CHAPTER ONE
BACKGROUND OF THE STUDY

1.1 INTRODUCTION

Nigerian financial system comprises the financial markets and financial institutions. Financial market refers to a framework within the financial system for the buying and selling of short and long term funds. Financial markets are mechanism for facilitating the issuance of securities. They provide the system for issuing stocks, bonds, and other securities. Financial markets can therefore be said to mean an arrangements or structure for exchange of financial instrument. Financial market can be divided into two. Capital market and money market.

Capital market is the hub of the National economy as the pivot for capital formation (savings) and investment. It therefore, plays a vital role in wealth creation, employment generation, poverty reduction and income redistribution.

As it’s popularly known, the Nation Economy Empowerment and Development Strategy (NEED) of the Federal government of Nigeria is predicted on four key strategies viz reforming the way government works and its institutions, growing the private sector, implementation of a social charter for the people and re-orientation of the people with an enduring African Value System. In growing the private sector by the use of appropriate strategy elements such as revitalization deregulation and liberalization programmed amongst others. The mobilization of medium and
long-term investment capital is encouraged where the capital market is expected to play a major and critical role. The capital market provides a veritable framework, the institutional and regulatory platform for realization of the lofty goals of the NEEDS Agenda. In the absence of the capital market, industrial growth would be hampered, as the money market is not designed to provide such funds. An efficient capital market mobilizes funds and allocates a greater proportion to those companies with the highest prospective rates of return after giving the allowance for risk. This allocation function is critical in determining the overall growth of the economy.

The Nigerian capital Market has strong impact on the Nigerian economic society. Every aspect of the economy could participate by getting listed on the Nigerian stock exchange. The capital market is a good place for long-term capital generation and thus, has a strong impact on industrial development and further helps develop the economy. The enlightenment of the public on the impact of the capital market could be a strong determining factor towards economic growth as organizations and individuals alike could participate in the market at their different levels.

Capital market is a financial market that provides facilities for mobilizing and dealing in medium and long term funds. The players on the capital market are the operators who act as intermediaries between the providers of the funds and the fund users. Cooley and Roden (2009:42) see capital market as any place where securities greater than one year are bought and sold.
The Nigerian capital market is two, which can be broadly classified into primary market and secondary market. Primary market is a market where new securities are issued. According to Anyafo (2004), primary market is a segment of capital market where securities are first issued and it is sometimes refers to as the new issues market, securities sold in the primary market being launched into the market for the first time. In other words, it is a market for buying and selling of virgin securities. Examples of primary market are issuing house. Secondary Market is a market for trading for existing securities. In other words, secondary market is a re-sale market where investors buy and sell previously issued securities which Emekekwue (2000) in fun referred to as bend-down boutique. Example of secondary market includes Nigeria stock exchange, the activities of brokers and dealers.

1.2 STATEMENT OF THE PROBLEM.

The capital market is not void of problems: the limited numbers of available instruments traded in the market were discriminated in favour of large firms; the problems of unclaimed dividends among others have been able to hinder or draw back the swift/ function of the capital market in Nigeria. Also, considering the underdeveloped state of the Nigerian Stock Exchange, what could be done to position it strongly as its western counter parts. Thus, the study focuses, on the assessing the role of capital market towards the Nigeria economy.
1.3 OBJECTIVES OF THE STUDY.

The objectives of the study includes:

1. To ascertain the role of the capital market towards the growth of the Nigerian economy.
2. To examine whether the establishment of capital market in Nigeria is justifiable.
3. To identify the vital function performed by the primary market in Nigeria.
4. To identify the causes of the recent Nigeria capital market melt down.
5. To identify the role of secondary market in Nigeria capital market.

1.4 RESEARCH QUESTIONS

The study seeks to provide answers to the following questions:

1. What is role of the capital market towards the growth of the Nigerian economy?
2. Is the establishment of capital market in Nigerian Justifiable?
3. What is the vital function performed by the primary market in Nigeria?
4. What are the causes of the recent Nigerian capital market melt down?
5. What role is played by the Nigeria secondary market?
1.5 RESEARCH HYPOTHESES

In embarking on this study the researcher has the following hypotheses to be tested:

(1) \( H_1 \): The role of the Nigerian capital market is to mobilize long term funds, create wealth and generate employment.
\( H_0 \): The role of the Nigerian capital market is not to mobilize long term funds, create wealth and generate employment.

(2) \( H_1 \): The establishment of capital market in Nigeria is justifiable.
\( H_0 \): The establishment of capital market in Nigeria is not justifiable.

(3) \( H_1 \): The vital function performed by the Nigerian primary Market is to facilitate buying of virgin securities.
\( H_0 \): The vital function performed by the Nigerian primary market is not to facilitate buying of virgin securities.

(4) \( H_1 \): The recent capital market melt down in Nigeria was as a result of inadequate infrastructural facilities and high production costs.
\( H_0 \): The recent capital market melt down in Nigeria was not as a result of inadequate infrastructural facilities and high production cost.

(5) \( H_1 \): The role played by the Nigerian secondary market is buying and re-selling of previously issued securities.
\( H_0 \): The role played by the Nigeria secondary market is not buying and re-selling previously issued securities.
1.6 **SIGNIFICANCE OF THE STUDY.**
The study is significant in a number of ways.

* It will help future students to read and know much about capital market in Nigeria.
* It will also serve as a reference material for future researchers.

1.7 **SCOPE OF THE STUDY**
The study focuses on Assessing the Role of the Capital Market towards Nigerian Economy, Performance of capital market, the role of the capital market in economic development, the meltdown of the Nigerian capital market, causes, consequences and future of the Nigerian capital market, primary and secondary markets.

1.8 **LIMITATIONS OF THE STUDY.**
The major constraints of the study include, Attitude of the respondents, time constraint, and financial constraint.

**Attitude of the respondents:** Some of the respondents were unwilling to cooperate with the researcher since they derive no financial benefit from the study.

**Time:** the researcher was constrained by time; he could not visit all the places where data and information relevant to the study could be obtained.

**Financial Constraint:** A lot of money is required in data collection, analysis and interpretation. The researcher is constrained financially.
1.9 OPERATIONAL DEFINITION OF TERMS.

**Market Price:** The prevailing price of security in the stock market.

**Liquidity:** The ease at which a financial instrument can be converted into cash.

**Issued Capital:** The portion of the authorized capital of a company which has actually been issued to subscribers (investor) which may or not have been paid for

**Accrued Dividend:** The regular dividend considered to be earned but which has not been declared on legally issued stock or other instruments or part ownership of a legally organized or financial institution

**Stock Exchange:** Organization, which provides facilities for trading in securities by its member and also sets rules for the admission and trading of exiting securities as well as to guide the business conduct of members.

**Venture Capital:** Money which is invested in a commercial venture with an uncertain chance of success, hence, such money is called risk capital.

**Shareholder:** An individual or institution having ownership interest in a company and this entitle to certain right and privilege according to holders of equity shares.

**Company Capitalization:** This is the total amount of equity investment in a company that could also include long-term debt that considered by the company and debt holders as an investment in the company.
Capital market: This is a network of specialized financial institutions that in various ways bring together supplies and users of fund in a long term purpose.

Securities: Securities are written or reported document by which chain of holders in specified property are secured, this could be stock, shares or bonds.

Automate Trading System: A security trading arrangement where by transaction on the stock exchanges are achieved through network of companies.

Primary Market: This is a market where new securities are issued.

Secondary Market: This is a market for trading existing securities.

Market Operators: Consisting of the issuing houses, (merchant bank) stock broking firms, trustees, registrars etc.
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CHAPTER TWO
REVIEW OF RELATED LITERATURE

2.1  THE MEANING OF CAPITAL MARKET

The Financial System of any given Society is the Framework within which Capital Formation take place. It is the framework within which the Savings of some members of the society are made available to other members of the society for productive investment. This process is possible by the intermediation of financial institution which, are the money market and capital market.

The formal commencement of capital market activities in Nigeria was in 1962, when the Lagos stock Exchange Act was enacted, although there were several attempts made by the colonial administration to activate capital market activities in Nigeria. The establishment of the Lagos stock Exchange was as a result of the federal government’s approval of the recommendation of the committee set up at that time to consider ways and means of fostering securities market in the country. Conoley and Roden (2009)

Among the recommendations of the committee were;

- The creation of facilities for dealing in shares.
- The establishment of rules regulating transfers of shares.
- Measures to encourage savings and issuance of securities by government and other organizations.

In 1962, the capital issues committee was created. The committee was a unit under the central bank of Nigeria (C B N). It was an
ad-hoc non statutory committee responsible for regulating the timing of public issues.

It was on Unit 1977, the Lagos Stock Exchange was renamed as the Nigerian Stock Exchange (NSE). Currently, it has nine (9) trading floors located in Lagos, Ibadan, Abuja, Kaduna, Kano, Yola, Benin, Port Harcourt, and Onitsha. In 1988, the SEC Act of 1979 was repealed by the Securities and Exchange Commission Decree No. 29 of 1988. 1999, following the recommendations of yet another panel set up to review the financial system, the Oldife panel, a new enabling law for the capital market was promulgated. It is known as the Investment and Securities Act No 45 of 1999 (ISA). This is the current law that governs operations in the Nigerian capital market. The ISA gave SEC the powers to regulate and develop the Nigerian capital market for a more transparent, efficient, and viral capital market which would be pivotal in meeting the nation’s economic growth and developmental aspirations.

Gbosi (1993:163). The Capital market could be defined as the network of institutions, individuals, instruments, and processes that interact in such a way that medium and long-term investable funds are pooled and purveyed from the surplus economic units to the deficit but productive, real economic units. Gbosi (1993:163) defined capital market as that part of the financial market which deals in long-term securities and procedures for the financial of long-term instruments.
Pandy (2002), in defining capital market stated that capital market facilitates the buying and selling of securities such as share bonds. He stated further that they perform two valuable functions which include liquidity and price of securities. Data (2003) sees capital market as an institution that exist to provide long-term capital both in the government and corporate bodies for industrial soci-economic and infrastructural development purposes. Adetunji (1977) sees capital market as a complex mechanism, procedure and location through which deficient economic units (the user of funds) and surplus economic units (those with excess money, the supplier of funds) are brought together. In other words, a financial market facilitates the efficient mobilization and allocation of funds for productive purpose, in order to stimulate economic growth and development of nations.

The amount of funds available for mobilization and allocation of financial market depends on a host of factors including disposable income, consumption patterns, price level, financial intermediation, market confidence and integrity. The capital market is also said to be a mechanism for savings, mobilization, investment decision taking and execution of productive activities.

The capital market is divided into two segments (i) The primary market (ii) The secondary market. The Primary market is a market where new securities are issued. According to Anyafo (2004), Primary market is a segment of capital market where securities are first issued and it is sometimes referred to as the new issues market, securities sold in the Primary market being
launched into the market for the first time. In other words, it is a market for buying and selling of virgin securities. Examples of Primary market are issuing house. The primary market for new issues of securities, the mode of offer for the securities traded in this market includes offer for subscriptions, rights issues, offer for sale, private placement etc.

The Secondary Market is a market for trading for existing securities. In other words, Secondary market is a re-sale market where investors buy and sell previously issued securities which Emekewue (2000) in fun referred to as bend-down boutique, example of Secondary market including Nigeria stock exchange, the activities of brokers and dealers etc. The secondary market is a market for trading in existing securities. This consists of exchanges and over the counter deals where securities are bought and sold after their issuance in the primary market. Activities in the secondary market have increased substantially over the years. The number of stock brokers trading on the Exchange increased from 110 in 1991 to 140 in 1994.
2.2 PERFORMANCE OF THE NIGERIAN CAPITAL MARKET

An evaluation of the performance of the Nigerian Capital Market from 1990-2005 is done in this section, using some of the generally accepted criteria which include:

Number of Listed Companies

Number of listed securities

Size of the market or market Capitalization

All share price index, which is a measure of the performance of the market.

The analysis of the major indicator of activity in the capital market showed that the market has experienced remarkable progress since 90s. Transactions in equities in the market based on its current level of development could be considered too be weakly formed as the level of information dissemination and processing to influence market behavior remained weak. Transactions in the market recorded increases in the number of listed securities with emancipation of computerized trading and increased transparency in delivering performance of all four key indicators was traceable largely to the establishment of the second-Tier Securities Market (SSM) in 1985 and the deregulation of interest rates in 1987. The number of companies listed on the exchange (equities) grew by 95.0 percent from 100 at the beginning of 1988 to 195 at the end of December 1999. The number of total securities list and traded also increased to a peak of 276 in 1996 before declining to 268 in 1999. Some of the major securities traded on the market during the period were government
development stocks, corporate bonds/ debentures and equities. As at end December 1999, securities listed and traded on the market were made up to 15 government bonds, 58 corporate bonds/debentures and 195 equities.

The growth of listed companies coupled with greater awareness on the part of the investors resulted in the increase in number of securities issued and traded on the market. This also contributed to the increase in market capitalization, which grew from 476 to 1.3 trillion or percent at the end 2006. Aderiagbe, J.O (2004).

2.3 **PRINCIPAL CAPITAL MARKET PLAYERS**

The Nigerian capital market is composed of a lot of players forming various functions. The participants are categorized into the four major groups below:


(ii) *The Nigerian Stock Exchange (NSE)*, is self-regulatory organization that supervises the operations of the formal quoted market.

(iii) *Market Operators* consisting of the Issuing Houses (Merchant Banks and Stock broking firms), Stockbrokers, Trustees, Registrars, etc.

(iv) *Investors, Individuals, Insurance Companies, Pension Fund, and Unit Trusts (Institutional Investors).*
2.3.1 CATEGORIE OF CAPITAL MARKET INSTRUMENTS

Achievement of the financial and investment objectives in the capital market is attained through the issuance and purchase of a variety of financial instruments (securities). The securities are initially issued in the primary market while the Secondary market provides the vehicle for the trade into liquidity as and when necessary. The Primary market involves in sale of new securities for the first time by those needing funds (deficit unit) to those with excess funds (surplus unit), while the Secondary market involves the resale or exchange of securities already outstanding or held by investors.

There are four (4) broad categories of capital market instruments.

**Debt instrument** (*debt – government bonds*): These are long term loans raise by a company or by government parastatals for which interest is paid and at a fixed rate. It has a nominal value and it is usually redeemable.

**Equities** (*ordinary shares, preference shares*). Major sources of long term financial in which the holders are entitled to a fixed percentage dividend are paid to ordinary shareholders.

**Derivates** (*industrial loans/debenture Stock*) these are securities whose values are derived from changes in the price of underlying stocks, bonds, or commodities etc the popular derivative in the capital Markets today are options swaps and future contracts.
2.4 ROLES OF THE CAPITAL MARKET IN ECONOMIC DEVELOPMENT OF NIGERIA.

The primary aim of the Nigerian capital market is to mobilize long-term funds. The Nigerian Stock Exchange (NSE) is the centre point of the capital market while the Securities and Exchange Commission (SEC) serves as the apex regulatory body. It provides a mechanism for mobilizing private and public savings and makes such funds available for productive purposes.

The capital market is the hub of the national economy as it serves the pivot for capital formation (savings) and investment. It therefore, plays a vital role in wealth creation, employ generation, poverty reduction and income redistribution.

As we all know, the National Economic Empowerment Development Strategy (NEEDS) of the Federal Government is predicated on four key strategies viz reforming the way government works and its instruments, growing the private sector, implementing a social character for the people and re-orientation of the people with an enduring African value system. The capital market provides a veritable framework, the institutional and regulatory platform for realization of the lofty goal of the NEEDS Agenda. In promoting the NEEDS Agenda, the Capital market adopts a Capital Economic Empowerment and Development Strategy (CaMEEDS) CaMEEDS will compliment NEEDS by the promotion of real sector of the economy.
2.5 NIGERIAN CAPITAL MARKET REVIEW SINCE 1996

A.G Olisaemaka, (2009). The Nigerian capital market has witnessed a lot development since its inception. Some of these developments are outlined as follows:

Introduction of Automated Trading system since 1999 transaction, Transaction in securities on the floor of the stock exchange (computer) which are linked to a central server at the data center or control room of the entire market their computers at a glance as they make their offers and bids.

Introduction of the central securities clearing system (CSCS) a subsiding of the NSE in 1997, the CSCS facilitates an efficient, faster and more secured process of purchase and sale of securities in the market. Traders are now cleared and settled on a transaction day plus (3) three day (T+3) basis, as against T+14 which existed before the introduction of the CSCS.

Introduction of trade Alert NSE/CSCS, It works through a software derive programmed into the main computer system of the CSCS which alerts subscribers whenever there are transaction on their accounts.

Establishment of the Abuja securities and commodities Exchange (ASCH). The ASCE is an organized market that is to provide facilities for trading in commodities and securities. Commodities are products or raw materials such as petroleum, cocoa, rubber, palm oil, cotton, groundnut, soy beans and solid minerals.
Introduction of floorless (remote) trading system this is an improvement to the Automate trading system ATS which requires no physical trading floor. The securities dealers simply trade through computer system mounted in their offices but linked to a central system on the stock exchange.

Promotion of the introduction of capital trade points there are mini exchange that are expected to provide market place for the buying and selling of securities of small enterprises that cannot meet the more stringent listing requirement of the stock exchanges. The amounts of funds that can be raised are however also listed. Among the objective of CPT is to attract local and small companies to make use of the market to raise funds at relatively low cost and through a much simplified process, and to bring capital market activities closer to the grassroots.

In 2003, the code of corporate government for public companies was introduced. The essentially provided for the conduct of the affaires of companies it deals with issues concerning board of directors, shareholders, audit committees, etc. The code is expected enhance corporate discipline, transparency and accountability. In November 1996, the exchange launched its Internet system (CAPENT) as one of the infrastructural support for meeting the challenges of internationalization and achieving an enhancing service deliver.
2.6 THE MELTDOWN OF THE NIGERIAN CAPITAL MARKET: CAUSES AND CONSEQUENCES.

Pandy, (2010) the current crash of the Nigerian Capital Market has been unprecedented in its historic evolution since 1960 to date. Its market capitalization has nose-dived from an all time high of N13.5 trillion in March 2008 to less than N4.6 trillion by the second week of January 2009. Besides, the All-Share Index (a measure of the magnitude and direction of general price movement) has also plummeted from about 66000 basis points to less than 22000 points in the same period. The stock prices have experienced a free-for-all downward movement regime with more than 60% of slightly above 300 quoted securities on constant offer (supply exceeding demand) on a continuous basis. Consequently many of the quoted stocks lack liquidity as their holders are trapped, not being able to convert them to cash to meet their domestic and other investment needs. On the other hand, fresh investors are cautious of jumping into a vehicle that does not seem to have a brake should they wish to disembark. A number of factors have been blamed for this sorry state of affairs and they include:

- A Global Phenomenon. The present seeming collapse of the world economy has not excused that of Nigeria. Many stock markets of countries, from USA to Britain, from China to Japan, Russia, France and others are in serious trouble. The world is indeed a global village and the interrelatedness of world economies is very evident that any development in any
part of the world affects other parts as well. Consequently, the Nigerian capital market is not insulated from this global malignant cancer.

Pull-Out of Various Foreign Investors: This is another factor believed to have contributed to the continuous fall of the Nigerian stock market. Many foreign investors that already have troubles in their home economies have pulled out of the Nigerian stock market leading to dumping of shares beyond the ability of domestic investors to contain. Supply of equities has, in consequence of this, overwhelmed demand, leading to price fall. According to the Director-General of the NSE, Prof. Ndi Okereke-Onyiuke, "...available statistics shows purchase by foreign investors during 2008 to be in excess of N150.135 billion representing 6.3% of the aggregate turnover. This is a decline when compared with the N256 billion recorded in 2007. Concurrently, total sales during the year were in excess of N556.93 billion, culminating in a net outflow of about N406.8 billion."

Lack of Infrastructure and High Production Costs: The cost of doing business is high in Nigeria. Basic infrastructures like good roads, power supply are lacking, leading to high cost of doing business. Many quoted and unquoted companies like Dunlop Nigeria Plc and Michelin Nigeria have closed down shops. Most of the textile industries have also stopped production, leading to the crash of their share prices. The shares of Dunlop Nigeria Plc that
sold above N6 per share a few months ago now trade below N0.6 per share. Evidently, high production costs reduce profitability or increase loses which also impact negatively on the share prices.

Impact of Commercial Banks: Following the forced capitalization of banks to a minimum of N25billion, almost all banks utilized and accessed the capital market to raise funds. Within two years plus, many of the banks besieged the capital market more than once, falling over one another in raising funds through mega offers in a single trenched. The banks competed to suck every liquidity from the Nigerian financial system, thus overheating it. Through enticing marketing strategies, the banks succeeded in their various offers, but left the capital market place bleeding and gasping for breath. The primary market seemed to experience a boom while the secondary market was sucked dry as many investors dumped their shares in the secondary market, in favour of the primary market offers achieved through bewitching marketing efforts of banks. A total of N2.2 trillion was raised through various public offers dominated by the banks in 2008. Much of this came through disposal of shares in the secondary market.

Avalanche of Private Placement Offers A number of private companies did private placement of their shares at lower prices while they sought or intended to seek quotation of their shares at higher values on the Nigerian Stock Exchange, thus making such private placements very
attractive. This lured investors to dispose or dump their shares in the secondary market, purchase the private placements and dispose of same immediately after their listing on the Stock Exchange at higher prices. The Nigerian capital market thus became a battleground as private companies were falling on each other through avalanche of offers. The regulating bodies were impotent as the Investment and Securities Act, 2007, does not place private companies under their control. A number of companies that did private placements to suck liquidity from the Nigerian capital market, include: Investment and Allied Plc, Globe Reinsurance Plc, Multiverse Ltd, Swap Technologies Ltd, Starcomms Ltd, Equity Assurance Plc, Oasis Assurance Plc, IHS Ltd, Indomie Nigeria Ltd, Tetrazzini Ltd, Food Concepts Ltd, Geolfluids Ltd, Goldlink Insurance Ltd, Universal Insurance Ltd, Chams Plc, Fidson Health Care Plc, Reltel Wireless Ltd, MTN Ltd, etc. Thus so much liquidity was sucked from the Nigerian capital market in favour of private placements of private companies, many of which remain unquoted till date, leading to the crash of the Nigerian capital market.

The Director-General of the Nigerian Stock Exchange, Prof. Ndi Okereke-Onyiuke admitted this fact in her review of the performance of the Nigerian capital market when she observed inter alia "...a significant portion of funds that left the stock market for private placement market are still locked-in as many
of the issues have not applied to the Nigerian Stock Exchange for listing...."

− Banks Short-Term Orientation Imposed on Long-Term Capital Market: At a time, banks were financing about 65% of the Nigerian capital market through margin facilities granted to investors and stock broking firms. Many banks abandoned or sidelined their core operation of providing credit to the real sector in favour of "playing" the capital market for short-term speculative activities that seemed to pay off up to March 2008 before the cancer that afflicted the market set in. It is estimated that the total exposure of banks to the capital market in terms of trapped funds is in excess of N1trillion.

Thus, the capital market place became overheated with so much speculative activities of banks that by the time the market caved in, it became difficult for them to exit through the narrow door as there were no mega investors to "check them out". The Nigerian capital market was no longer seen as a market for long-term funds, but that of a short one. The banks embarked on unguarded short term treasure hunting spree from the capital market as their speculative activities soon overheated the capital market.

− Inability of the Federal Government to Plot a Bailout Option: There were blunt statements from the Federal Government that it will not intervene directly in the capital market which it sees as a purely private affair. The government lacked the wisdom to examine the socio-economic implications and
chain effects of a failed capital market. It therefore became impotent of hatching a bailout plan for its beleaguered capital market unlike the governments of USA, Britain, and France and so on, playing politics with such a sensitive issue that borders on "life and death". Thus the government outright refusal to intervene directly in the crashing stock market has depleted any hope of a possible market rebound leading to further loss of confidence among investors. This has sparked off supply of shares by desperate investors who, having seen no hope in the horizon, wish to cut their losses short by rushing to sell at any price.

Structural Deficiencies of the Nigerian Stock Market:
There appears to be some inadequacies of the Nigerian capital market, especially the absence of market makers. As at third week of January 2009, the Nigerian Securities and Exchange Commission (SEC) have licensed five market makers, but the Nigerian Stock Exchange was yet to also license them due to avoidable administrative bottlenecks. Thus, there are no functional market makers that can provide exit windows for investors who wish to check out.

Regulating Inconsistencies and Pronouncement:
The apex regulator of the Nigerian stock market, the Securities and Exchange Commission, prior to the crash of the market had alleged publicly that stock market prices were being manipulated and it announced that it was probing some quoted companies, such as Dunlop Nig. Plc, Eternal Oil Plc, Capital Oil Plc, and so on. Following the publication,
investors became afraid that such statements coming from the principal regulator evidenced the existence of unrealistic prices of all stocks, thus provoking panic selling of stocks among investors. This contributed to the crash of the market. Unfortunately till date, not much has been heard of the outcome of the SEC investigation that transmitted shockwaves down the spines of investors. Opportunities of the capital market meltdown the current meltdown of the Nigerian capital market have provided excellent opportunities for both local and foreign investors to grab the shares at rock-bottom prices with the greed of a hungry lion.

There appears to be no better time to buy the shares in the Nigerian capital market than now. The fundamentals of the Nigerian capital market are still very strong—high earnings per share, high dividends per share, high earning yields, high dividend yields, good bonuses and low price earning ratios. With the complete internationalization of the Nigerian capital market, foreign investors can acquire up to 100% of Nigerian companies and exercise full control. It is believed that the acquisition opportunities offered by the current capital market meltdown in Nigeria can only come, but once-now! Corporate hawks should be on the prowl now.

Pressure from Banks: Following the more than N1 trillion of banks’ funds tapped in the capital market, the banks have become violent on the borrowers of funds (investors and stock broking firms) used to acquire shares. Currently these
banks have brought suicidal pressure to bear on these borrowers, compelling them to sell their shares at any price, just to have a moment of respite. This has further increased the supply of shares at ridiculous prices, leading to greater market crash.

2.7 CONSEQUENCES OF THE MARKET MELT DOOM.
The meltdown of the Nigerian capital market characterized by the crash of the market capitalization from a record high of N13.5 million in early 2008 to less than N4.5 trillion in the corresponding period of 2009 has manifested the under listed cost and consequences.

→ Loss of confidence in the Nigeria economy: as many investors prefer to convert their naira to foreign currencies, especially the dollar and hold them through their domiciliary accounts. This has in part led to worsening exchange rate against the naira.

→ Mega Losses: by investors in the capital market whose total losses are not below 2/3 of their investment before the meltdown. In other words, investors now have less than one third of the value of their investments before the free-for-all fall.

→ Trillions Of naira: – what remains of the capitalization – tied down in un-saleable stocks, Most of the securities are on serious offer – an indication that there are no willing buyers to check out any investors who wishes to does so. Here investors not only contend with their losses to date, they also
contend with a supply glut that they seem trapped with the remaining securities in their sad possession.

Over exposure of investors and stock broking firms to banks:
Before the meltdown, banks engaged in lending frenzy through margin account. Borrowers were required to contribute 30% to while the banks contributed 70 and the entire 100% was used for stock speculation. Currently the market meltdown has wiped out the investors 30% contribution while .... Half of the banks 70% have also been wiped out. Notwithstanding this scenarios, the banks are still calculating interest ad on daily basis and posting to the debit of the borrowers account investors and stock broking firms, thus to sting perpetual liabilities on the borrowers which only Divine intervention can save these borrower from the hangman the banks.

The market meltdown has also led to credit crunch in the economy as banks do not have enough to lend to the productive sector leading to high interest rate:. Given that interest rate – cost of find to manufacturers is a very significant component of cost of production, thus translates to higher prices of goods and services, leading to inflation.

The meltdown has also led to the loss of confidence of banks and other lenders on shares as collateral for loan facilities:. Shares which were before now readily accepted by banks as collateral are now shunned by hem. The few of them that dare to touch them for this purpose only do so with a
hundred meter pole, at ridiculous discounts as some of them seek up to 300% cover.

- The market meltdown has led to loss of depositors funds: with the banks. It is estimated that banks are exposed to the capital market in excess of N1 trillion through loss in the value of securities for which margin facilities were granted investors in Nigeria. This has significantly increased the quantum of banks non-performing assets – Toxic assets. The market meltdown has also induced massive withdrawal of foreign investors from the Nigerian financial system, damping the remaining source of hope for possible market recovery.

- Loss of value of pension Asset: Following the passage of the Pension Reform Act, 2004, pension assets are now privately managed. Under the Act, every employer, whether in the private or in the public sector is obligated to deduct 71/2% of every employees/emolument, then add another 71/2% totaling 15%. This is remitted on monthly basis to a pension asset custodian under the superintendence of a pension fund administrator. The PFAs manage the pension assets by investing in a variety of instruments including equities. The PFAs also maintain retirement savings account for employees showing the monthly deductions remitted on that I behalf a well as the profits or losses arising from the investors. It is estimated that more than N2 Trillion of pension assets has gone down the drain casting doubts on the ability of PFAs to repay retirees their pension and gratuities.
Inability of stock broking firms to settle their clients for securities sold: With the current meltdown, many stock broking firms cannot discharge their obligation to their clients. Proceed of shares sold by these stockbrokers for their clients are greedily seized by the banks to which the stock broking firms own billions of naira through margin accounts. Incoming credits or debits arising from sale of securities or purchase of securities can only be settled through the appointed settlement banks. This gives the banks the opportunities to absorb any incoming credits to service huge margin facilities granted to stockbrokers. Thus many stock broking firms rejects sale order as they know that the banks will seize the credits, leading them to contend with their clients.

Loss of Confidence in the regulatory bodies: There appears to be a loss of confidence on the regulatory bodies of the Nigerian Stock Exchange as well as the Securities & Exchange Commission whose regulatory impotence has been largely blamed for the present woes of the capital market and whose principal officers appears to have exhausted all they know and all they can offer to change the fortunes of the market. Many market analysts believe that they ought to have thrown in the towel instead of trying to stay put and superintend the "funeral mass' of the market a they have noting again to offer.

On a positive note, the Nigerian Capital Market meltdown has compelled investment diversification to their assets especially
real estate and government bonds. Investors now scamper for safety rather than high returns at the expense of possible huge or near total losses which equity investment symbolizes — where the investor either enjoys too much or suffers too much.

The market meltdown: The Way out Only physical injection of funds can change the direction of the market. No amount of grammar from "this-ism" to 'that-ism" will avail. With the present liquidity crunch and investors' loss of confidence, it is not reasonable to expect salvation from individual and institutional investors. A strong government bail-out as obtains in USA, Russia, Britain and Singapore, is the magic wand needed to be waived in the four corners of the market. The issues of government intervention should not be politicized. The Nigerian Capital Market is not a southern affair. Already the effect of its meltdown may give rise to the collapse of many banks whose hundreds of billions of naira are trapped unless urgent government intervention is articulated and hurriedly implemented.

2.8 FUTURE OF NIGERIAN CAPITAL MARKET.

Introduction of invocation structured investment products such as asset backed securities, mortgagers, oil and gas. Creation of exchange traded funds to provide exposure to foreign investors of the entire market.

American and global depository receipt for qualifying companies in Africa giving them greater access to fund managers in the international community;
Providing greater access to special investment groups such as traders, professionals, etc. in Nigeria, less than 3% of the entire population are invested in the stock market, as compared with 76% in the United States. This means that the opportunity for growth in our market is monumental.

2.9 THE NIGERIAN STOCK EXCHANGE

The Nigerian stock exchange was established in 1960 as the Lagos stock exchange. In December 1977 it became the Nigerian stock exchange, with branches established in some of the major commercial cities of the country. At present, there are 9 (nine) branches of the Nigerian stock exchange. Each branch has a trading floor. The branch in Lagos was opened in 1961: Kaduna 1978, Port Harcourt, 1980, Kano 1989, Onisha, 1990, and Ibadan August 1990, Abuja October 1999, and Yola April 2002.

The exchange started operations in 1961 with operatives listed for trading. Today there are about 300 securities listed on the floor of the Nigerian stock exchange: 15 Government stocks, 53 industrial loan stocks, and 208 equity. Integrity is the watchword of the exchange, confidence is essential in this business, and the public trust in the Nigerian stock exchange has grown tremendously with over a million and a half individual investors and hundreds of institutional investors (including foreigners who own 40-60% of the quoted companies) using the facilities of the exchange. The stock exchange's 40 years history has been devoid of fraud, shocks, scandals, or insider dealings. Its operations are automated.
specifically, there is central securities clearing system (CSCS), which takes care of clearing from the manual call over system to automated trading system (ATS) a computerized system. The exchange has in 2002 installed e-business platform. Source: International research journal of finance and economic issue (2006). And internet portal that enable investors and other stakeholders monitor the market on line and real time already, the exchange has commenced full remote trading. By this, stockbrokers can now trade from their offices or outside the country.

Table 2.1: Turnover ratios of listed equities

<table>
<thead>
<tr>
<th>YEARS</th>
<th>PERCENTIAGE YIELD %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996</td>
<td>2.5</td>
</tr>
<tr>
<td>1997</td>
<td>3.9</td>
</tr>
<tr>
<td>1998</td>
<td>5.1</td>
</tr>
<tr>
<td>1999</td>
<td>4.8</td>
</tr>
<tr>
<td>2000</td>
<td>6.0</td>
</tr>
<tr>
<td>2001</td>
<td>8.9</td>
</tr>
<tr>
<td>2002</td>
<td>7.9</td>
</tr>
<tr>
<td>2003</td>
<td>8.6</td>
</tr>
<tr>
<td>2004</td>
<td>11.6</td>
</tr>
<tr>
<td>2005</td>
<td>10.1</td>
</tr>
</tbody>
</table>

Source: NSE.2006.

2.10 THE SECURITIES AND EXCHANGE COMMISSION
The Securities and Exchange Commission (SEC) is the Apex regulatory institution of the Nigeria capital market it is a federal government agency established by the Securities and Exchange Commission act 11 October of 1979, which was re-enacted as decree number 29 of 1988. Since inception, the SEC has been
playing within the capital market a similar role to that played by the CBN (Central Bank of Nigeria) in the money market.

The Securities and Exchange Commission regulates and develops the Nigeria capital market in order to achieve its wider objectives of investor protective and capital market development towards enhancing soci-economic development.

The federal government promulgated the capital issues Act in 1973. The act established the capital issues committee.

The Capital issues commission (CIC) was among other things rested with power to determine.

(i) The price at which shares or debentures of a company are to be sold to the public either through offer for sale or direct issues:

(ii) The firming and amount of sale and

(iii) In the case of a quoted company the price, amount and time any subsequent or supplementary offer of shares or debentures are the sold.

From the stock exchange reports of 2006, a total market value of 288 securities listed on the exchange increased by 76.55% to stand at N5.12 million by the year end December 2006. The listing of new securities (equities and bonds) explains in large part the growth of the market capitalization during the year. The banking sub-sector recorded many supplementary issues and the listing of some share arising from the mergers and the acquisition elicited by the industry consideration. Also macro-economic stability and improved corporate government results caused a rose in stock
prices. Below are some listed companies and their market capitalization.

**TABLE: 2.2 Companies and market capitalization**

<table>
<thead>
<tr>
<th>S/N</th>
<th>Company</th>
<th>Market Capitalization</th>
<th>Equity Market</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>FBA PLC</td>
<td>347.052</td>
<td>BANKING</td>
</tr>
<tr>
<td></td>
<td>NB PLC</td>
<td>231.705</td>
<td>BREWERIES</td>
</tr>
<tr>
<td></td>
<td>ZENITH BANK PLC</td>
<td>281.0978</td>
<td>BANKING</td>
</tr>
<tr>
<td></td>
<td>UNION BANK PLC</td>
<td>221.077</td>
<td>BANKING</td>
</tr>
<tr>
<td></td>
<td>UBA PLC</td>
<td>178.16</td>
<td>BANKING</td>
</tr>
<tr>
<td></td>
<td>WEST AFRICAN PORTLAND CEMENT</td>
<td>162.1</td>
<td>BUILDING</td>
</tr>
<tr>
<td></td>
<td>GUNINNESS NIG PLC</td>
<td>159.277</td>
<td>BREWERIES</td>
</tr>
<tr>
<td></td>
<td>ECO BANK PLC</td>
<td>156.649</td>
<td>FOREIGN</td>
</tr>
<tr>
<td></td>
<td>INTERCONTINENTAL BANK PLC</td>
<td>145.857</td>
<td>BANKING</td>
</tr>
</tbody>
</table>

REFERENCES


CBN. (1999) Briefs on Lagos Stock Exchange central Securities clearing system CSCS and Automated trading system (ATS) Abuja an unpublished paper of F10 research Department, CBN.


Volume1. Published by Joebest production, 2 Menkiti lane/ Moorehouse Ogui-Enugu


www.nigerianstockexchange.com retrieved 2011
CHAPTER THREE

3.1 RESEARCH METHODOLOGY
The aim of this chapter is to discuss the methods adopted by the researcher in carrying out this research. The chapter contains the sources of data, population of the study, sample size determination, validity and reliability of the instrument and method of data analysis.

3.2 AREAS OF THE STUDY
This study was conducted in Onitsha Stock Exchange market and Intercontinental Securities Limited Enugu.

3.3 SOURCES OF DATA
Data used for this research were primary and secondary data.

3.3.1 Primary source:
This is first hand information originated by the researcher. Primary data collected for the study includes interview and questionnaire.

3.3.2 Secondary source:
The secondary data used for this research were obtained from relevant textbooks, magazines, journals, Newspapers, and Internet.
3.4 POPULATION OF THE STUDY

Population is defined as the aggregate of all elements defined prior to the selection of a sample (Kinnear and Taylor 1983). The target population for this study consists of the entire top and middle management staff of Onisha Stock Exchange and Intercontinental Securities Limited in Enugu (Brokerage Firm). According to the information obtained from documents provided by these organizations concerning their population, we have:

Onitsha Stock Exchange: - - - - - 120
Intercontinental Securities: - - - - 100
Total                          - 220

The population of this study is two hundred and twenty (220) derived from the selected Stock Exchange and Intercontinental Securities Ltd Enugu.

3.5 SAMPLE SIZE DETERMINATION

To arrive at the sample of study, the sampling procedure was carefully chosen. Deng and Ali (1983) describe sampling as the procedure of selecting or drawing from some population of possible cases with the aim of ensuring that the portion of the population being selected is representative of the population.

In calculating the sample size, the researcher applied the statistical formula for selecting from a finite population as formulated by Yamane (1964).

The formula is stated thus;
Where

1 - Constant value
n - Sample size
N - The finite population
e - Error tolerance, in this case (0.050)

Therefore:

\[ n = \frac{N}{1+N(e)^2} \]

\[ n = \frac{220}{1+220(0.05)^2} \]

\[ n = 142 \]

This gives a sample size of 142

Where:

Q = \frac{A/NxNn}{1}  
Q = The number of question to be allocated to each segment
A = The population of each segment
N = The total population of the segment
n = The estimated sample size used in the study.
Sample Size Breakdown

Onitsha Stock Exchange--------- 120 x 142
\[
\begin{array}{c|c}
220 & 1 \\
\hline
\end{array}
\]
\[= 77\]

Intercontinental
Securities Ltd Enugu. --------- 100 x 142
\[
\begin{array}{c|c}
220 & 1 \\
\hline
\end{array}
\]
\[= 65\]

<table>
<thead>
<tr>
<th>n/s</th>
<th>Names of company</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Onitsha Stock</td>
<td>77</td>
</tr>
<tr>
<td>2</td>
<td>Intercontinental Securities Ltd Enugu</td>
<td>65</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>142</td>
</tr>
</tbody>
</table>

Source: Fieldwork 2011
3.6 VALIDATY OF THE INSTRUMENT

Validity is concerned with measurement. It deals with the soundness and the effectiveness of the measuring instruments (Ikeagwu, 1998).

To make sure that the research instrument applied in this work is valid, the researcher ensured that the instruments measure the concepts they are supposed to measure, the concepts were measured accurately and precisely and were cost effective.

A proper structuring of the questionnaire and a conduct of a pre-test of every question contained in the questionnaire was carried out to ensure that they are valid. Also design of the questionnaire was made easy for the respondents to tick their preferred choice from the options provided.

3.7 RELIABILITY OF THE INSTRUMENT

Reliability is the quality of being depended upon. A test retest method was carried out to achieve reliability. Some copies of the questionnaire were distributed on a second occasion and it was observed that the degree of correlation and consistency was quite high, signifying higher degree of association. This shows that the questionnaire is reliable.

3.8 METHOD OF DATA ANALYSIS

The data generated from the study were presented using appropriate statistical tools such as tables and pie charts. Hypotheses were tested using chi-square ($x^2$). According to Delbert, (177) chi-square is a relative measure of the discrepancy between observed and exposed frequencies. Ezejelu and Ogwo (1990) submit that the sole aim of chi-square ($x^2$) test is to
determine the degree of deviation or departure from the expected frequencies that could be allowed before the null hypothesis is rejected. To calculate the chi-square, the formula below will be applied.

\[
X^2 = \frac{(O-E)^2}{E}
\]

Where:

\begin{align*}
O &= \text{Observed frequency} \\
E &= \text{Expected frequency.} \\
(O-E) &= \text{Deviation square summation}
\end{align*}
REFERENCE


CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.0 DATA PRESENTATION

This chapter focuses on the analysis of the data collected through the distributed questionnaires. From the analysis of the questionnaire distributed and returned. It is important to note that out of 142 copies of the questionnaires distributed to Onitsha Stock Exchange and Intercontinental Securities Ltd. 112 representing (79%) were returned while 30 (21%) were not returned.

Figure 4.1: Questionnaire Returned and unreturned.
Table 4.1: Age of the Respondents

<table>
<thead>
<tr>
<th>Respondents Age in years</th>
<th>No of Respondents</th>
<th>(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>16-25</td>
<td>31</td>
<td>28</td>
</tr>
<tr>
<td>26-35</td>
<td>52</td>
<td>46</td>
</tr>
<tr>
<td>36-45</td>
<td>18</td>
<td>16</td>
</tr>
<tr>
<td>46 years and above</td>
<td>11</td>
<td>10</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>112</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Field Survey.

Table 4.1: shows that 31 (28%) of the respondents fall within the rage of 16-25 years, 52 (46%) of the respondents fall within the rage of 26-35 years, 18 (16%) fall within 36-45 years, while 11 (10%) of the respondents fall within 46 years and above. This confirms that there were more teenagers than adults.

Table 4.2: Responses of the Respondents on the role of the capital market towards the growth of the Nigeria economy (reproduced from questionnaire 2).

<table>
<thead>
<tr>
<th>Q</th>
<th>Description</th>
<th>A</th>
<th>SA</th>
<th>SD</th>
<th>D</th>
<th>ROW</th>
</tr>
</thead>
<tbody>
<tr>
<td>6</td>
<td>The role of Nigeria capital market is to mobilize long term funds</td>
<td>24</td>
<td>56</td>
<td>20</td>
<td>12</td>
<td>112</td>
</tr>
<tr>
<td>7</td>
<td>The capital market helps to channel funds and savings to investors for the purpose of investments.</td>
<td>30</td>
<td>37</td>
<td>25</td>
<td>20</td>
<td>112</td>
</tr>
<tr>
<td>8</td>
<td>The role of capital market is to facilitate buying and selling of securities.</td>
<td>30</td>
<td>62</td>
<td>12</td>
<td>8</td>
<td>112</td>
</tr>
<tr>
<td>9</td>
<td>The capital market helps to create wealth, generate employment and reduce poverty</td>
<td>38</td>
<td>67</td>
<td>5</td>
<td>2</td>
<td>112</td>
</tr>
<tr>
<td>10</td>
<td>The capital market serves as the apex regulatory body to money market, primary and secondary market</td>
<td>42</td>
<td>51</td>
<td>12</td>
<td>7</td>
<td>112</td>
</tr>
</tbody>
</table>

Total column 164 273 74 49 560

Sources: Field survey.
From the table 4.2 above, a total of 437 (78%) of the respondents answered in the agreement category, while 123 (21%) answered within the disagreement category.

Table 4.3: Responses of the Respondents on the establishment of capital market in Nigeria (reproduced from questionnaire 3)

<table>
<thead>
<tr>
<th>Q</th>
<th>Description</th>
<th>A</th>
<th>SA</th>
<th>SD</th>
<th>D</th>
<th>ROW</th>
</tr>
</thead>
<tbody>
<tr>
<td>11</td>
<td>The establishment of market in Nigeria is justifiable</td>
<td>48</td>
<td>59</td>
<td>3</td>
<td>2</td>
<td>112</td>
</tr>
<tr>
<td>12</td>
<td>The establishment of market in Nigeria is not justifiable</td>
<td>36</td>
<td>65</td>
<td>9</td>
<td>2</td>
<td>112</td>
</tr>
<tr>
<td></td>
<td><strong>Total column</strong></td>
<td>84</td>
<td>124</td>
<td>12</td>
<td>4</td>
<td>224</td>
</tr>
</tbody>
</table>

Sources: Field survey.

From the table 4.3 above, a total of 208 (92%) of the respondents answered in the agreement category, while 16 (7%) answered within the disagreement category.

Table 4.4: Responses of the Respondents on The vital function performed by the Nigeria primary market (reproduced from questionnaire 4)

<table>
<thead>
<tr>
<th>Q</th>
<th>Description</th>
<th>A</th>
<th>SA</th>
<th>SD</th>
<th>D</th>
<th>ROW</th>
</tr>
</thead>
<tbody>
<tr>
<td>13</td>
<td>The function performed by the Nigeria primary market is to facilitate buying of virgin securities?</td>
<td>35</td>
<td>38</td>
<td>12</td>
<td>27</td>
<td>112</td>
</tr>
<tr>
<td>14</td>
<td>The Primary market is a segment of the capital market where securities are first issued</td>
<td>38</td>
<td>67</td>
<td>5</td>
<td>2</td>
<td>112</td>
</tr>
<tr>
<td>15</td>
<td>The securities sold in the primary market are launched into the market for first time.</td>
<td>30</td>
<td>30</td>
<td>32</td>
<td>20</td>
<td>112</td>
</tr>
<tr>
<td></td>
<td><strong>Total column</strong></td>
<td>103</td>
<td>135</td>
<td>49</td>
<td>49</td>
<td>336</td>
</tr>
</tbody>
</table>

Sources: Field survey.
From the table 4.4 above, a total of 238 (71%) of the respondents answered in the agreement category, while 98 (29%) answered within the disagreement category.

Table 4.5: Responses of the Respondents on the causes of the recent Nigeria capital market melt down (reproduced from questionnaire 5)

<table>
<thead>
<tr>
<th>Q</th>
<th>Description</th>
<th>A</th>
<th>SA</th>
<th>SD</th>
<th>D</th>
<th>ROW</th>
</tr>
</thead>
<tbody>
<tr>
<td>16</td>
<td>The recent capital market melt down in Nigeria was as a result of inadequate infrastructural facilities and high production costs.</td>
<td>36</td>
<td>39</td>
<td>15</td>
<td>22</td>
<td>112</td>
</tr>
<tr>
<td>17</td>
<td>The Inability of federal government to plot a bailout option</td>
<td>27</td>
<td>31</td>
<td>36</td>
<td>18</td>
<td>112</td>
</tr>
<tr>
<td>18</td>
<td>Structure deficiencies of the Nigerian capital market</td>
<td>36</td>
<td>39</td>
<td>15</td>
<td>12</td>
<td>112</td>
</tr>
<tr>
<td>Total column</td>
<td>99</td>
<td>109</td>
<td>66</td>
<td>52</td>
<td>336</td>
<td></td>
</tr>
</tbody>
</table>

Sources: Field survey.

From the table 4.5 above a total of 208 (61%) of the respondents answered in the agreement category, while 118 (35%) answered within the disagreement category.
Table 4.6: Responses of the Respondents on the role of secondary market in Nigeria (reproduced from questionnaire 6)

<table>
<thead>
<tr>
<th>Q</th>
<th>Description</th>
<th>A</th>
<th>SA</th>
<th>SD</th>
<th>D</th>
<th>ROW</th>
</tr>
</thead>
<tbody>
<tr>
<td>19</td>
<td>Secondary market is a market for existing securities</td>
<td>42</td>
<td>51</td>
<td>12</td>
<td>7</td>
<td>112</td>
</tr>
<tr>
<td>20</td>
<td>The secondary market is a resale market where investors buy and re-sell previously issued securities.</td>
<td>36</td>
<td>31</td>
<td>27</td>
<td>18</td>
<td>112</td>
</tr>
<tr>
<td><strong>Total column</strong></td>
<td><strong>78</strong></td>
<td><strong>82</strong></td>
<td><strong>39</strong></td>
<td><strong>25</strong></td>
<td><strong>224</strong></td>
<td></td>
</tr>
</tbody>
</table>

**Sources:** Field survey.

From the table 4.6 above a total of 160 (71%) of the respondents answered in the agreement category, while 64 (28%) answered within the disagreement category.
TESTING OF HYPOTHESES

HYPOTHESES1:

H 1: The role of the Nigeria capital market is to mobilize long term funds, create wealth and generate employment.

H 0: The role of the Nigeria capital market is not to mobilize long term funds, create wealth and generate employment.

To test hypothesis questions, (6-10) from questionnaire were (2) used.

Table 4.7: A contingency table (reproduced from table 4.2) for Hypothesis testing.

<table>
<thead>
<tr>
<th>S/N</th>
<th>Description</th>
<th>Agreement Category</th>
<th>Disagreement Category</th>
<th>Row Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>6</td>
<td>The role of the Nigeria capital market is to mobilize long term fund</td>
<td>80(87)</td>
<td>32(24.6)</td>
<td>112</td>
</tr>
<tr>
<td>7</td>
<td>Capital market helps to channel funds</td>
<td>67(87)</td>
<td>45(24.6)</td>
<td>112</td>
</tr>
<tr>
<td>8</td>
<td>The role of capital market is to facilitate buying and selling of securities</td>
<td>92(87)</td>
<td>20(24.6)</td>
<td>112</td>
</tr>
<tr>
<td>9</td>
<td>The capital market help to create wealth, generate employment and reduce poverty</td>
<td>105(87)</td>
<td>7(24.6)</td>
<td>112</td>
</tr>
<tr>
<td>10</td>
<td>capital market serve as the apex regulatory body to money market, primary and secondary market</td>
<td>93(87)</td>
<td>19(24.6)</td>
<td>112</td>
</tr>
</tbody>
</table>

Column total 437 123 560
### Chi- Square ($X^2$) Table

<table>
<thead>
<tr>
<th>Cell</th>
<th>0I</th>
<th>EI</th>
<th>0I-EI</th>
<th>0I-EI$^2$</th>
<th>0I-EI$^2$ E</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>80</td>
<td>87</td>
<td>-7</td>
<td>-49</td>
<td>5.632</td>
</tr>
<tr>
<td>2</td>
<td>32</td>
<td>24.6</td>
<td>7.4</td>
<td>54.76</td>
<td>2.226</td>
</tr>
<tr>
<td>3</td>
<td>67</td>
<td>87</td>
<td>-20</td>
<td>-400</td>
<td>4.597</td>
</tr>
<tr>
<td>4</td>
<td>45</td>
<td>24.6</td>
<td>20.4</td>
<td>416.16</td>
<td>16.917</td>
</tr>
<tr>
<td>5</td>
<td>92</td>
<td>87</td>
<td>5</td>
<td>25</td>
<td>2.873</td>
</tr>
<tr>
<td>6</td>
<td>20</td>
<td>24.6</td>
<td>-4.6</td>
<td>-21.16</td>
<td>1.058</td>
</tr>
<tr>
<td>7</td>
<td>105</td>
<td>87</td>
<td>18</td>
<td>324</td>
<td>3.724</td>
</tr>
<tr>
<td>8</td>
<td>7</td>
<td>24.6</td>
<td>-17.6</td>
<td>-309.76</td>
<td>44.251</td>
</tr>
<tr>
<td>9</td>
<td>93</td>
<td>87</td>
<td>6</td>
<td>36</td>
<td>4.137</td>
</tr>
<tr>
<td>10</td>
<td>19</td>
<td>24.6</td>
<td>-5.6</td>
<td>-31.36</td>
<td>1.650</td>
</tr>
<tr>
<td>TOTAL</td>
<td>560</td>
<td>560</td>
<td>0.2</td>
<td>44.64</td>
<td>87.062</td>
</tr>
</tbody>
</table>

\[ d.f = (r-1) (c-1) \]

\[ = (5-1)(2-1) \]

\[ = (4) (1) \]

\[ = 4 \]

Level of significant is 0.05

\[ X^2 t 4 \text{ under } 0.05 = 9.49 \text{ (critical chi-square value)} \]

Calculated chi-square ($X^2$) = 87.062

**DECISION**

Since the calculated value is greater than the tabulated value: 87.062 > 9.49 thus we reject the null hypothesis and accept the alternative hypothesis which states that the role of the Nigerian capital market is to mobilize long term funds, create wealth and generate employments.
Test of Hypothesis ii

H1: The establishment of capital market in Nigeria is justifiable

H0: The establishment of capital market in Nigeria is not justifiable

To test hypothesis questions, (11-12) from questionnaire were (3) used.

Table 4.8: A contingency table (reproduced from table 4.3) for Hypothesis testing

<table>
<thead>
<tr>
<th>S/N</th>
<th>Descriptions</th>
<th>Agreement Category</th>
<th>Disagreement Category</th>
<th>Row total</th>
</tr>
</thead>
<tbody>
<tr>
<td>11</td>
<td>The establishment of capital market in Nigeria is not justifiable</td>
<td>107(104)</td>
<td>5(8)</td>
<td>112</td>
</tr>
<tr>
<td>12</td>
<td>The establishment of capital market in Nigeria is justifiable</td>
<td>101(104)</td>
<td>11(8)</td>
<td>112</td>
</tr>
<tr>
<td></td>
<td><strong>Column Total</strong></td>
<td>208</td>
<td>16</td>
<td>224</td>
</tr>
</tbody>
</table>
### Chi-Square ($X^2$) Table

<table>
<thead>
<tr>
<th>Cell</th>
<th>0I</th>
<th>EI</th>
<th>0I-EI</th>
<th>0-EI²</th>
<th>$\frac{0I-EI^2}{E}$</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>107</td>
<td>104</td>
<td>3</td>
<td>9</td>
<td>8.653</td>
</tr>
<tr>
<td>2</td>
<td>5</td>
<td>8</td>
<td>3</td>
<td>9</td>
<td>1.125</td>
</tr>
<tr>
<td>3</td>
<td>101</td>
<td>104</td>
<td>3</td>
<td>9</td>
<td>8.653</td>
</tr>
<tr>
<td>4</td>
<td>11</td>
<td>8</td>
<td>3</td>
<td>9</td>
<td>1.125</td>
</tr>
<tr>
<td>Total</td>
<td>224</td>
<td>224</td>
<td>12</td>
<td>36</td>
<td>19.556</td>
</tr>
</tbody>
</table>

\[
d.f = (r-1)(c-1) = (2-1)(2-1) = (1)(1) = 1
\]

Level of significance 0.05

$X^2t\ 1\ under\ 0.05 = 3.81$ (critical chi-square value) calculate chi-square ($X^21$) = 19.556

**DECISION**

Since the calculated value is greater than the tabulated value: $19.556 > 3.81$ thus we reject the null hypothesis and accept the alternative hypothesis which states that the establishment of capital market in Nigeria is justifiable.
Test of Hypothesis iii

**H1:** The vital function performed by the Nigerian primary market is to facilitate buying of virgin securities.

**H0:** The vital function performed by the Nigerian primary market is not to facilitate buying of virgin securities.

To test hypothesis questions, (13-15) from the questionnaire were (4) used.

**Table 4.9: A contingency table (reproduced from table 4.4) for Hypothesis testing**

<table>
<thead>
<tr>
<th>s/n</th>
<th>Description</th>
<th>Agreement (category)</th>
<th>Disagreement (category)</th>
<th>Row total</th>
</tr>
</thead>
<tbody>
<tr>
<td>13</td>
<td>the function performed by the Nigeria primary market is to facilitate buying of virgin securities</td>
<td>73(79)</td>
<td>39(32.6)</td>
<td>112</td>
</tr>
<tr>
<td>14</td>
<td>The Primary market is a segment of the capital market where securities are first issued</td>
<td>105(79)</td>
<td>7(32.6)</td>
<td>112</td>
</tr>
<tr>
<td>15</td>
<td>Securities sold in the primary market are launched into the market for first time.</td>
<td>60(79)</td>
<td>52(32.6)</td>
<td>112</td>
</tr>
<tr>
<td></td>
<td><strong>Column Total</strong></td>
<td><strong>238</strong></td>
<td><strong>98</strong></td>
<td><strong>336</strong></td>
</tr>
</tbody>
</table>
Chi-square ($X^2$) Table

<table>
<thead>
<tr>
<th>Cell</th>
<th>OI</th>
<th>EI</th>
<th>OI-EI</th>
<th>OI-EI$^2$</th>
<th>(O1-EI$^2$) E</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>73</td>
<td>79</td>
<td>6</td>
<td>36</td>
<td>4.556</td>
</tr>
<tr>
<td>2</td>
<td>39</td>
<td>32.6</td>
<td>6.4</td>
<td>40.96</td>
<td>1.050</td>
</tr>
<tr>
<td>3</td>
<td>105</td>
<td>79</td>
<td>26</td>
<td>676</td>
<td>8.556</td>
</tr>
<tr>
<td>4</td>
<td>7</td>
<td>32.6</td>
<td>25.6</td>
<td>655.36</td>
<td>93.622</td>
</tr>
<tr>
<td>5</td>
<td>60</td>
<td>79</td>
<td>19</td>
<td>361</td>
<td>4.569</td>
</tr>
<tr>
<td>6</td>
<td>52</td>
<td>32.2</td>
<td>33</td>
<td>1089</td>
<td>20.942</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>336</strong></td>
<td><strong>336</strong></td>
<td><strong>116</strong></td>
<td><strong>2858</strong></td>
<td><strong>133.292</strong></td>
</tr>
</tbody>
</table>

\[ \text{d.f} = (r-1) (c-1) \]
\[ = (3-1) (2-1) \]
\[ = (2) (1) \]
\[ = 2 \]

Level of significance 0.05

$X^2t 2$ under 0.05 = 5.99 (critical chi-square value) calculate chi-square ($X^2$) = 133.292

**DECISION**

Since the calculated value is greater than the tabulated value: 133.292 > 5.99 hence we reject the null hypothesis and accept the alternative hypothesis, which states that the vital function performed by the Nigerian primary market is to facilitate buying of virgin securities
Testing of hypothesis IV

H 1: The recent capital market melt down in Nigeria was as a result of inadequate infrastructural facilities and high production costs

H 0: The recent capital market melt down in Nigeria was not as a result of inadequate infrastructural facilities and high production costs.

To test hypothesis questions, (16-18) from the questionnaire were (5) used.

Table 4.10: A contingency table (reproduced from table 4.5) for Hypothesis testing

<table>
<thead>
<tr>
<th>S/N</th>
<th>Description</th>
<th>Agreement category</th>
<th>Disagreement Category</th>
<th>Row Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>16</td>
<td>the recent capital market melt down in Nigeria was as a result of inadequate infrastructural facilities and high production costs</td>
<td>75(69)</td>
<td>37(42.6)</td>
<td>112</td>
</tr>
<tr>
<td>17</td>
<td>inability of federal government to plot a bailout option</td>
<td>58(69)</td>
<td>54(42.6)</td>
<td>112</td>
</tr>
<tr>
<td>18</td>
<td>Structure deficiencies of the Nigerian capital market</td>
<td>75(69)</td>
<td>37(42.6)</td>
<td>112</td>
</tr>
<tr>
<td></td>
<td><strong>Column</strong></td>
<td><strong>208</strong></td>
<td><strong>128</strong></td>
<td><strong>336</strong></td>
</tr>
</tbody>
</table>
Chi-square ($x^2$) table

<table>
<thead>
<tr>
<th>Cell</th>
<th>0I</th>
<th>EI</th>
<th>0I-EI</th>
<th>0I-EI^2</th>
<th>(0I-EI^2) / E</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>75</td>
<td>69</td>
<td>6</td>
<td>36</td>
<td>0.48</td>
</tr>
<tr>
<td>2</td>
<td>37</td>
<td>42.6</td>
<td>5.6</td>
<td>31.4</td>
<td>7.370</td>
</tr>
<tr>
<td>3</td>
<td>58</td>
<td>69</td>
<td>11</td>
<td>121</td>
<td>2.086</td>
</tr>
<tr>
<td>4</td>
<td>54</td>
<td>42.6</td>
<td>11.4</td>
<td>129.9</td>
<td>3.049</td>
</tr>
<tr>
<td>5</td>
<td>75</td>
<td>69</td>
<td>6</td>
<td>36</td>
<td>0.48</td>
</tr>
<tr>
<td>6</td>
<td>37</td>
<td>42.6</td>
<td>5.6</td>
<td>31.4</td>
<td>7.370</td>
</tr>
<tr>
<td>TOTAL</td>
<td>336</td>
<td>336</td>
<td>45.6</td>
<td>385.7</td>
<td>20.835</td>
</tr>
</tbody>
</table>

d.f = (r-1) (c-1)  
= (3-1) (2-1)  
= (2) (1)  
= 2

Level of significance 0.05

$X^2$ t 2 under 0.05 = 5.99 (critical chi-square value) calculate chi-square ($X^2$) = 20,835

**DECISION**

Since the calculated value is greater than the tabulated value; 20.835 > 5.99 hence we reject the null hypothesis and accept the alternative hypothesis, which state that the recent capital market melt down in Nigeria was as a result of inadequate infrastructural facilities and high production costs.
Testing of hypothesis V

H1: The role played by the Nigerian secondary market is buying and re-selling of previously issued securities.

H0: The role played by the Nigeria secondary market is not buying and re-selling of previously issued securities.

To test hypothesis questions, (19-20) from the questionnaire were (5) used.

Table 4.11: A contingency table (reproduced from table 4.6) for Hypothesis testing

<table>
<thead>
<tr>
<th>S/N</th>
<th>Description</th>
<th>Agreement category</th>
<th>Disagreement Category</th>
<th>Row Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>19</td>
<td>Secondary market is a market for existing securities</td>
<td>93(80)</td>
<td>19(32)</td>
<td>112</td>
</tr>
<tr>
<td>20</td>
<td>Secondary market is a re-sale market where investors buy and sell previously issued securities.</td>
<td>67(80)</td>
<td>45(32)</td>
<td>112</td>
</tr>
</tbody>
</table>

**Column** | 160 | 64 | 224
Chi-square ($x^2$) table

<table>
<thead>
<tr>
<th>cell</th>
<th>0I</th>
<th>E1</th>
<th>0I-EI</th>
<th>0I-EI$^2$</th>
<th>(0I-EI$^2$/E)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>93</td>
<td>80</td>
<td>13</td>
<td>169</td>
<td>2.112</td>
</tr>
<tr>
<td>2</td>
<td>19</td>
<td>32</td>
<td>13</td>
<td>169</td>
<td>5.281</td>
</tr>
<tr>
<td>3</td>
<td>67</td>
<td>80</td>
<td>13</td>
<td>169</td>
<td>2.112</td>
</tr>
<tr>
<td>4</td>
<td>45</td>
<td>32</td>
<td>13</td>
<td>169</td>
<td>5.281</td>
</tr>
<tr>
<td>Total</td>
<td>224</td>
<td>224</td>
<td>52</td>
<td>2206</td>
<td>14.786</td>
</tr>
</tbody>
</table>

d.f = (r-1) (c-1)
     = (2-1) (2-1)
     = (1) (1)
     = 1

Level of significance 0.05

$X^2 t 1$ under 0.05 = 3.84 (critical chi-square value) calculate chi-square ($X^2 1$) = 14.786

**DECISION**

Since the critical value of $X^2 t$ is less than the calculated value: 14.786 > 3.84

Thus we reject the null hypothesis and accept the alternative hypothesis which states that the role played by the Nigerian secondary market is buying and re-selling of previously issued securities.
CHHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 SUMMARY OF FINDINGS

The major findings of the study include the following

1. The role of the Nigerian capital market is to mobilize long term funds, create wealth and generate employment. Test of hypothesis one confirmed this (87.062 > 9.49)

2. The establishment of capital market in Nigeria is justifiable. Test of hypothesis two confirmed this (19.556 > 3.81)

3. The vital function performed by the Nigerian primary market is to facilitate buying of virgin securities. Test of hypothesis three confirmed this (133.295 > 5.99)

4. The recent capital market melt down in Nigeria was as a result inadequate of infrastructural facilities and high production costs. Test of hypothesis four confirmed this (20.835 > 5.99)

5. The role played by the Nigerian secondary market is buying and re-selling of previously issued securities. Test of hypothesis five confirmed this (14.786 > 3.84)
5.2 CONCLUSIONS

Capital market is a financial market that provides facilities for mobilizing and dealing in medium and long term funds. The players in the capital market are the operators who act as intermediaries between the providers of the funds and the fund users.

The Nigerian capital Market has strong impact on the Nigerian economic society. The capital market is a good place for long-term capital generation thus, has a strong impact on industrial development of the economy.
5.3 RECOMMENDATIONS

1. The Securities and Exchange Commission should assure the payment of dividend to share holders.

2. The instrument used in the capital market of Nigeria should be increased.

3. The laws regulating banks in Nigeria should allow development banks to get enlisted at the capital market.

4. The Nigeria capital market should be re-packaged by the Central bank in line with current globalization standard to allow a flow of foreign investment into the economy and enhance industrializations process.

SUGGESTION FOR FURTHER STUDIES

The researcher hereby suggests that future researchers should delve into:-

(1) The Nigerian capital market and challenges of globalization 

(2) The Problems and prospects of the Nigerian capital market
Dear, Respondent

I am a post graduate student of the Department of Management, University of Nigeria Enugu Campus. Conducting a research on assessing the role of the capital market towards development of Nigerian economy. The exercise is purely academic and information given will be treated in strict confidence. I therefore request that you kindly give your sincere response to the questions.

Yours sincerely,

UGWU IFEANYI.
APPENDIX II

Please tick the appropriate box for the answer that appeal to you.

SECTION (1)

1. Sex
   A) Male   □
   B) Female □

2. Age
   A) 21 – 30 □
   B) 31 – 40 □
   C) 41 – 50 □
   D) 50 years and above □

3. What is your academic qualification?
   A) SSCE or GCE □
   B) NCE/ OND/HND □
   C) B.Sc/ MBA/ PhD □

4. How long have you worked in the organization?
   A) 0 – 11 Months □
   B) 1 – 2 Years □
   C) 3 – 4 Years □
   D) 5 Years and above □

5. What category of staff are you?
   A) Senior staff □
   B) Junior staff □
Please tick the appropriate box for the answer that appeal to you.
A represent Agree
SA represents Strongly Agree
D represents Disagree
SD represents Strongly Disagree
UNDECIDED

<table>
<thead>
<tr>
<th>Objective(2)</th>
<th><strong>To ascertain the role capital market towards the growth of the Nigeria economy</strong></th>
<th>A</th>
<th>SA</th>
<th>D</th>
<th>SD</th>
<th>UNDECIDED</th>
</tr>
</thead>
<tbody>
<tr>
<td>6</td>
<td>The role of the Nigeria capital market is to mobilize long term funds.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>The capital market helps to channel funds and savings to investors for the purpose of investment.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>The role of capital market is to facilitate buying and selling of securities.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Capital market helps to create wealth, generate employment and reduce poverty.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Capital market serve as the apex regulatory body to money market, primary and secondary</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Objective(3)</td>
<td><strong>To examine whether the establishment of capital market in Nigeria is justifiable</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>-------------</td>
<td>---------------------------------------------------------------------------------</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>The establishment of capital market in Nigeria is justifiable</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>The establishment of capital market in Nigeria is not justifiable</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Objective(4)</th>
<th><strong>To identify the vital function performed by the primary market in Nigeria.</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>13</td>
<td>The function performed by the Nigeria primary market is to facilitate buying of virgin securities</td>
</tr>
<tr>
<td>14</td>
<td>Primary market is a segment of the capital market where securities are first issued</td>
</tr>
<tr>
<td>15</td>
<td>Securities sold in the primary market is launched into the market for the first time</td>
</tr>
<tr>
<td>Objective(5)</td>
<td><strong>To identify the causes of the recent Nigeria capital market melt down.</strong></td>
</tr>
<tr>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>16</td>
<td>The recent capital market melt down in Nigeria was as a result of inadequate infrastructural facilities and high production costs.</td>
</tr>
<tr>
<td>17</td>
<td>Inability of the federal government to plot a bailout option</td>
</tr>
<tr>
<td>18</td>
<td>Structural deficiencies of the Nigerian capital market.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Objective(6)</th>
<th><strong>To identify the role of secondary market in Nigeria.</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>19</td>
<td>Secondary market is a market for existing securities.</td>
</tr>
<tr>
<td>20</td>
<td>Secondary market is a re-sale market where investors buy and sell previously issued securities</td>
</tr>
</tbody>
</table>