THE STOCK EXCHANGE AND THE NIGERIAN ECONOMY, 1995 TO 2008

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Abstract

The economic growth or otherwise of a country's economy cannot entirely be pinned to a single sector; rather, the success or failure recorded in a vital sector over a given period is a strong indication of the upward or downward movement of such an economy. Stock market is known to contribute to economic growth through functions such as mobilisation of savings for the private sector and government use, creation of liquidity, risk diversification, and improved dissemination of information. An efficient and effective delivery of these services can indeed augment the rate of economic growth. The stock exchange in modern economy plays a vital role in both developed and developing countries. To this end, the impact it makes, which could be positive or negative, can hardly be underestimated. In Nigeria, for instance, the stock exchange has always played a vital role in the growth of the economy through raising of funds for capital projects for individuals, governments and corporate institutions. Undeniably, its relevance has never been in doubt until the stock market crash of 2008, when there was a drastic fall in the prices of stocks in most sectors of the economy. Following the crash of 2008, a great number of investors have since developed wrong perceptions about the stock exchange business. Henceforth, they now see it as a fraudulent institution and to a large extent, the cause of their funds' devaluation. For the present study, this work seeks to examine the role of the Nigerian Stock Exchange (NSE) in the country's economy between 1995 and 2008. In doing this, it intends to ascertain the true position of things as it happened in the Nigerian capital market over the period in review. The choice of dates is due to the fact that the NSE was integrated into the world financial market in

1995 and the crash of 2008 marks another water-shed in the history of Stock Exchange and stock market investment in Nigeria. The facts for this research will be generated from oral interviews, important NSE documents such as the NSE yearly fact-book, newspapers, articles, journals, internet publications, among other sources.

Key words: Stock Exchange, Economic growth, Financial Market, Stock Market, Investment, Capital Market

Introduction

The surge of research works on stock markets in recent years is a testament to the impact they have exerted in corporate finance worldwide. It has been argued that greater stock market development is strongly correlated with growth rates of real Gross Domestic Product (GDP) per capita.[1]

Since the Nigerian Stock Exchange which was originally incorporated on September 15, 1960 as the Lagos Stock Exchange started operations, it has consistently played a significant role in the sustenance of the economy and development of the country. In 1977, it may be recalled, that the Lagos Stock Exchange transformed to the present nomenclature, the Nigerian Stock Exchange. In 1995, the NSE was integrated into the world financial markets with the aim of competing with major world exchanges such as the New York Stock Exchange, the London Stock Exchange, etc. Michael Ogbeidi supports this view by stating that the deregulation policy embarked by the Nigerian Federal Government internationalised the capital market by abrogating the laws that constrained foreign participation in the Nigerian capital market on January 15, 1995. [2] According to him, these laws are the Exchange Control Act and the Nigerian Enterprises Promotion Decree of 1989. [3] From that point, the NSE became a very important financial institution for both individual and corporate investors, locally and internationally for the mobilization of funds for pursuance of individual as well as corporate economic expansion and creation of investment opportunities through the acquisition of shares and bonds. [4] To a large extent, this policy objective aided and is still aiding the inflow of Foreign Direct Investment (FDI) into the country.

The global economic crisis which started in 2007 in conjunction with other factors led to what experts in the field of Finance and Economics refer to as 'the stock market crash' meaning a sudden drop in the prices of stocks in most sectors of listed companies at the floor of the Nigerian Stock Exchange. Consequently, the enthusiasm, rush and general interest in stock market activities dropped drastically beginning from 2008. But this notwithstanding, the respect that this regulatory body commands and its relevance towards Nigeria's economic growth may have remained unaltered, as a re-examination of available facts in this study will help to affirm or disprove.

Since its establishment in 1960, the Nigerian Stock Exchange {NSE} has remained a major tool for raising capital among individual and corporate investors. In addition, it has provided a very strong platform for encouraging foreign direct investments {FDI} into the Nigerian economy. However, the stock market crash of 2008 seemed to have destroyed the trust and confidence that most investors (local and international) once had in the market, thereby reducing the amount of fund that was made available to the economy through the market. It is against this background that this study has elected to examine the activities and performance of the Exchange between 1995 and 2008. Furthermore, the study will discuss the impact the NSE had on Nigeria's economy in the period under review.

The Stock Exchange and the Nigerian Economy

This section presents an analysis of the major developments in the Nigerian stock market, which directly or indirectly may have had some positive or negative effects on the country's economy at large between 1995 and 2008. These developments, as it were, included an attempt at internationalising the Stock Exchange.

Internationalisation of the Nigerian Stock Exchange

Prior to the internationalisation of the Exchange, the Federal Government, in a bid to enhance the competitiveness of the capital market, had reportedly deregulated the capital market to make it investor- friendly. According to O. D. Odife, the Nigerian capital market was deregulated on January 27, 1993, to improve the competitiveness of the market and make it more investor friendly. [5] Consequently, the need to dismantle existing barriers to foreign participation led to the abrogation of certain legislations that had hitherto restricted full participation of foreign investors. Hence, in 1995, the Nigerian Enterprises Promotion Decree of 1989 and the Exchange Control Act of 1962 were replaced by the Nigerian Investment Promotion Commission Decree No 16 and the Foreign Exchange (Monitoring and Miscellaneous Provision) Decree No 17 of 1995 as part of the economic liberalisation policy of the Federal Government.[6] These measures were taken to allow unrestricted foreign investment in the Nigerian business market and that way, accord foreigners and Nigerians the same rights, privileges and opportunities of investment in the Nigerian capital market. [7]

As a result of the foregoing development, it has been noted that increased foreign participation, both as operators and investors in the capital market process, became apparent. [8] In 2007, for instance, foreign investment flows in the economy accounted for #250 billion out of the #2.1 trillion turnover recorded by the Exchange for that year alone. [9]

Increased foreign participation in the Nigerian capital market came with a number of benefits for the investors and economy in general. Some of the benefits witnessed in Nigeria as a result of the increased foreign participation are listed and analysed below;

- Skills transfer.
- Improved capital inflow.
- Foreign or cross- border listing.
- Improved earnings for both local and foreign investors
- Additional boost to Nigeria's economic growth.

Skills Transfer

In view of the fact that foreigners were given equal rights as Nigerian nationals to operate and invest in the Nigerian capital market, transfer of skills from foreigners to Nigerians was highly encouraged after the internationalisation process of the Nigerian capital market. On the other hand, foreign investors and operators equally gained some knowledge from their Nigerian counterpart. In other words, both parties mutually benefited from the process.[10]

Improved Capital Inflow

One area where the internationalisation of the exchange proved useful was in the area of improved capital inflow. The result was economic liberalisation of the market. According to Ndi Okereke- Onyiuke,

> *"economic liberalisation and subsequent internationalisation of the Nigerian capital market which commenced in 1995 greatly extended the financial options in the market, especially with regards to attracting international investment capital as a necessary supplement to domestic savings".* [11]

Every economy needs improved foreign capital inflow for sustainable development and growth, and emerging economies like that of Nigeria is not an exception to this fact. This would have been why Okereke-Onyiuke has noted that in the post Structural Adjustment Programme (SAP) years, the capital market offered a mix of financial instruments for the raising of capital from the international capital market. She then identified the financing instruments as those consisting in

- the issuance of American Depository Receipts (ADRs) and Global Depository Receipts (GDRs),
- export notes,
- collaterized mortgage security,
- international bond issue,
- country funds etc. [12]

Kene Okafor could not have agreed less with Onyiuke when he contends that apart from the transfer of skills that comes with the process of internationalisation of the capital market, the capital inflow works to supplement the lean domestic savings in the economy, contributing as it were to the financing of projects needed for sustainable economic development. [13] He also points out that as a result of the availability of the window for foreign investment and the existence of the Nigerian Stock Exchange, foreign investors were able to inject a total of USD654 million in Nigerian banks between 2005 and early 2006 under the banking sector consolidation programme. [14] The success of the programme was attributed to the aforementioned inflow.

Foreign or cross-border listing

According to John Osuoha, foreign or cross-border listing in this context entails "concurrent listing of shares of a company listed on the Nigerian Stock Exchange on another country's stock exchange such as Johannesburg Stock Exchange or the Ghana Stock Exchange". [15] It has been observed that this practice widened the financing options of any company involved, as such a company would subsequently offer new shares on the stock exchange of secondary listing. [16] For instance, in 1999 the South African cable television company, M-Net/Super Sports, which listed on the Johannesburg Stock Exchange was reported to have been listed on the Nigerian Stock Exchange under the arrangement. [17] Furthermore, in 1998 the United Bank for Africa PLC, a quoted company in Nigeria, was reported to have taken the advantage of the opening of the market to issue a Global Depository Receipt (GDR) in the international capital market. [18] In a similar vein, in 2007, the Guaranty Trust Bank and the Diamond Bank, two Nigerian companies listed on the Nigerian Stock Exchange, followed the UBA's initiative and successfully concluded their Global Depository Receipts arrangement and were thus listed on the London Stock Exchange. [19]

Improved earnings for both foreign and local investors

The internationalisation of the Nigerian capital market actually increased liquidity in the market as foreign investors injected more funds into the market, thereby providing quoted companies with greater support to finance major projects. Consequently, companies were able to improve their earnings. On the other hand, individual investors (both foreign and local) were able to gain from price appreciation of such companies' shares. Others who preferred to keep their holdings were rewarded through dividend payouts and bonus issues. Although, this has been a normal practice in the Nigerian capital market, it improved considerably after the internationalisation process.

Additional boost to Nigeria's economic growth

Foreign participation in the Nigerian capital market helped to bring positive developments into the country's economy. As Kene Okafor has noted elsewhere, foreign investors were able to invest a total of USD654 million in Nigerian banks between 2005 and early 2006, under the banking sector consolidation programme. This contribution by foreign investors might have contributed significantly to the success of the internationalisation of the Exchange. As a result of this, in the subsequent months and years, more investors were known to have begun to pay more attention to the banking sector, thereby increasing economic activities in the capital market. The possible result was that more funds were made available to the banks to finance capital projects. [20]

Expansion of NSE Branches

As may have been stated elsewhere in the study, one of the early challenges that confronted the Nigerian Stock Exchange (NSE) was the attempt to bring its activities to the doorsteps of the business community. It has also been observed that right from its early years, the Exchange embarked on the campaign aimed at opening branches in the city-centres. On Monday, November 17, 2008, it commissioned the Ilorin branch and its electronic trading floor as part of its plans to bring the activities of the stock market closer to the people. Earlier on Friday February 15, 2008, the NSE commissioned the electronic (automated) trading floor of its new branch office complex donated by the Anambra State Government in Onitsha. The establishment of these branches is said to have been informed by the need to create accessibility to the market and efficiency in the system. The other reasons included the need to improve on investor education and create general public awareness, as well as help in building investors' confidence in the Exchange.[21] For instance, it has been argued that the establishment of new branches of the Exchange in other parts of the country helped investors as well as dealing members of the Exchange residing in those areas to gain more access to the market. In other words, dealing members from other parts of the country are known to no longer travel to the headquarters of the Exchange in Lagos to conclude transactions on behalf of their numerous clients since the market has been brought closer to them through the closest branch with automated trading floor.

Regarding efficiency in the system, this is one of the key issues clearly spelt out in the mission statement of the NSE. According to the statement, the NSE is at all times poised "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…"[22] The opening of new branches of the Exchange in certain areas of the country would have no doubt reduced the workload that would have been a huge burden on the headquarters in Lagos.

Improved investor education and general public awareness

In respect of investor education, the thinking is that expanded branch network of the Exchange has helped investors to gain more knowledge about the workings of the Organisation and through that way too, it has helped to increase investment awareness among non-investors resident in the areas where the branches are opened with automated trading floors. Also, it helps researchers to easily gain access to pieces of information that enrich the content of their report. For instance, it is easier for researchers resident in Anambra State to source for information about the exchange from the Onitsha branch of the Exchange, instead of travelling to the headquarters in Lagos for the same purpose. Each branch of the Exchange has a library where important facts about the exchange are kept. These facts come in forms of factbooks, articles, seminar papers, journals, etc. These documents are known to helped increase investors' education and general awareness about investment.

As regards investors' confidence, it has been stated that normally in order to woo a greater percentage of the Nigerian populace to show interest in the stock market activities, the NSE some years ago felt the need to establish its physical presence among the people by bringing the market closer to them through the branches. These act as boost on investors' confidence, in the sense that the Organisation where their funds are invested is physically present with them. This has made more people to engage in the business of investing in the Nigerian Stock Exchange prior to the crash of 2008. As Afam Odimegwu rightly notes in these words, "public participation in the capital market has greatly improved, and this is as a result of the move by the NSE to open up new branches in different cities across the country, especially from the late 1990s".[23]

Introduction of Information Technology into the NSE

Financial experts have described the Nigerian capital market as information-driven sector. In the recent years, the management of the NSE has taken some measures to ensure easier flow of information with the incorporation of the Central Securities Clearing System (CSCS), automated trading system and trade alert to speed up transaction processes in the market and thereby increase investors' confidence. These IT (information technology) oriented measures are examined here below:

In an attempt to meet the challenges of deregulation, on April 8, 1997, the Nigerian Stock Exchange introduced the Central Securities Clearing System to enhance the business of clearing, settlement and delivery of securities for the Exchange. According to Ogbeidi, "the CSCS Limited is a subsidiary of the Nigerian Stock Exchange, but operates like an independent company".[24] Normally, all shares meant to be traded on the floor of the Exchange are deposited with the CSCS Limited for specific purposes.[25] According to John Osuoha, some of the roles of the CSCS Limited include depository, custodian, settlement and clearing functions.[26] Mr. Osuoha further summarizes the benefits derivable from the system to include the following;:

- .Reduction in the risk of loss of certificates.
- Easy access to stock statement which could be downloaded from CSCS website.
- Removal of huge cost associated with the production of share certificates by quoted companies.
- Amalgamation of several accounts for a shareholder on the register of quoted companies leading to reduction of cost.
- Provision of quoted companies with the opportunity to issue shares in terms of Global Depository Receipts, (GDRs).
- Makes cross-border listing easier.
- Increase in the breadth and depth of the market.[27]

Automated Trading System (ATS)

By simple definition, the Automated Trading System (ATS) is in accordance with the Factbook of the Exchange, trading in listed securities through a network of computers.[28] It is said to be a progression on the computerisation of processes at the Exchange and a response to changes in the environment of the market, including deregulation and internationalisation. In trying to take advantage of the vast possibilities of the internet technology, the Nigerian Stock Exchange reportedly transited to this system (ATS) on April 27, 1999, thereby abandoning the old system of call over. With this development, all the trading floors of the Nigerian Stock Exchange are connected to the trading engine in Lagos for online real time trading.

Trade alert

According to Osuoha, “trade alert is the system of informing shareholders of any transaction on their stock account through text message to their mobile phones”.[29] The messages, he adds, are normally sent directly by the NSE/CSCS to the investor and not through the stockbroker.[30]

Some of the benefits of the trade alert system noted by Osuoha include the following:

- Restriction of unauthorised transactions on investors' stock accounts by the stockbrokers.
- Promotion of transparency in the market.
- Boosting of investors' confidence in the market. [31]

In addition to the incorporation of the CSCS, ATS and trade alert, two websites were also launched by the NSE in 2005. The websites are http://www.nigerianstockexchange.com and http://www.nigerianstockexchange.biz, both of which were aimed at providing a platform for investors to obtain up-to-date information about their businesses. [32]

It has been argued that Information Technology (IT) plays a significant role in improving stock market operations and activities. Isaac Medaiyedu, a registrar with the First Registrars, may have confirmed this when he stated that information technology is one of the factors that helps to reduce the amount of time consumed to complete a single transaction. [33] According to him, what normally takes months to complete under the call-over system now takes two weeks or less to complete the same task as a result of the installation of IT into the operations of the Nigerian capital market.[34] Another registry official with the City Securities, Chinedu Okoronkwo, also supported the Medaiyedu's line of reasoning when he noted in an interview that IT makes things a lot easier as it concerns clearing, settlement and delivery of investors' securities.[35]

In a similar vein, Michael Ogbeidi maintains that with the commencement of e-business on the floor of the Nigerian Stock Exchange, it means that the hitherto crawling market has attained international standards.[36] In respect of the significant impact that the

ATS and CSCS may have undoubtedly made on the market, especially within the shorter period of the transaction cycle, the NSE sums its value in the following words:

> *"ATS has enabled our market to leverage on the known advantages of automation to improve the pricing efficiency of the market and the speed of order execution, while its tightly-coupled interface with CSCS Limited has facilitated the implementation of a shorter (T+3) transaction cycle in the market".*[37]

Unarguably, the introduction of IT into the Nigerian capital market has made a significant impact on the market, and the rate at which the market developed afterwards has been quite impressive.

The 2008 Stock Market Crash

After the deregulation of 1993 and subsequent internationalisation of the Nigerian stock market in 1995, a considerable growth was recorded over a relatively long period before it finally came to a halt in early 2008. S. Amedu, as quoted by Yahaya Khadijat Adeola has observed that for ten years (1999-2008), the stock market grew, soared and gained extreme strength. [38] Indeed, the market experienced a period of recorded expansion and boom during this ten-year period. For instance, investors, market operators, regulators and market analysts were all said to be pleased with this development. Yahaya Khadijat has noted that the NSE All Share Index grew from 5,672.76 in January 1999 to 58,579.77 on January 2, 2008. At the same time, the market reportedly hit a new height on March 5, 2008, when the NSE All-Share Index hit a record of 66,371.20 points, before it started heading downwards. [39] The NSE All Share Index also reportedly dropped by 45.8% to close at 31,450.78 on December 31 of the same year.[40] This is what most financial experts in the country have described as "the Stock Market Crash of 2008". In other words, the stock market crash can be explained as a sudden drop in the prices of listed stocks in most sectors of the Exchange.

The origin of the market crash of 2008 can be traced to the glut in the mortgage industry in the United States of America in 2006. According to Ndi Okereke-Onyiuke, the origin of the crash goes back to the global financial meltdown, which had started in the US in 2006, sequel to the glut in the mortgage industry. [41] From the U.S.A, she adds, the glut spread like a contagion to Europe, Asia, and then to the emerging markets in Africa, including Nigeria.[42] She also notes that no stock market was spared of the catastrophic meltdown, just as the great market crash of 1929. [43] Even though it was a global financial meltdown, the Nigerian market was not affected until 2008, and the banking sector was most hit. This was because, in Onyiuke's view, the Nigerian banking sector accounts for about 60% of listed securities on the Exchange. By extension, she concluded issues that affect the banking sector were bound to have a profound impact on the market capitalisation. [44] This development, no doubt, might have turned the market that was once the toast of investors into their nightmare.

The Impact of the NSE on the Economy

According to Chinenye Okoye, stock markets act as important catalysts for economic development and growth.[45] Often the thinking is that without a fully developed stock market, a country may not be able to grow its equity funding and move towards more balanced financial structures since the stock exchange is the engine room for fund generation.[46] Although, the Nigerian stock market crashed in 2008, resulting in the investors losing huge life savings and funds, the NSE, no doubt, is noted to have made a remarkable impact on Nigerian economy. Most financial experts do not agree less to the aforementioned claim. In this section, attempts are made to appraise the impact of the Nigerian Stock Exchange under the following sub-headings:

- Job creation.
- Economic boost through foreign direct investment (FDI).
- Emergence of the middle class.
- Increased earnings for local companies.

- Provision of strong platform for raising funds for government and corporate entities.

Job Creation

In recent years, unemployment rate in Nigeria has continued in an upward trend leading to increased violence and restiveness among the citizens, especially the youth. Although, the establishment of the NSE has not totally eradicated the menace caused by unemployment, the direct and indirect job opportunities that it created has undoubtedly helped to reduce the population of unemployed citizens to some minimal level. The NSE has directly created jobs for Nigerian citizens through its branch networks located across the major commercial cities of the country. Its numerous dealing members, especially the stockbroking firms also help in the tackling of the unemployment rate through the creation of thousands of job opportunities. In so doing, the nation's economy is bolstered through an increase in the number of tax-payers, resulting from the increase in the number of citizens directly or indirectly employed by the Exchange. To this end, financial experts such as Ike Chioke, Yewande Sadiku, Bolaji Balogun and Chike Nwanze all concur with the aforementioned assertion. Specifically speaking, Dumebi Ohanwusi asserts that his Employer, UIDC Securities Limited increased the number of workforce in its various branches across the country during the boom years to meet the demands of their numerous customers.[47] In the same vain, Charles Okonkwo notes that from 2004 to 2007, the number of employees in their company, PAC Securities tripled as a result of increase in the number of branches and workload. [48]

Economic boost through foreign direct investment (FDI)

The deregulation policy of the Federal Government of Nigeria in the early 1990s, followed by the internationalisation of the Nigerian Stock Exchange might undoubtedly have allowed foreigners to inject more funds into the economy. This trend was partly made possible with the presence of the Exchange through which stocks are bought and sold. According to Ndi Okereke-Onyiuke,

> *"economic liberalisation and subsequent internationalisation of the Nigerian capital market which commenced in 1995 greatly extended the financing options in the market, especially with regards to attracting international investment capital as a necessary supplement to domestic savings".* [49]

Specifically, the success of the banking sector consolidation programme was largely attributed to the funds that were injected into the economy by foreign investors during this period. The role which the foreign capital played towards the success of the consolidation can hardly be gainsaid. On its part, the NSE appreciates this role hence its numerous eloquent testimonies in this direction. In one of those eloquent testimonies, the NSE was once quoted as stating that:

> *"As a result of the window for foreign investment and the existence of the Nigerian Stock Exchange, foreign investors were able to inject a total of USD654 million in Nigerian banks between 2005 and 2006 under the banking sector consolidation programme".* [50]

Most financial experts appear to have applauded above mentioned point as the successes recorded during the banking sector consolidation programme between 2005 and 2006 were quite outstanding.

Emergence of the Middle Class

In respect of the significant financial gains made by individual investors during the boom in the stock market, a new class of people (the middle class) emerged. In this class included those who committed more funds in the stock market. Their activities contributed in the boosting of the market in particular and the economy in general. This is how Chukwuma Soludo puts it,

> *"the race for size by banks spurred second and even third-round capital raising by some banks- and investors smiling to their banks- new millionaires emerged, and a*

thriving briefcase-carrying middle class began to emerge; new cars adorned the streets".[51]

Increased earnings for local companies

The Nigerian Stock Exchange provided local companies with the opportunity to easily access funds from members of the public, for the execution of capital projects. Through the stock market, it has been observed, companies, especially the commercial banks were able to access considerable funds which helped in the launching of their new products and carrying out their expansion programme with relative ease. For instance, between 2006 and 2008, the United Bank (UBA) was able to open new branches in Ghana, Ivory Coast, Cameroon, Liberia, and other parts of Nigeria.[52]

The installation of the automated teller machines (ATMs) accompanied new branches that were opened after the 2005/2006 banks' consolidation programme.[53] The companies were able to carry out these projects with the help of funds raised through the Exchange. As a result of this, quoted companies were able to increase their annual earnings and in turn pay dividends to shareholders who provided the funds needed for new product launch or expansion. Consequently, companies were able to create new branches; more jobs were also made available for members of the public, leading to an upward trend in the country's economic growth.[54]

Provision of Strong Platform for Raising Funds for Government and Corporate Bodies

Over the years the Nigerian Stock Exchange is known to have proven to be a very reliable platform for raising funds for both government and corporate bodies. Both the Federal and State Governments have also raised funds through the capital market by offering bond issues. On the other hand, corporate bodies such as banks, conglomerates, and so forth, have at one time or the other, used the capital market to raise funds for huge capital projects through public offers. Perhaps, this would not have been possible, if the NSE did not provide an efficient platform for these purposes.

Apart from the benefit of the function of the market as a financial window, it has been observed that the Federal and Sates Governments in Nigeria also benefited enormously from the boom in the market through tax revenue, enhanced employment opportunities and transaction fees that went to the Securities and Exchange Commission as the Government regulator of the capital market.[55] Similarly, it has been noted that the stock market has helped Government and corporate bodies in raising long-term capital for financing new projects, and expanding and modernising industrial and commercial concerns. [56]

Much as the NSE is acknowledged to have recorded a remarkable achievement in its contribution towards economic growth, it may be pertinent to note that the crash of the market in 2008 would not have left the economy without any devastating effect. For instance, it has been contended that the direct effects of the crash led to a loss of thousands of jobs by employees of different companies. The banking sector was the most hit as most Nigerian banks could not continue to maintain their numerous branches. The possible result was a layoff of many of their staff. For instance the defunct Oceanic bank laid off 1500 workers in early months of 2009, in order to recover from the loss caused by the stock market crash of 2008.[57] The ordinary Nigerian investors who bore the brunt of the stock market crash also expressed regrets in respect to what happened to their stock investments. According to Happiness Oguaka, stock investment is no longer encouraging as the companies no longer issue bonus shares and dividends as they used to, prior to the crash.[58] In the same vein Ngozi Okonkwo asserts that her decision to invest in the Nigerian stock market was a huge mistake as greater part of her life savings disappeared with the crash.[59] Furthermore, Ifeanyi Orji expressed dissatisfaction at the manner in which the crash trapped the money he would have channelled to other businesses.[60] According to Okeoma

Okpalla, the stock market crash of 2008 dealt a big blow to the strategies he has mapped out for long term savings.[61] In order words, it may be right to state that the NSE as an organisation had a catalytic impact on Nigeria's economic growth especially as a result of the devastation that came with the stock market crash of 2008.

Link between Stock Market Growth and Nigeria's Economic Growth in the Period under Review

In recent years, series of arguments have raged among financial experts over the feasibility or otherwise of a correlation between stock market growth and a country's economic growth. In the table below, attempt is made to compare vital variables such as NSE market capitalisation, NSE All Share Index, percentage increase Gross Domestic Product of Nigeria's economy in the period under review. This comparison will help to ascertain whether there is a correlation between stock market growth and Nigeria's economic growth between 1995 and 2008.

Table 1: NSE All-Share Value Index, Number of Deals, Market Capitalisation Ratio, GDP Growth

Rate, Value Traded Ratio, and Turnover Ratio (1995-2008)

Year	All-Share Value Index	Number of Deals	Market Capitalisation (MC)	GDP Growth Rate	MC Ratio	Total value of Shares Traded (TVST)	TVST Ratio= Stock Market Liquidity	Turnover Ratio
			N'Billion	%	%	N'Billion	%	%
1995	5,092.0	49,564	180.4	2.16	64.11	1.84	0.65	1.02
1996	6,992.0	49,515	285.8	4.39	97.29	6.98	2.38	2.44
1997	6,440.5	78,089	281.9	2.82	93.34	10.33	3.42	3.66
1998	5,672.7	84,935	262.6	2.94	84.47	13.57	4.36	5.17
1999	5,266.4	123,509	300.0	0.41	96.10	14.07	4.51	4.69
2000	8,111.0	256,523	472.3	5.45	143.48	28.15	8.55	5.96
2001	10,963.1	426,163	662.5	8.45	185.58	57.68	16.16	8.71
2002	12,137.70	451,850	764.9	21.35	176.57	59.41	13.71	7.77
2003	20,128.90	621,717	1,359.3	10.23	284.65	120.40	25.21	8.86
2004	23,844.50	973,526	1,925.9	10.48	365.0	225.82	42.80	11.73

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2005	24,085.80	1,021,967	2,900.1	6.51	516.10	262.94	46.79	9.07
2006	33,358.30	4,021,780	5,120.9	6.03	859.47	470.31	78.93	9.18
2007	57,990.22	2,615,020	13,294.6	6.45	2,096.11	2,100.00	331.10	15.80
2008	31,450.78	3,535,631	9,563.0	5.98	1,423.07	1,679.14	249.80	17.56

Sources: Nigerian Stock Exchange Annual Reports and Accounts (various years), Central Bank of Nigeria (CBN) Statistical Bulletin, Golden Jubilee Edition, December, 2008 and CBN Annual Reports and Statement of Accounts (various years).

From the table above, one would notice that the figures for Gross Domestic Product improved between 1995 and 1996 as the All Share Index and market capitalisation of the NSE were on the upward trend in those years. Again the GDP figure decreased in 1997 as the All Share Index and market capitalisation of the NSE also posted lower figures in that same year indicating some level of correlation between Nigeria's economic growth and NSE growth. But this is not always the case as the NSE is not the only determinant of Nigeria's economic growth. A closer look at the figures posted in 1998 shows that the NSE All Share Index and market capitalisation figures continued in downward trend, but the GDP figure of 1998 recorded a slight improvement on the preceding year of 1997.

Generally speaking, one could easily notice the remarkable growth recorded in the Nigerian stock market between 1995 and 2008 as the table below clearly indicates

Table 2: The Nigerian Stock Exchange (NSE) Operational Highlights For The

Period 1995-2008

Variables/ Periods	Market Capitalization Nb	Shares Traded Units(m)	Value Traded N m	Daily Average Volume Units(m)	Daily Average Value (N) m	Listed Securities	The All-Share Index(as at year end)	No. of Brooking Firms	No. of Listed companies
1995	171.1	397	1,839 b	1.6	7.4	276	5,092.2	162	181
1996	258.6	882	7,100 b	3.5	28.4	276	6,992.1	162	183
1997	292.0	1,300 b	11,100 b	5.3	44.3	264	6,440.5	217	182
1998	263.3	882	7,100 b	3.5	28.4	276	6,992.1	162	183
1999	299.9 b	3.9 b	14.100 b	15.6	55.7	268	5,266.4	226	196
2000	478.6 b	5.0 b	28.200 b	19.9	112.2	260	8,111.0	187	195
2001	662.6 b	5.9 b	57.600 b	24.1	230.0	261	10,963.1	226	194
2002	763.9 b	6.6 b	60.300 b	26.4	237.2	258	12,137.7	226	195
2003	1,356 t	13.3 b	120.700 b	53.2	474.8	265	20,128.9	240	200
2004	2,112 t	19.2 b	225.820 b	75.0	882.1	276	23,844.5	229	207
2005	2,900 t	26.7 b	262.900 b	107.6	1,060.0 b	285	24,085.8	239	214
2006	5,120 t	36.7 b	470.300 b	150.9	1,940.0 b	293	33,189.3	240	202
2007	13,295 t	138.1 b	2,100 t	570.6	8,620.0 b	309	57,990.2	240	212
2008	9,560 t	193.1 b	2,400 t	775.7	9,550.0 b	299	31,450.8	257	213

Source: NSE Annual Report & Accounts and Factbooks (1995-2008)

Conclusion

Prior to the crash of 2008, the Nigerian Stock Exchange played vital role as a strong platform for raising capital for governments, individual and corporate investors. Through its broad structure and branch network, the NSE created direct and indirect job opportunities, thereby helping to reduce the unemployment situation in the country that is already at an alarming rate.

A sizeable percentage of the funds available in the Nigerian stock market were contributed by foreign investors since 1995, whose withdrawal halted the smooth flow of the market. This action is believed to be one of the causes of stock market crash of 2008.

The possibility or otherwise of a correlation between a country's economic growth and stock market growth is no longer in doubt as Tables 1 and 2 gave clear illustration of a correlation between the NSE and the Nigerian economy as well as Nigerian stock market remarkable growth between 1995 and 2008.

This paper recommends that;

- The capital in-flow from foreign investors should be reduced to a manageable level so that the market will maintain stability when these investors pull out most of their funds in the future.
- The managers and stakeholders in the NSE should take the bold step to investigate issues of insider dealings and other sharp practices by some brokers and registrars. This will help to restore the confidence of local investors.
- The NSE should see to the quick disbursement of millions of unclaimed dividends to local investors and increase the awareness of enrolling into E dividends through local investors' bank accounts.
- The NSE should encourage real investors' education on the general workings of the market.
- Concerted efforts should be made to investigate the activities of brokers who are not registered with the exchange, as the activities of some of these brokers present the NSE in bad light.

End notes.

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