automation and more pronounced development of the NSE, one wonders whether a new stock exchange is necessary. Although it can be argued that competition is healthy for any system, and that we do not necessary need to just copy a global trend, it is good to critically examine the need for a new exchange. But the kind of trend is such that when it is not adopted, it would 'archaic'. Secondly, when an organisation appears to grow considerably especially in efficiency then there may be no need for revival, for example, there is the claim that, " the Abuja also claims an intergrated securities clearing and depositing system that speeds up clearing and settlement cycle thereby enhancing speed".[20] It is also reported that

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[18] Business Champion; September, 6th, 2000 p15
19 ibid.

[20] ibid.

the automated trading system was said to be design by a consortium made up of OM technology of Sweden, owners of Stock holders Stock exchange, ELIND computer PVT LTD India, and Percival software of United Kingdom"[21], not only that, some of the features of system are seen to

Include: -

- Software modes for initial public offerings (IPO)
- Robust order driven, screen – based trading system for the secondary market (equity & Debts)
- Control securities and clearing and depository system, all seamlessly integrated.

However, one wonder why a stock exchange like this necessary at a time when it seem the NSE is at least not static but is growing. Alile,H. I (1999) ague that in view of "the transformation of the NSE has a strong margin market without computerised traded and clearing system, there is no need for another stock exchange in Nigeria".[22] Some of his other argument are centered around the fact that: first of all, the NSE has ample utilised the meet the aspiration of issuers and investors in our capital market. Secondly, he wonders why a new stock exchange should be set up, when the existing one getting international recognisation everyday. Thirdly, he argues that if NSE could be ranked second by the international finance cooperation (IFC), in terms of dividend yield among

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21 ibid.
22 Alile, H. I (1999): The Stock Exchange and Capital Formation in Nigeria: Strategies and Contracts (Being the text of a paper presented at the Senior Executive Course No. 21, Organised by National Institute For Policies and Strategic Studies, Kuru); p 12-13
23 ibid.

the world stock exchange, then it will be economical to have another stock exchange.[23]

4.3.3 GROWTH TREND AND STATISTICS OF THE NSE

GROWTH IN THE NUMBER OF LISTED SECURITIES

TABLE 1

Year	Govt. Stock	Industrial Loans	New issues in the capital market (Nm)	Equities including SSM(1986)	Total
1980	54	12	467	91	157
1981	56	14	138	93	163
1982	57	18	162	93	168
1983	61	25	55	92	178
1984	56	27	535	92	175
1985	57	28	330	96	181
1986	58	29	2499	99	186
1987	54	31	680	100	185
1988	51	35	1345	102	188
1989	47	40	-439	111	198
1990	43	43	-464	131	217
1991	40	57	1808	142	239
1992	36	62	8269	153	251
1993	37	71	32994	174	272

1994	35	64	3907	177	276
1995	28	67	48677	181	276
1996	24	69	61280	183	276
1997	22	60	59120	182	264
1998	19	59	56340	186	264
1999	15	58	?	195	268

SOURCE; NIGERIAN STOCK EXCHANGE FACT BOOKS 1994 - 2000

From table 1, we can see that government stock increase even though were fluctuation from 1980 – 1994, the figure start to decline afterward. Similarly, the equities also kept fluctuating these were stable increase from 1985 – 1996 with slight decline in 1997 after which it picked up. Equities for industrial bond, the increase was persistent and fluctuating occurred only from 1994.

TABLE 2: SHOWING GROWTH TREND IN THE LEVEL OF ACTIVITIES INCLUDING MARKET CAPITALISATION AND INDICES

Year (19..)	No. of Listed Securities	No. of Quoted companies	Total Market Capitalisation N (billion)	Volume of Shares traded (million)	Daily Volume of shares (million)	Value of Shares traded (million)	Daily Average Value Average of shares (million)	NSE All-Shares Index (year-end figures) ; (Jan.3,1984 =100	No.of stock broking firms
'90	217	131	15.9	305	1.2	306	2.6	513.8	80
'91	239	142	26.6	176	0.7	255	0.9	784.0	110
'92	251	153	32.5	262	1.1	492	2.0	1107.6	140
'93	272	174	46.9	473	1.9	662	2.7	1543.8	140
'94	++++ +276	177	65.5	524	2.1	986	3.9	2205.0	140
'95	276	181	171.1	397	1.6	1839	7.4	5092.15	162
'96	276	183	285.6	882	3.5	7100	28.4	6992.1	162
'97	264	182	292.0	1300	5.3	11100	44.3	6440.51	217
'98	264	186	263.3	2100	8.4	13600	54.3	5672.76	226
'99	269	196	299.9	3900	15.6	14100	55.7	5266.43	226
2000 Jan-Jun			366.9	2100		9100		6466.72	

SOURCE(S): NIGERIAN STOCK EXCHANGE FACT BOOKS (1994 - 2000)

ANALYSIS OF GROWTH TRENDS

In the 1980s, the Nigerian Capital Market performance especially in terms of the value of new issues had been fluctuating and had not been too encouraging. However, in the 1990s, it picked up and witnessed a boom between 1995 and 1997. For example, as at 1983, the value of new issues in the capital market was N556.7 million. But it increased by 32994.4/556.7*100% =6400 %in 1993 (it was N32994.4 million). This fact can best be appreciated if we take good look at Table1.

The period 1997-1998 witnessed a decline in the market activity, this is as a result of perpetuation of military leadership. The market risk of all quoted firms were raised at the same time reducing the investors' confidence in investment in the market for long term.

From table 1, we can see that government stock increased even though were fluctuating from 1980 – 1994, the figure startd to decline afterward. Similarly, the equities also kept fluctuating these were stable increase from 1985 – 1996 with slight decline in 1997 after which it picked up. Equities for industrial bond increased and the increase was persistent with fluctuation occurring only from 1994.

4.3.4 LEGAL TRANSFORMATIONS.

Some government laws, decrees and policies have positively contributed to the growth of the stock market. Some of these relevant legislations include:

a) The income Tax management Act, 1961: This includes certain conditions under which contribution to any provident fund or super annuation scheme would be allowed as deduction from income for tax purpose. As part of the condition, a certain minimum proportion of the relevant pensions for provident fund must be inverted in prescribed securities which significantly includes federal government stocks.

b) The National Provident Fund Act, 1961

c) The Trustee investment Act, 1962

This law specifies

d) Exchange control Act 1962

July 21,1995----- Formulation of the Nigeria Investment promotion commission decree Number 16

July21,1995—foreign Exchange (monitoring and miscellaneous provision Decree Number 17.

In the 1980's and part of the 1990's, There were some polices and enactment which affected the activities of the capital market. They include:

a) Nigerian Enterprises promotion (issue of non-voting equity shares) Decree No. 34,1987:

b) Privatisation and commercialisation Decree No. 25 of 1998,

c) Securities and Exchange commission Decree No. 29 of 1988;

d)The National Economic Reconstruction Fund (NER FUND) Decree No. 2, 1989;

e) The Nigerian Enterprises Promotion Decree No.76, 1989;

f) The companies and Allied matters Decree No. 1,1990; which incorporates unit Trusts legislation,

g) Guidelines on Debt conversion;

h) The New Industrial policy;

i) The deregulation of interest rates,

j) Liberalisation of the foreign exchange market;

k) National Industrial Development and co-ordination committee

l) Securities and Exchange commission's Rules and Regulations; and

m) The recent withdrawal of government deposits from commercial and merchant banks.[24]

The legislation and some of their abrogatious have all affected the capital market in one way or the other. Consequently upon the abrogation of the Exchange control Act 1962 and the Nigerian Enterprises Promotion Decree 1989, Foreigners can now participate in the Nigeria Capital market, both as operations and investors.[25]

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[24] Issues in capital market Development: A publication of Securities and Exchange commission, pg 45, 1993

25 The Nigerian stock Exchange Fact book (1999) pg 19

Today, transaction in the stock market are guided by the following legislations, among others:

i) Companies and Allied Matters Act of 1990

ii) Investment and Securities Act of 1999

iii) Nigerian Investment Promotion Commission Act of 1995

iv) Foreign Exchange (miscellaneous provisions) Act of 1995.

v) Trustees Investment Act of 1990.

Transactions on the Exchange are regulated by The Nigerian Stock Exchange, as a self-regulatory Organisation (SRO), and the Securities and Exchange Commission (SEC), which administers the Investments and Securities Act, 1989.[26]

4.4 PROBLEMS AND CHALLENGES OF THE NIGERIAN CAPITAL MARKET

The Nigerian Capital market underwent a lot of vicissitudes over the years. The only consolation is that at least it is not stable it is growing both in size and efficiency. However there are a number of problems that constitute a clog in the wheel of its growth and development.

African markets were seen in the eighties to be stiff in responding to global integration and internationalisation there by being considered to be closed, underdeveloped and neglected.[26] Some of the problems identified which also apply to Nigeria include:

26

[26] Issues in Capital Market Development: A Publication of SEC. Pg. 105

i. Low level supply securities

ii. Low liquidity and trading activity

iii. Low professionalism

iv. Inefficient infrastructure facilities

v. Low-level market awareness.

vi. Low level of market automation

vii. Restrictive policies [27]

475901

Perhaps the only consolation that can be given as a reason for a new stock Exchange is the fact that there is the need to give it a competitor.

Today the situation is generally a bit better, with pronounced and remarkable improvement in the level of market automation. Even some of the government policies are being favourable now.

Professor Bob Osaze has been able to deal vividly on the factors militating against the rapid Development of African capital markets. He further to identified some socio-cultural and non-economical factors, which seems to be ignored by Western Writers or are totally unresearched. Our discussion is intended to review Osaze's work which first and foremost delve on the current state of the art literature and other neglected factors.

Osaze's work based on some other literature was able to show that the poor performance growth and development of the stock market is attributed to the following factors:

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27 ibid. pg 102-1-3

1. The absence of large money and securities capital market in many African countries to assist the flow of funds among financial institutions.

2. The government determined interest rates which discourages investment purposes

3. Lack of depth and breadth in capital markets in Africa arising from the absence of incentives to expansion.

4. Inconsistent and non-comprehensive financial and economic policies as well as a positive tax framework, which discourages long-term capital, market investment.

5. Government frequent intervention in the market place for funds through mandatory enforcement of credit allocation by financial institutions, often at subsidised and unrealistic interest rates.

6. A legal framework that tends to strife competition among financial institutions with Central Banks overseeing "the performance of loan, credit, finance and savings institutions, including insurance companies" (Baryer 1992: 9). In many instance there remains an unclear definition of responsibility for regulation and supervision of financial markets with focus largely on supervision by Central Banks.

7. Strict Foreign – Exchange control through Central Banks.

8. Over dependence by most African economies on deposit-type instruments and short-term credit in funds market which is the fulcrum upon which capital markets revolve.

9. The B-H attitude of African investors which creates dormancy in the market and the domination of most stock markets by Government securities, known for their endemic dormancy.[28]

Most of these factors, it is acknowledged impeded the growth and development of African Capital Market. This certainly applies to the Nigerian Stock Markets as well. Interestingly, Osaze took a step further. He argued that Attitudinal Factors and Socio-Cultural factors, which are rejected by western writers, are equally pressing militating factors.

ATTITUDINAL FACTORS IMPEDING THE GROWTH OF AFRICAN CAPITAL MARKETS.

Osaze was able to identify three (3) attitudinal factors that militate against the growth of the African Markets. They include:

a) Risk Aversion

b) Tax Avoidance and

c) The Buy-Hold Syndrome

a) Risk Aversion: The low degree of financial risk among Nigerian quoted companies arises from corporate aversion to long-term risk capital. This explains

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[28] Osaze, Bob; (June 2000): First Bank Review; pg 43-44

why a "substantial portion of the market remains untapped and dormant..."[29] these by leading to generally low level of transaction, growth and development.[30]

b) Tax Avoidance: At the corporate level, some companies in a bid to avoid taxation may be involved in over-invoicing of bills, transfer pricing, inflated consultancy fees and royalties, etc. which inflate cost of doing business and subsequently reducing the profit. Sadly, the profitability of a company affects the value attributed to each share of stock.

c) The Buy-Hold Syndrome: The poor level of investment Education has made it more difficult for shareholders to transfer or sell their shares. This affects the volume of transaction in the market.

SOCIAL CULTURAL AND OTHER EXTRANEOUS FACTORS AFFECTING TRANSACTION AND GROWTH OF AFRICA STOCK EXCHANGES

Professor Osaze has classified the following factor under the above category.

a) Presence of visitors in the trading floor of NSE.

b) Religion

c) Usury

a) Presence of visitors in the trading floor of NSE:

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[29] ibid. pg 44
30 ibid. pp 44

The presence of important dignitaries who are in policy making and influential positions is likely to enhance trading behaviour and the volume of transaction. Stockbroker will strive to be at their best.

b) The religious beliefs and injunctions have hindered potential investors from investing on the stock exchange. The industries that are most affected include:

- Alcoholic beverage,
- Tobacco and
- Pork meat processing industry.

A good example has been given of New Nigerian Development Company (NNDC) which is one of the largest conglomerates in Africa South of the Sahara which is owned by the 16 northern states of Nigeria and which has a high Muslim population has 12 subsidiaries and one hundred and two associated companies as well as major investments in over 30 quoted securities on the NSE. Interestingly, it does not have a single investment in its portfolio in brewery business.

c) Usury:

This refers to the act of buying and selling money which is condemned by some people. Indeed, Aristotle resented the act of buying and selling money because he considered it artificial profits making and illegitimate (Olayemi 1983: 95). Both the bible and the Quran also condemn it. In effect, believers refuse to invest in fixed interest yielding securities in capital market since interest and usury are interpreted to mean the same sinful returns on investment.

OTHER FACTORS NOT MENTIONED:

Recent studies including that of Osaze tend to reflect some factors which even though seem minor, are very important. Which the researcher identifies:

a) Lack of proper formulation, implementation and adherence to policies (poor policy management);

b) Un-even distribution of wealth

c) Unpatriotism

d) Mismanagement and greed of African leaders

e) Lack of investment culture/attitude

f) Debt burden

g) Lack of academically sound /qualified leaders; and

h) Lack of proper planning; and

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4.5 INTERNATIONALISATION OF THE NSE AND GLOBAL STOCK MARKET

Internationalisation is one of the major development of the stock exchange achieve in recent time, the second being automation.

INTERNATIONALISATION OF THE NSE

With the internationalisation of the NSE, quoted companies can now access fund from international; markets through Global Depositing Receipts

The NSE became open to foreign portfolio investors since 1995. United Bank For Africa (UBA) plc is said to be the first quoted Nigerian Company to execute the GDR programme. Then foreign portfolio investment through the exchange was at $50.1 million. However, it dropped to $18.5 million in 1999.

Meanwhile, in 1998 and 1999, a memorandum of understanding (MOU) with the Ghana Stock Exchange and Johannesburg Stock exchange respectively, for among other things, cross border listing of securities.

Other developments on international angle, include the listing of M- net Super Sports of South Africa on the Nigerian Stock Exchange, being the first foreign listing of all investors;[32]

The market turnover in 1998 was 2.1billion shares valued at N13.6billion (US $ 160 million). Between January and October, 1990 turnover was 3.1billion shares valued at US $98million.

The international Stock exchange has Global stock Market, which is characterised by some of these developed stock markets (from countries where economies are highly advanced and which have organised and well developed stock markets), and emerging market (refers to countries whose economies are fast developing and which are linked internally on global stock market).

The well-developed stock markets are from:

Australia	Finland	Italy
Austria	Germany	India
Canada	Hong Kong	Japan
Denmark	Ireland	Malaysia

Norway	Srilanka	Hungary
Singapore	Chile	India
Sweden	Taiwan	Indonesia
Switzerland	China	Israel
United kingdom	Thailand	Jordan
U.S.A	Colombia	Mexico
Emerging markets	Turkey	Peru
Argentina	CzechRepublic	Philippines
Nigeria	Venezuela	Poland
Brazil	Greece	SouthAfrica

Source: Baron's (in Shala, D.)[33]

4.6 FACTORS THAT HAVE ENHANCED THE GROWTH AND DEVELOPMENT OF THE NIGERIAN CAPITAL MARKET:

Some of the factors that have enhanced the growth and development of the Nigeria Capital Marked include:

a) Legislation.

b) Government policies e.g., privatisation, SAP, etc.

c Recent Democracy (Political Stability).

d) Level of technology/automation.

e) Global trends.

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[33] Shala, D. (1999): Understanding Capital Market and Secret of Making Money in the Stock Exchange pg 52-53

f) Innovation/Improvision.

g) Attitude towards foreign investors:

Alile (1999) identified some basic elements that attract foreign investors to the Nigerian Capital Market. They include:

-Markets are attractively valued.

-Prices have moved but market fundamentals remain attractive on a historical basis.

-Modern settlement and clearing systems.

-Automated Trading system.

-Custody arrangement.

-Steady pass or recent devaluation has made currency more competitive.

-Structural economic reforms.

-Growing private sector.*

4.7 STRATEGIES FOR GROWTH AND DEVELOPMENT

Over the years, various government policies and laws have continued to affect the growth and development of African Capital Markets. Alile's work indicates that "with the introduction of the Structural Adjustment Programme (SAP) in 1986 and the subsequent adoption of realistic policy instruments such as the Foreign Exchange Market (FEM), the deregulation of interest rate structure and dividend policy, the Nigerian Stock Market has become a more viable option for capital formation".[1] What appears to be a little bit misleading here is the figures realised based on the capital raised. The N=7.9 billion which constitutes total amount of capital raised between 1989 and1992 which in turn represents over half of the entire capital raised over the years 1981-1992[2] will only be much appreciated if the exchange rate is considered. Fortunately (or unfortunately),

'privatisation and deregulation' are becoming popular policies of subsequent governments. The good side of this is that more firms are getting listed in the Nigerian Stock Exchange. Sadly however, the value of the naira keeps doubling in depreciation and fluctuation. It appears that no proper measures are being taken to stabilise the currency. Furthermore, the role and persistent reliance on privatisation and deregulation does not seem to yield much result. The poor standard of living and lack of infrastructural facilities constitutes a clog in the wheel of the development of our Capital Market. One wonders whether it is okay to privatise and deregulate the economy without first of all making food available to the populace and ensuring that infrastructural facilities are in place.

From the foregoing, there should be a balance in the strategy for development of the Capital Market. This should include other options too.

Thus the following strategies for growth and development should be adopted:

1. Democracy should be sustained.
2. Creating more awareness.
3. Encouraging diversification.
4. Continuous emphasis on creativity and innovation: This should be encouraged both on small scale enterprises and big industries. Also new products.
5. Quick response, adoption and sustenance of automation.
6. Privatisation and commercialisation.
7. Economic deregulation.
8. Encouragement of foreign portfolio investors.

475901

-- The promulgation of new investment decrees numbers 16 and 17 of 1995 exposed the Nigerian securities markets to full foreign participation. This led to a realisation of foreign portfolio investment of US $1.137 million between July and December, 1995. In 1996, the inflow rose to $32.9 million.

9. Market potential and product: Considering the potential to attract investors the NSE has, the following measures if adopted will be right steps in the right direction:

a) Intensify the marketing of the stock market as a source of long-term capital to industry and government.

b) Promote the use of bonds by companies and government.

c) Reduce the time cycle for public issues to 2-3 months by

i) Reducing the time frame for processing applications by the NSE to 1 week;

ii) Effective underwriting of all new issues.

d) Float flagship issues for big companies' projects through multiple listings.

e) Employ instruments such as ADR and GDRs.

10. Cost of Transaction: The costs of public issues should also be continued reduction of professional fees and processing fees by The Exchange as a result of automation.

11. There should be continuous review of listing procedures.

4.8 PROSPECTS OF THE CAPITAL MARKET

"The battle to merge stock exchange will intensify, propelled by investors passion for liquidity and 24 hours trading"

The emerging Stock Market particularly the Africa ones would likely form alliance so as to meet up with globalisation. Among them may include : the NSE,

New exchange may have to make do with a less vibrant equity culture

Global equity returns will fall back from annual average returns of 23% over the past % years to 9% over the next five years".

However, the Nigerian case may be a little different. With religious and persistent steps towards privatising most of the country's pararststals especially the NITEL and NEPA, and deregulation of the oil sectors there is the tendency that this will enhance the equity returns thereby boosting the stock market.

The credit and equity derivatives market will boom, while foreign exchanger derivatives market will decline.

Full remote trading to enable one trade from anywhere in Nigeria will be adopted.

The time cycle for raising funds on the market will be highly reduced.

Capitalisation will be raised to at least 90% of GDP by the year 2005. This can be achieved by encouraging hydrocarbon companies to seek public quotation.

Public awareness. The number of person through the stock market will double by the year 2010.

In the last decade, the performance indicator of the NSE exchange have generally been rising; this has been as a result of:

-Economic deregulation

-Privatisation

-Entry of foreign Portfolio invested ; among others

It is expected that the economy will become diversified. The emphasis will no longer be only the oil sector but also on the iron and steel, agriculture, etc.

It is expected therefore that the economy will be structurally balanced and will be oriented towards sustained rapid growth and development. The industrial sector including manufacturing which currently account for 17% of the GDP should drastically improve its hare of GDP to around 30 -- 35% in the next century. All these should boost the performance of the Nigerian Capital Market. This is informed by the fact GDP has a direct relationship with the volume of the equity transaction in the economy.".

CHAPTER FIVE

5.0 SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 SUMMARY

Since June 5th, 1961 when the then Lagos Stock Exchange commenced trading, the Nigerian Stock Exchange has undergone series of transformations over the years. Remarkable among such developments include first, certain legal transformation as well as its change of name from the Lagos Stock Exchange to the NSE in December 4th, 1977.

As at November, 17th 1986, the NSE had 3 branches in Kaduna, Portharcourt and Lagos. As at August 1990, three other branches were added.

Thus we have the branches as follows:

Kaduna	1978
Porthacourt	1980
Kano	1989
Onitsha	1990
Ibadan	1990
Abuja	2000

Another remarkable development of the NSE is its internationalisation which was facilitated by the abrogation and promulgation of certain decrees. On January 15th, 1995, the Federal Government abrogated the Exchange control Act 1962 and the Nigerian Enterprises Promotion Decree 1989 which led to its internationalisation of the Capital Market. Barely six months after, the Federal

Government promulgated the Nigerian Investment Promotion Commission Decree No. 16 and the Foreign Exchange (Monitoring and Miscellaneous Provisions Decree No. 17 which served as a boost to the market's internationalisation.

Other developments include progress made in the automation of the Exchange. As at April 1999, the Stock Exchange transited to the Automated Trading System (ATS) with the transaction cycle now reduced to T+

5.2 CONCLUSION

There is no doubt that existence of the Securities and exchange commission and the Nigerian Stock Exchange, as joint regulators of the Capital Market has had positive influence on the market. Although growth had been slow in some areas, remarkable progress had been recorded in others. The number of quoted companies has increased from three at incepton of the stock exchange in 1961 to 146 as at middle of September 1992.

"The market has also become an important source of new capital to business entities as a new issues in the capital market reached 10 billion at the beginning of the 1990s." Market operators had not only increased in number, but have become now efficient and innovation. The level of professionalism has also evidently improved. Although infrastructural problems still plague the market, there is still remarkable improvement.

The ATS, and the developments relating to the cscs especially the improvement from T+3 to T+2 is an indication that the stock exchange has really become more

efficient. With the governments to improve in the Telecommication industry, there is every indication that the capital market has a bright future.

Another area of remarkable improvement is the level of awwreness. Although it is clear that the level of awareness has improved, it is still not satisfactory as the percentage of illiterates still remains high in the populace, and it actually has a direct relationship with the level of awareness.

5.3 LIMITATIONS OF THE STUDY

During the research, the researcher was faced with a lot of constraints. They include time, finance and lack of access to materials. Due to lack of time and finances, the researcher was unable to visit all the stock exchange offices and other related organisations. The researcher was also unable to procure all the required materials nor was he able to have enough access to the internet.

5.4 RECOMMENDATION

The following recommendations if adopted should go along way in enhancing the growth and development of the market:

1. **Privatisation:** This should be done with care if properly and gradually done it may be a plus to the growth of the market

4. **Public Awareness Campaign:** This should be encouraged. A machinery for educating the investors should also be instituted.
5. **Appropriate Pricing of Security** should be done. This should include close monitory by regulatory bodies.
6. **Small Scale enterprises** should be encouraged.
7. **Increase in Capacity Utilisation:** Government effort should be geared towards this.
8. **Rapid Implementation of the internationalisation process** should be encouraged.
9. **The NSE should continue the admission of more stock brokers in the Nigerian stock market.**
10. **The NSE should increase the level of representation of dealing members on the council of the stock exchange.**
11. **There should be proper regulation of stock brokers in Nigeria.**
12. **An efficient control system should be instituted to checkmate the activities of insider dealings.**
13. **Government policies should not interfere too much with pricing function so as to allow market forces to determine resources allocation.**

Institutions should be encouraged especially oil companies to securitise their assets. This will improve access to long term liquidity.

5.5 SUGGESTION FOR FURTHER RESEARCH

The study has basically le to a simplified overview and findings of the performance of the capital market. Due to some limitations as indicated above, the researcher could not have the opportunity of formulating a suitable model for assessing the performance of the capital market.

The researcher therefore suggests that one area of further study or research is to make an enquiring into a suitable model for the capital market performance and a possiblity o testing it.

475901

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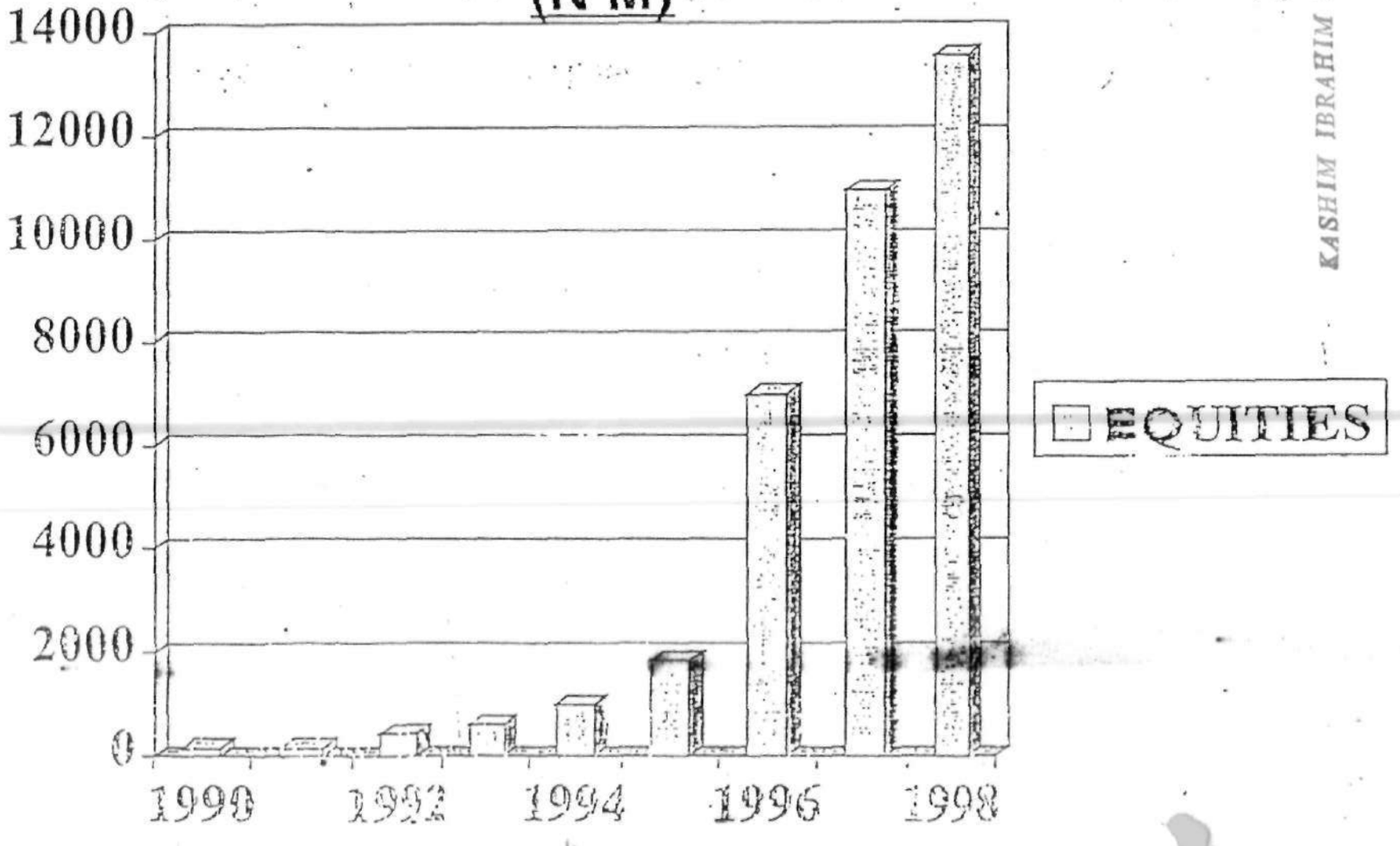
18. The Nigerian Stock Exchange, Yesterday, today and tomorrow (item 1-7)

SOURCE: The Nigerian Stock Exchange Yesterday, Today & Tomorrow

KASHIM IBRAHIM LIBRARY

VALUE OF SHARES TRADED

(N'M)



Appendix 2

Appendix

Principal Indicators of the Private Sector in Nigeria

Year	Index of Industrial Output (1990=100)	New Issues in the Capital Market (₦m)	Net Foreign Private Investment (₦m)	Bank Lending Rate (%)	Foreign Exchange Rate (Naira per Dollar)
1970	26.9	48.4	121.6	7.0	0.714
1971	35.8	87.9	319.6	7.0	0.713
1972	40.5	70.6	248.3	7.0	0.658
1973	47.0	134.3	192.6	7.0	0.658
1974	49.6	76.7	48.3	7.0	0.630
1975	46.7	451.5	475.1	6.3	0.616
1976	55.6	441.3	46.1	6.5	0.627
1977	57.9	478.7	197.6	6.0	0.645
1978	58.2	220.0	331.8	6.8	0.635
1979	78.2	304.5	289.9	7.8	0.604
1980	77.4	378.9	467.0	8.4	0.547
1981	75.2	455.2	137.8	8.9	0.618
1982	79.9	533.4	1,621.9	9.5	0.673
1983	67.4	448.5	556.7	9.9	0.724
1984	59.7	159.8	534.8	10.2	0.767
1985	68.3	817.2	329.7	9.4	0.894
1986	67.9	835.1	2,499.0	10.0	1.755
1987	79.5	114.2	680.0	14.0	4.016
1988	83.3	220.9	1,315.0	16.6	4.537
1989	95.7	1,077.9	-1,294.4	20.4	7.365
1990	100.0	1,342.6	-464.3	25.3	8.038
1991	107.6	1,215.9	1,808.9	20.6	9.909
1992	107.2	4,120.4	5,209.2	24.8	17.298
1993	103.3	3,984.6	22,993.4	31.7	22.065
1994	97.7	2,672.3	3,907.2	20.5	21.996
1995	96.7	7,083.6	18,677.0	20.2	21.895
1996	100.7	21,453.2	67,270.0	20.4	21.884
1997	102.1	9,111.4	59,170.0	20.4	21.886
1998	101.7	11,033.1	85,350.0	20.9	21.886

Sources: 1. IMF, *International Finance Statistics*, 1998
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Appendix

TABLE A.5.8

TRANSACTIONS AT THE NIGERIAN STOCK EXCHANGE

Year/Quarter	Number of Deals			Value (₦' Million)		
	Government	Industrial	Total	Government	Industrial	Total
1970	303	331	634	16.4	0.2	16.6
1971	201	748	982	32.7	3.5	36.2
1972	258	640	898	26.2	1.0	27.2
1973	285	537	822	91.9	0.5	92.4
1974	256	2,807	3,063	49.4	1.3	50.7
1975	203	801	1,004	62.8	0.9	63.7
1976	321	696	1,017	111.3	0.6	111.9
1977	337	1,344	1,681	178.8	1.2	180.0
1978	343	2,230	2,573	187.2	2.5	189.7
1979	124	3,099	3,223	249.7	4.7	254.4
1980	220	6,918	7,138	380.8	7.9	388.7
1981	118	10,081	10,199	298.7	6.1	304.8
1982	184	9,830	10,014	207.0	8.0	215.0
1983	292	11,633	11,925	384.8	13.1	397.9
1984	194	11,250	11,444	240.9	15.6	256.5
1985	340	23,231	23,571	295.3	21.3	316.6
1986	270	27,348	27,618	477.6	20.3	497.9
1987	238	20,801	20,639	380.0	42.4	382.4
1988	96	21,765	21,861	99.1	33.0	132.4
1989	134	33,273	33,413	507.0	63.0	570.0
1990	102	25,828	25,930	155.0	83.0	238.0
1991	45	44,238	44,280	92.6	141.8	234.4
1992	71	18,958	19,029	85.0	406.6	491.6
1993	59	10,439	10,498	84.2	719.7	803.9
1994	4	10,296	10,300	4.3	225.9	229.2
1995		12,391	12,391		459.7	459.7
1996	11	37,601	37,612	98.1	6,871.1	6,961.2
1997	1	76,143	76,144	12.6	10,988.0	11,030.6
1st Quarter	6	18,222	18,228	12.1	2,695.0	2,767.4
2nd Quarter		13,482	13,482		3,000.4	3,000.4
3rd Quarter		21,489	21,489		2,808.7	2,808.7
4th Quarter	1	22,948	22,948	0.2	2,453.9	2,454.1
1998	3	43,608	43,608	1.8	5,265.6	5,267.1
1st Quarter	3	21,779	21,782	1.8	2,709.3	2,710.8
2nd Quarter		21,826	21,826		2,556.3	2,556.3

MEMBERS OF THE NIGERIAN STOCK EXCHANGE

1. A.A.A. Stockbrokers Limited
2. Abacus Securities Ltd
3. Abdullahi Markano Umar
4. Afribank International Ltd
5. Afrique Securities Ltd
6. Afri Securities Limited
7. Ajie Jkpeb, Asika
8. Akintola Williams, Esq. FCA, OFR
9. Alhaji Mohammed Adamu
10. Alhaji Mohammed Oyolorwa Atta
11. Alhaji Aminu Dantata
12. Alhaji Mammam Daura
13. Alhaji Idris Ibrahim
14. Alhaji Umaru Musa Yardaduwa
15. Alhaji Ramzi Zayyad, FCA
16. Alhaji Bashir Abubakar Sadiq Dan Bayaki, OFR
17. Alhaji Aliko Misau Mohammed, OFR, FCA
18. Alhaji Ado Mohammed
19. Alhaji Balarabe Ismaila, CON
20. Alhaji Ahmed Algazali Hassan
21. Alhaji Mohammed Aminu Ibrahim, FCA
22. Alhaji Salihi Iliasu
23. Alhaji Rabiu Gambo
24. Alhaji Chief (Dr.) Adebayo Adetunji
25. Alhaji Abdul Razaq, SAN
26. Alhaji Ibrahim El-Yakub
27. Alhaji Abdullahi Ibrahim, OFR, SAN
28. Alhaji Rabiu Bako
29. Alhaji Nere Baba Ahmed, mni
30. Alhaji Shehu Bukar
31. Allbond Investments Ltd
32. Altrade Securities Ltd
33. Ali Wealth & Trust Company Limited
34. AMH Continuation Ltd
35. Aminu Ahmadu Tsamiya
36. Amina Son Gongo
37. Aminu Baba Nabegu
38. Anchoria Investment & Securities Ltd
39. Andy Esiaba Ouboboye, Esq.,
40. Anex Securities Ltd
41. APT Registrars Limited
42. Asset Plus Securities Limited
43. Associated Securities Ltd
44. AVC Fund Ltd
45. Avon Finance & Investments Ltd
46. BACAD Finance & Investment Co. Ltd
47. Beachgrove Securities & Investment Ltd
48. Beaver Securities Limited
49. Bells Holdings Ltd
50. Benue Investment Company Ltd
51. Beta Securities Ltd
52. BGL Securities Ltd
53. Broadedge Securities Limited
54. BSD Securities Limited
55. Buba Aliyu, Esq.,
56. Bullion Trust & Securities Ltd
57. Capital Assets Limited
58. Capital Bancorp Ltd
59. Capital Providers Securities Ltd
60. Capital Trust Brokers Ltd
61. Cashcraft Services Ltd
62. Capital Express Securities Ltd
63. Cecil Oyeniyi Olutotimi Oyediran, Esq., FCA
64. Central Investment Company Ltd
65. Centre-Point Investment Ltd
66. Centre-Point Merchant Bank Ltd
67. Century Securities Ltd
68. Chief Francis Edo-Osagie, MON, FNIM
69. Chief Samuel Adeoayo Fagbenu
70. Chief Simeon Morontolu Oluwole Olakunri
71. Chief Silas Bandele Daniyan
72. Chief (Dr.) Ime Ebong
73. Chief Jerome Oputa Udoji, CMG, CFR
74. Chief (Dr.) Ernest Adegunle Oladeinde Shorekan, FNIM
75. Chief Bayo Kuku, FNIB, LL.B., MCL
76. Chief (Dr.) Christopher Oladipo Ogunbanjo, OFR, FNIM
77. Chief Effiong Udo Okon
78. City Nominees Ltd
79. City-Code Trust & Investment Company Ltd
80. City Express Bank Limited
81. City Investment Management Ltd
82. Cobic Securities Limited
83. Comet Merchant Bank Ltd
84. Consolidated Investment Ltd
85. Continental Merchant Bank Ltd
86. Coscharis Fleming Stockbrokers Ltd
87. Corporate Trust Ltc
88. Counters Trust Securities Ltd
89. Crossworld Stockbrokers Limited
90. Crown Merchant Securities Ltd
91. CSL Stockbrokers Ltd
92. Dakal Services Ltd
93. DBSL Securities Limited
94. De-Canon Investments Ltd
95. Delords Securities Ltd
96. Denham Management Ltd
97. Dependable Securities Ltd
98. Devcom Merchant Bank Ltd
99. Devcom Securities Ltd
100. Development Finance & Investment Co. Ltd
101. Dominion Trust Ltd
102. Dr. Adeniola Banjo
103. Dr. Micheal Olawole Omolayole
104. Dr. Pius Nwabufo Okigbo, CON
105. Dr. Udo Udo-Aka
106. Dr. Lateef Oladimeji Adegbite
107. Dr. Christopher Ebodaghe Ahebe, OFR
108. Dynamic Portfolio Ltd
109. Eagle Securities Ltd
110. EMI Capital Resources Limited
111. Empire Securities Ltd
112. Enterprise Stockbrokers Plc.
113. Epic Investment Trust Ltd
114. Equator Securities & Finance Ltd
115. Excel Securities Ltd
116. Falcon Securities Ltd
117. Farida Investment & Finance Ltd
118. Fatai Aibowu Owoade
119. FBC Trust & Securities Limited
120. Felix Bankole Cardoso, Esq., FCA
121. Felix N. Atako
122. Fidelity Finance Company Ltd
123. Fidelity Union Securities Ltd
124. Financial Equities Ltd
125. Financial Trust Company Nigeria Ltd
126. First Alstate Securities Limited
127. First Atlantic Securities Ltd
128. First City Merchant Bank Ltd
129. First Interstate Merchant Bank (Nig) Ltd
130. First Equity Securities Ltd
131. First Stockbrokers Ltd
132. F&C Securities Ltd
133. FIS Securities Ltd
134. Folu Securities Limited
135. Foresight Securities Limited
136. Forte Assets Management Limited
137. Fountain Securities Ltd
138. Fountain Merchant Bank Ltd
139. Fortnight Finance Securities Ltd
140. Francis Afolabi Babaloia, Esq., MON, FCA
141. Future View Securities Limited
142. Gabriel Temunobere George Toby, Esq.m
143. Gamaliel Oforitsenare Onosode, Esq.,
144. General Securities & Finance Co. Ltd
145. Gidauniya Investments & Securities Ltd
146. Global Asset Management (Nig.) Limited
147. Global Investment Bank Limited
148. Golden Finance Ltd
149. Goodie Minabo Ibru, Esq.,
150. Gosford Securities Limited
151. Grindlays Merchant Bank of Nig. Ltd
152. GTI Capital Limited
153. Halsec Finance Ltd
154. Hamilton Hammer Limited
155. Heartbeat Investment & Securities Limited
156. Henry Osime Otobrise, Esq.,
157. Henry Stephens & Sons Ltd
158. Heritage Securities & Investments Limited
159. HFB Finance Ltd
160. HFTC Asset Management Limited
161. ICMG Securities Ltd
162. ICON Stockbrokers Ltd
163. IMB Securities LTd
164. IMIT Securities Nigeria Limited
165. Independent Securities Ltd
166. Indo-Nigerian Merchant Bank Ltd
167. Inlaks Ltd
168. Intercontinental Securities Ltd
169. International Capital Securities Limited
170. International Merchant Bank (Nig) Ltd
171. International Standard Securities Ltd
172. Interstate Securities Ltd
173. Investment Trust Company Ltd
174. Investment Nigeria Ltd
175. Investment Banking & Trust Co. Ltd
176. Investors & Trust Company Ltd
177. Isaiah Chawai Baldi, Esq.,
178. Isiah Eno Udo, Esq.,
179. Island Securities Funds Limited
180. Iyaku Umar
181. Jamkol Investments Limited
182. Jenkins Securities Limited
183. Kaduna Investment Company Ltd
184. Kano State Investment & Properties Ltd
185. Kundila Finance Services Ltd
186. Kwara State Investment Corporation
187. Lakeworth Investment Securities Ltd
188. LB Securities Limited
189. Lead Merchant Bank Ltd
190. Lead Investment Ltd
191. Lilygate Securities & Investment Limited
192. LMB Stockbrokers Ltd
193. Lynac Securities Limited
194. MACLAIZE Trust & Securities Co. Ltd.
195. Magnartis Finance & Investment Ltd
196. Mainland Trust Limited
197. Maninvest Securities Ltd
198. Manufacturers Merchant Bank Ltd
199. Marriot Securities Ltd
200. Mayfield Investments Limited
201. MBA Securities Ltd
202. MBC Securities Limited
203. Medallion Investment Nig. Ltd
204. Midas Merchant Bank Ltd
205. Mission Securities Ltd
206. M & F Investment & Securities Limited
207. M&M Securities Ltd
208. Molibola Oluwa, Esq., FCA
209. Molten Trust Limited
210. Monument Securities Limited
211. Muhtari Aliyu Dangana
212. Multinational Investment & Securities Ltd
213. Mutual Assurance & Trust Co. Limited
214. NAL Merchant Bank Ltd
215. NET Investments Ltd
216. Networth Securities & Finance Ltd
217. New Africa Merchant Bank Ltd
218. New Horizon Finance & Investment Ltd
219. New Nigerian Development Company Ltd
220. Newdevco Finance Services Company Ltd
221. Nigbal Securities Ltd
222. Niger State Development Company Ltd
223. Nigeria International Securities Ltd
224. Nigerian Stockbrokers Ltd
225. Nigerian Intercontinental Bank Ltd
226. Nigerian Investment Trust Company Ltd
227. Nigerian-American Merchant Bank Ltd
228. Northern Nigerian Securities Ltd
229. Nova Finance & Securities Limited
230. Okon Solomon Uko, Esq.
231. Olalonde Olatunde Ajomo, Esq. OFR
232. Omega Securities Ltd
233. OMF Sec. & Finance Ltd
234. Onyema Ugochukwu, Esq.,
235. Optimus Finance & Securities Ltd
236. Options Securities Ltd
237. Otunba (Dr.) Adekunle Ojora, OFR
238. Ouddy Nominees Ltd
239. Pacific Merchant Bank Ltd
240. Pan Securities Limited
241. Partnership Investment Ltd
242. Pascal Gabriel Dalhatu
243. Paul Ponnoh, Acting Governor, BNL
244. Peak Merchant Bank Limited
245. Perfecta Investment Trust Ltd
246. Phillip Chukwuocha Asiodu, Esq.,
247. Pivot Finance Limited
248. Pivot Finance & Investment Company Ltd
249. Plateau Investment & Property Company Ltd
250. Premium Securities Ltd
251. Prestige Ventures Limited
252. Price Securities Ltd
253. Prime Securities Ltd
254. Professional Securities Ltd
255. Professor Mahmud Tukur, CFR, Nigeria
256. Prominent Securities Ltd
257. Prudential Securities Ltd
258. PSI Securities Limited
259. Quantum Securities Ltd
260. Rabiu Ahmed Gwarzo
261. Regency Financing Ltd
262. Regent Capital Services Ltd
263. Resano Securities Limited
264. Resort Securities & Co. Ltd
265. Reward Investment & Securities Ltd
266. Rims Securities Ltd
267. Rims Merchant Bank Ltd
268. Rivtrust Securities Limited
269. Royal Crest Finance Limited
270. Royal Trust Securities Ltd
271. Sanbros Trust & Securities Limited
272. Securities Solutions Limited
273. Securities Transaction & Trust Company Ltd
274. Security Swaps Ltd
275. Senator David Omueya Dafinone
276. Senator Francis Ellah
277. Senibo Allwell-Brown, Esq., FCA
278. Shiroro Finance Ltd
279. Sigma Securities Limited
280. Signal Investment & Trust Co. Ltd.
281. Signet Investment & Securities Ltd
282. Sikon Securities Limited
283. Silver Financial Services Ltd
284. Sokoto Investment Company Ltd

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HOLDINGS OF DEVELOPMENT STOCKS[1]

(₦'MILLION)

Year/ Quarter	Central Bank[2]	Commercial Banks	Merchant Banks	Individuals	Insurance Companies	Savings-type Institutions[3]	State and Local Governments	Statutory Boards and Corporations	Other Corporations and Companies	Nigeria Credit Guarantee	Treasury Bills	Federal Government	Special Funds with CBN	CBN Sales and not Classified	Total
1976	451.2	142.1	—	1.8	38.7	[illegible]6.5	5.2	57.6	5.1	—	—	5[illegible].8	—	—	1,[illegible]
1977	216.2	243.4	6.6	1.6	57.3	572.9	5.5	8.9	26.5	—	—	—	651.5	36.9	1,[illegible]5.4
1978	826.[illegible]	143.5	0.5	1.7	69.3	[illegible]0.9	[illegible].9	9.3	12.4	—	—	9.2	410.6	40.6	2,2[illegible]
1979	1,419.4	272.4	0.5	2.2	75.0	760.8	[illegible].9	12.6	7.9	22.[illegible]	—	—	191.5	24.8	2,7[illegible]
1980	1,281.2	524.6	1.5	2.4	82.4	845.4	5.3	12.6	8.2	23.3	—	—	181.6	2.2	3,069.
1981	1,529.3	361.9	1.5.	4.8	103.0	1,108.2	[illegible].4	8.0	28.2	23.[illegible]	—	—	151.6	—	3,[illegible]
1982	1,654.[illegible]	328.8	1.9	3.6	99.4	1,250.3	[illegible].1	7.8	62.9	9[illegible].9	—	—	41.6	0.1	3,[illegible]
1983	1,768.[illegible]	301.6	3.3	5.2	104.4	1,[illegible]6.3	2.6	9.3	66.4	[illegible]6.7	—	—	39.8	36.5	3,[illegible]
1984	1,526.5	272.1	1.1	5.2	160.9	1,586.2	2.6	9.3	57.6	112.[illegible]	—	—	40.4	58.9	3,[illegible]
1985	1,613.4	395.7	33.0	8.0	152.5	1,[illegible]53.2	2.2	7.9	1,[illegible]3	10[illegible].7	—	0.9	42.6	2.3	4,[illegible]
1986	1,618.3	545.7	21.7	10.5	190.4	2,021.9	[illegible].2	2.4	230.9	135.5	—	0.0	45.6	(55.1)	4,8[illegible]
1987	1,550.2	537.2	5.1	44.6	194.7	2,225.2	[illegible].7	18.3	135.2	45.0	—	0.0	8.6	141.1	4,[illegible]
1988	1,450.5	404.9	13.6	8.3	216.8	2,537.5	[illegible].7	14.5	189.9	154.5	—	0.0	37.4	(53.6)	4,7[illegible]
1989	1,484.[illegible]	39.5	6.1	8.0	228.1	2,390.3	[illegible].0	36.8	192.3	167.6	—	0.0	36.0	29.4	4,6[illegible]
1990	1,497.[illegible]	156.8	6.7	6.9	157.6	2,342.1	[illegible].9	22.1	135.1	38.6	—	0.0	40.9	(82.0)	4,[illegible]
1991	807.[illegible]	33.5	6.4	6.7	163.2	2,415.3	[illegible].2	21.9	156.7	4.5	28.1	—	47.1	489.4	4,[illegible]
1992	121.5	29.5	3.6	6.1	152.8	2,323.2	[illegible].2	21.3	139.6	4.6	24.6	—	47.7	1,[illegible]38.0	[illegible]
1993	1,506.2	159.0	—	5.9	139.3	2,125.2	[illegible].2	20.6	132.1	3.[illegible]	29.3	—	[illegible]9.3	(486.6)	[illegible]
1994	1,207.5	—	—	5.2	130.6	1,[illegible]58.2	[illegible].1	5.8	125.6	2.6	45.4	—	118.4	58.4	3,[illegible]
1995	916.[illegible]	14.7	—	4.5	75.6	1,[illegible]23.8	[illegible].1	4.6	35.2	2.6	77.2	—	413.3	(0.7)	3,[illegible]
1996	789.[illegible]	471.1	0.0	5.1	101.8	1,623.8	23.5	10.3	97.8	2.[illegible]	54.0	0.0	260.3	(419.4)	3,[illegible]
1997															
1st Quarter	789	471.1	0.0	5.1	71.8	1,623.8	27.5	10.3	97.8	2.7	54.0	0.0	210.3	(419.4)	2,930
2nd Quarter	1,191.[illegible]	14.0	—	4.1	75.0	1,[illegible]0.0	—	[illegible].6	80.7	—	—	—	—[illegible]	—	2,8[illegible]
3rd Quarter	1,193.3	14.0	0.0	4.2	75.0	214.7	—	70.5	10.0	—	—	—	1,254.3	—	2,8[illegible]
4th Quarter	1,193.2	14.0	0.0	4.2	75.0	214.7	—	70.5	10.0	—	—	—	1,254.3	—	2,8[illegible]
1998															
1st Quarter	547.5	19.0	0.0	4.2	74.8	1,[illegible]4.3	—	[illegible]5.5	10.0	—	—	—	214.7	—	2,8[illegible]
2nd Quarter	479.[illegible]	19.0	[illegible]3.2	4.2	73.5	1,342.3	—	[illegible]5.5	10.0	—	—	0.3	214.7	—	2,8[illegible]

[1] Consolidation of holdings of development stocks figures available from 1976. Foreign holdings of Development Stocks [illegible] eligible.

[2] Exclude ₦20 billion Treasury Bonds issued in March, 1998.

[3] Includes Co-operative Thrift and Savings Societies, Post Office Saving Bank, Pension Funds, Sinking Funds, Schools, Fin[illegible] and Religious organisations, Nominees and Commercial Banks for Nominees.