EFFECT OF GLOBALIZATION OF THE NIGERIA CAPITAL MARKET OF LAGOS STOCK EXCHANGE

(A CASE STUDY OF THE LAGOS STOCK EXCHANGE)

By

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BEING A RESEARCH PROJECT SUBMITTED
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CERTIFICATION

This is to certify that this study was carried out by **SOETAN CHRISTIANAH OMOLOLA** with Matriculation Number **HND/23/ACC/FT/0271** titled "Effect Globalization of the Nigeria Capital Market of Lagos Stock Exchange (A Case Study of the Lagos Stock Exchange)" has been read and approved as meeting part of the requirements for the award of Higher National Diploma (HND) in Accountancy, Institute of Finance and Management Studies (IFMS), Kwara State Polytechnic, Ilorin

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DEDICATION

This project is dedicated to Almighty God, ancient of days for His protection on me and my family throughout my academic pursuit. And for making my dream come true.

ACKNOWLEDGMENT

All praise to the giver of life, the great and mighty God for his grace given to me and successfully complete the phrase of academic in peace, glory to his name forever..

I appreciate my able supervisor **MR. ELELU M. O.** invaluable over the project work, i pray God will continue to strengthen you and increase wisdom and also to **MRS. ADEGBOYE B. B**. the project coordinator and to the amicable lectures, **DR YUSUF** and **MR. AKANBI** and to all the teaching and non-teaching staff of the Department, may God continue to bestow his mercy on to you all (Amen).

Worthy is the impact of my parents; **PASTOR & MRS SOETAN** thanks for molding and my life meaning, I never regret coming into this great family, I pray that Almighty God will reward you bountifully. I promise to make you proud more.

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CHAPTER ONE
INTRODUCTION

1.1 BACKGROUND OF THE STUDY

It may not be wrong to say that the world as a community is increasing getting smaller, and the world business environment I arguably influenced by this trend.

Recently, the activities and transactions on Nigeria capital market were mainly dominant by various forms of restrictive regulation. Though the banking and security agents are both financial institutions but they have different regulatory authorities.

The Nigeria capital market is one of the places for the long term found. It uses instruments like bound, mortgages, term loan, stocks, ordinary and preference share and debentures for its operation (Olowe, 1998). The capital market is an important place in most economy of the world. A highly developed business enterprise economy.

The Nigeria capital market as a formal institution came into existence in 1961 with the ester price economy. The Nigeria capital market as a formal institution came into existence in 1961 with establishment of the Lagos stock exchange (LSE). The Lagos stock exchange becomes Nigeria stock exchange (NSE) in 1977. Today, the Nigeria stock exchange has many functional trading floors in different part of the country.

Other major institutions that make up the Nigeria capital market include the Securities and Exchange Commission (SEC), which is the regulatory Constitution.

In the capital market, issuing houses and brokerage houses shares registrars and unit trust.

The capital market is divided into two:

1. The primary market

2. The secondary market

Other market operation includes stock brokers, dealers, investors, investment advances, bank and the registrars.

The establishment of Nigeria capital market and other market operators is as a result of obvious areas of globalization that Nigeria cannot afford to be left behind. Globalization penalizes economies that adopt obnoxious macroeconomics and sectional policies, while it enhances the growth potentials of those that apply sound policies.

Globalization is the rapid integration of trade relations productive and investment decision across the globe by economic agents who employ and more investment capital and technology around to take advantages of environment here their competitive edge can manifest in high retune (Regumamu 1999).

Lubbers (1997) defines globalization as a process in which geographic distance become factors of diminishing distance become factors of diminishing importance and the establishment and maintenance of across border economic political and socio-cultural relations. The process has reduced the world economy to a global village.

1.2 STATEMENT OF THE PROBLEM

The phenomenon has been achieved primarily by a worldwide wave of liberalization that is the tariff and 1on-tariff barriers to international trade, encouragement of foreign investment and the deregulation of interest rate and the successful transaction of the stock exchange from the manual call over trading system on April 27 1997. Both the level of foreign ownership in Nigeria companies and flow of foreign capital are now restricted. One of the culminations of these effort was the first foreign list on the Johannes bury stork exchange. It was the first a bank through on internationalization of the stock market, while enhancing opportunities for portfolio diversification by domestic investors.

Another significant development of the stock exchange was the linking up the rented electronic contributor system R.E.C.S) for the online disseminations of the stock market information trading statistic and all share index and company investment (Nigeria Stock Exchange N.S.C 2000).

However, the Nigeria stock exchange has established an internet system called CAPNET which enable investors to have direct access information on the nation stoke market. CAPNET collect and stores information on daily.

1.3 RESEARCH QUESTIONS

The following questions are relevant and for which solutions are preferred in the course of the research study, they include;

i. Does globalization affect developing and industrialized countries in different way?
ii. What are the effects, relevance and susceptibility of globalization on the Lagos stock Exchange?
iii. What is the relationship between the stock market performance and Domestic product (G.O.P) Nigeria?

1.4 OBJECTIVES OF THE STUDY

The objectives of the study can be divided into two:

i. Examine the effect of globalization on the activities of the Nigeria stock exchange market
ii. Determine the effect or impact of globalization on the awareness of investor as opportunities of the stock exchange.
iii. To ascertain the relationship between the stock market performance.

1.5 HYPOTHESIS OF THE STUDY

The hypothesis to be textual in this research study include

H_1: Globalization does not affect the developing and industrialized countries in different ways.

H_2: There is no effects, relevance and susceptibility of globalization on the Lagos stock exchange.

H_3: There is no relationship between the stock market performance and gross domestic product (G.O.P).

1.6 SIGNIFICANCE OF THE STUDY

In modern business free market economic may be beneficial to participates who are able to complete for scarce resources. On the other hand, the qualitative contribution of this study may aid in the Nigeria capital market. The list has to explore all avenues through which it.

1.7 SCOPE OF THE STUDY

This research study covers various topic relating to the study such as the historical background of the Lagos stock exchange, stock market regulation and regulation of the Lagos stock exchange which is used as the case study for the research study. And to some extent, the capital countries are also examined.

The effect of globalization and what extent on the Lagos stock exchange market is examined and what benefits the Nigeria capital market has derived from globalization is also examined.

1.8 LIMITATIONS OF THE STUDY

As with any other research, there were restrictions or constraints that the researcher encountered, The limitations of this study include: Financial constraint: It is an established fact that every research work consumes a lot of money. Therefore, the financial requirement for gathering data, typing of the project subsequently and other related expenditure served as a major constraints to this research work.

1.9 DEFINITION OF TERMS

LIBERALIZATION: The lowering of tariff and non-tariff barriers to international trade (Solink 2000)

GLOBALIZATION: It is a process involves creating new strains in the global tracking environment which is the result of effect of the shifting of autonomous economies into a global market or system of production and distribution. (K wanshie 1998)

CAPITAL MARKET: It is a place for long term fund Lit uses instrument is like bonds, mortgages, term loan stock, ordinary and preference share and debentures.

RENTER ELECTRONIC CONTRIBUTION (R.E.C.S) an electronic device for online dissemination of stock market information, trade, statistics and all share index and company investment (NSE, 2000).

STOCK BROKERS: Someone whose job is to buy and sell securities on behalf of the investing public. He is a stock exchange agent (Olowe 1998)

SECURITY: An investment in a company or in government debt which can be traded on the financial market and which produces an income for the investors. It include bonds and share which give interest and dividend respectively (NSE2000)

CONGLOMERATE: an industrial group made up of companies often have diverse and unrelated interest (NSE2000).

CAPITAL ACCOUNT: Records of international movement of capital which is reflected changes of financial assets and liabilities. Okereke Onyiake 2001).

PRIVATIZATION: The transfer of public enterprise by government to the private which makes the enterprise a profit making one.

EQUITY: Shareholding that carries no right to participation beyond a specified amount in a distribution.

CHAPTERTWO

LITERATURE REVIEW

2.1 CONCEPTUAL FRAMEWORK

2.1.1 Role o the Capital Market

According to Al-Faki (2006), the capital market is a "Network of specialized financial institutions, series of mechanisms, processes and infrastructure that, in various ways, facilitate the bringing together of suppliers and users of medium to long term capital for investment in socio-economic developmental projects", The capita| market is divided into the primary and the secondary market. The primary market or the new issues market provides the avenue through which government and corporate bodies raise fresh funds through the issuance of securities which is subscribed to by the general public or a selected group of investors.

The secondary market provides an avenue for sale and purchase of existing securities. Sule and Momoh (2009) found that the secondary market activities have impacted more on Nigeria per capita income by tending to grow stock market earnings through wealth than the primary market.

The roles of the capital market in the development of the economy include:

(1) It provides opportunities for companies to borrow finds needed for long-term investment purposes.

(2) It provides avenue for the marketing of shares and other securities in order to raise fresh funds for expansion of operations leading to increase in output production.

(3) It provides a means of allocating the nations real and financial resources between various industries and companies. Through the capital formation and allocation mechanism the capital market ensures an efficient and effective distribution of the scarce resources for the optimal benefit to the economy.

(4) It reduces the over reliance of the corporate sector on short term financing for long term projects and also provides opportunities for government to finance projects aimed at providing essential amenities for socio-economic development.

(5) The capital market can aid the government in its privatization programme by offering her shares in the public enterprises to members of the public through the stock exchange.

(6) The capital market also encourages the inflow of foreign capital when foreign companies or investors invest in domestic securities, provides needed seed money for creative capital development and acts as a reliable medium for broadening the ownership base of family-owned and dominated firms.

2.1.2 Contribution of the Capital Market to Socio-Economic Development of Nigeria

The capital market is very vital to the growth, development and strength of any country because it supports government and corporate initiatives, finances the exploitation of new ideas and facilitates the management of financial risk. The rate of economic growth has been inexonerably linked to the sophistication of the financial market and capital market efficiency. Both markets facilitate the mobilization and channeling of funds into productive constituents and ensuring that the funds are used for the pursuit of socio-economic growth and development without being idle (Akinbohungbe1996;Adebiyi 2005).

From 1961, the Nigerian capital arket has growth remendously, particularly during the periods of the indigenization decrees of 1972 and 1977. The securities increased from 8 in 1961 to about 301 in 2008. Over the years, the Nigerian capital market has witnessed relatively stability and also recorded impressive growth. This has positioned it o positively impact on the economy. There is lear evidence that the capital market remained an important source of capital for the nation's economic development in financing infrastructural projects, he privatization programme of the government and banking sector recapitalization in Nigeria. Sule and Momoh (2009) conclude that the recent consolidation exercise of major financial institutions and privatization exercise of most publicly owned enterprises are key indications of government faith in the capital market to drive growth of the Nigerian economy.

2.1.3 Analysis of the Nigerian Capital Market Performance

The Nigerian capital market has performed fairly despite the numerous challenges and problems some of which include: the buy and hold attitude of Nigerians, massive ignorance of a large population of the Nigerian public of the nature and benefits of the capital market, few investment outlets in the market, lack of capital market friendly economic policies and political instability, private sector led economy and less than full operation of recent developments like the Automated Trading System (ATS), Central Securities Clearing System (CSC), On-line and Remote Trading, Trade Alerts and Capital Trade Points of the Nigerian Stock Exchange

2.1.4 Capital Asset Pricing

Model Up to this point, we know how a risk-averse investor who makes decisions based on two parameters (expected return and variance) should construct an efficient portfolio: using a combination of the market portfolio and the risk-free rate. Based on this result, a model can be derived that shows how a risky asset should be priced. In the process of doing so, we can fine- tune our thinking about the risk associated with an asset. Specifically, we can show that the appropriate risk that investors should be compensated for accepting is not the variance of an asset's return but some other quantity. In order to do this, let's take a closer look at the risk. Systematic and Unsystematic Risk In the development of portfolio theory, Professor Markowitz defined the variance or the portfolio rate of return as the appropriate measure of risk. This risk measure can be divided into two general types of risk: systematic risk and unsystematie risk. Professor William Sharpe defined systematic risk as the portion of an asset's variability that can be attributed to a common factor.7 It is also sometimes called undiversifiable risk or market risk Systematic risk the minimum level of risk that can be TR obtained for a portfolio by means of diversification across a large number of randomly chosen assets. As such, systematic risk is that which results from general market and economic conditions that cannot be diversified away as unsystematic risk. It is also sometimes called diversifiable sick, unique risk, residual risk, or company-specific risk. This is the risk that is unique to a company, such as a strike, the outcome of unfavorable litigation, or a natural catastrophe.

As examples of this type of risk, one need only recall the case of product tampering involving Tylenol capsules (manufactured by Johnson & Johnson, Inc.) in October 1982 or the chemical accident at the Union Carbide plant in Bhopal, India, in December 1984. Both of these unforecastable and hence unexpected tragedies had negative impacts on the stock prices of the two companies involved. How diversification reduces unsystematic risk for portfolios can be illustrated with a graph. Exhibit 7 shows that at a portfolio size of about 20 randomly selected stocks, the level of unsystematic risk is almost completely diversified away.8 Essentially, all that is left is systematic, or market, risk. Therefore the total risk of an asset can be measured by its variance. However, the total risk can be divided into its systematic and unsystematic risk components. Next we will show how this can be done so as to be able to quantic, both components.

2.1.5 Arbitrage Pricing Theory Model

Professor Stephen Ross developed an alternative asset pricing model based purely on arbitrage arguments, and hence called the arbitrage pricing theory (APT) model. 13 While We do not spend as much time in developing the underlying theory for this asset pricing model, in Chapter 9 we discuss in more detail how factor models are used in practice. The arbitrage pricing theory model postulates that a security's expected return is influenced by a variety of factors, as opposed to just the single market index of the CAPM. Specifically, back at equation (9, which states that the return on a security is dependent on its market sensitivity index and an unsystematic return. The APT in contrast states that the return on a security is linearly related to H "factors." The APT does not specify what these factors are, but it is assumed that the relationship between security returns and the factors is linear.

2.2 THEORETICAL FRAMEWORK

2.2.1 Prospect Theory

Prospect theory asserts that choices of investors, in the presence of risk, exhibit several pervasive effects that are inconsistent with the basic tenets of the expected utility theory. As a critique of the expected utility theory, prospect theory studies the decisions of investors in the presence of uncertainty and is based on cognitive psychology rather than investor rationality. As discussed earlier, expected utility theory suggests that investors are risk averse when making investment decisions. In addition to the recognition of risk aversion, prospect theory introduces the concept of loss aversion, which states that investors prefer to avoid losses than to acquire gains. To demonstrate the concept of loss aversion, prospect theory suggests that investors judge the gains and losses of an investment relative to a specific reference point such as the purchase price of an asset.

The utility derived from an investment can be expressed in an S-shaped value function displayed in where positive utility is derived from gains and negative utility is derived from losses. This value function is in line with the expected utility theory (or the marginal utility function) in that the function is concave for gains, which means that the marginal utility derived from additional gains is increased at a decreasing rate. However, prospect theory also implies diminishing marginal disutility for losses since he function becomes convex when the asset position is below the reference point. In addition, the function is steeper for losses than for gains, implying that the extent of the disutility derived from making losses is larger than the level of utility derived from an equal amount of gains.

2.2.2 Grand Theory

There are three theories used in this paper, namely risk management theory, financial intermediation theory, and liquidity preference theory. Credit is have provision of money or an equivalent claim, based on a loan agreement or agreement between a bank and another party which requires the borrowing party to pay off its debt after a certain period of time with interest, Risk management in bank operations includes risk identification, measurement and assessment, and the objective S to minimize the negative effects of risk on financial results and the bank capital. Banks are required to establish a special organizational unit for risk management purposes.

As an intermediary financial institution that receives public funds, and subsequently distributes them back in the form of credit, banks must apply the principle of prudence in carrying out their operational activities so that the bank remains an institution that is trusted by the public (prudential banking activity). Credit risk is the risk where a customer / debtor or counterpart is unable to fulfill its financial obligations according to the contract / agreement hat has been entered into. This definition can be expanded, namely that credit risk is a risk that arises due to decreasing credit quality. Boffey and Robson (1995). The main reason why proper management of credit risk is very important is because banks have a limited capacity to absorb loan losses. In a broad sense, the capacity of a bank to absorb loan losses comes, in the first example, from the income generated by other profitable loans and, in the second example, with the bank's capital. The income that a bank generates from a profitable loan is usually modest.

2.2.3 Financial Intermediation

Theory was first put forward by Schumpeter in 1939, which states that financial intermediation is based on minimizing he production costs of information to solve intensive problems. Financial intermediation is the key to understanding why there is an advantage in supervision of an intermediary that depositors do not (Diamond, Douglas, 1984). Financial intermediation allows the best contracts ....Il as a large allocation as a positive role for the financial intermediation process. In general, loans and deposits with no high leverage result in a low probability of default (default).

However, with the model of supervision and diversification, the possibilitv of defamlt is still low. A number of other theories include Allen and

Santomero (1997), Bikker et al. (2003), further stated that why banks and financial intermediaries in general can exist because they can mitigate the liquidity risk that occurs on the flow of fiunds from surplus parties (depositors) by becoming agents of parties who need funds (borrowers). The basis of the intermediation theory of financial intermediary institutions is to see banks as a solution to these problems, because banks have a comparative advantage regarding all information regarding the crediting values of debtors (Pyle, 1971), (Scholes et al., 1976) banks are better able to monitor debtors than individual creditors (Leland and Pyle, 1977), banks can provide greater liquidity than funds collected from the household and business sectors and can issue demand deposits that can be exchanged for funds (Fama, 1980).

2.2.4 Liquidity Preference Theory

originally developed by (J.M. Keynes, 1946) analyzes the equilibrium interest rate through he nteraction of the money supply with the public's aggregate demand for holding money. Keynes assumed that most individuals hold wealth in only two forms: money and bonds. Liquidity preference theory structure is based on the supply and demand of money supply and the view that all finaneial decisions emphasize the monetary side of liquidity.

Therefore, the loan fund model is developed based on the flow of funds 0 the financial system and views that financial decisions are made on a broader basis of liquidity. Historically, interest rates are almost as old as human civilization. in other words, interest rates have beens around for a long time. This is in accordance with the opinion expressed by (Modigliani, 1944) which states that people who have borrowed goods from others are sometimes asked for compensation for services rendered. This reward is called rent, which is the price of borrowing someone else's property. Tobin (1958) stated that interest is the amount of funds that is valued in money and received by the lender (creditor), while the interest rate is the ratio of the interest to the amount of the loan. So the interest rate is the price of borrowing money to use its purchasing power. The interest ate is one of the variables in the economy that is constantly being watched carefully because of its wide-ranging impact. Interest directly affects people's daily lives and has an important impact on the health of the economy from the perspective of consumption, credit, bonds and savings.

2.3 EMPIRICAL REVIEW

The magnitude of stock market impact to economic growth is still an issue of research to scholars. Empirical investigations on what causes stock _lot development have been relatively limited. However. limited researches regarding determinants of stock market development have similar features. Yartey (2008) examined on the determinants of stock market development in emerging economies using South Africa as a case study. He examines the institutional and macroeconomic determinants of stock market development using a panel data of 42 emerging economies for the period 1990 to 2004. The paper finds that macroeconomic factors such as income level, gross domestic investment, banking sector development, private capital flows, and stock market liquidity are important determinants of stock market development in emerging market countries. The results also show that political risk, law and order, and bureaucratic quality are important determinants of stock market development because they enhance the viability of external finance. This result suggests that the resolution of political risk can be an important factor in the development of emerging stock markets.

The analysis also shows the factors identified above as determining stock market development in emerging economies can also explain the development of the stock market in South Africa. Imolelian (2005) examines the determinants of the Harare Stock Exchange (HSE) market capitalization using data obtained from the Datastream International Limited which provides access to a wide variety of different types of on-line financial and economic data. The data was quarterly data and covered the period 1976-1996. The study outlined a number of factors that could potentially affect the market capitalization of the HSE as exchange rate, share price and total stock return. Using the assumption that market size is positively correlated with the ability to mobilize capital and diversify risk, the study findings suggest that share price (PI) and the exchange rate (ER) are the most important determinants of the HSE market capitalization.

The results also show that upwards moving share prices are likely to attract new investors (both local and foreign) into 39 the market. Where foreign investors are involved more Foreign Portfolio Equity Investment likely to flow via managed macroeconomic policies such as those aimed at managing the exchange rate which this study finds to be an important variable for the HSE market capitalization.

Proper exchange rate management is likely to attract capital inflows, without the detrimental macroeconomic effect arising through the appreciation of the real exchange rates. He asserted that theory on stock levelopment is related to: level of financial intermediaries' market development, the fundamentals development, political situations and level of international integration and macroeconomic policies. In the same vein, Calderon-Rossel, (1990) considered economic growth and stock market liquidity as the main determinants of stock market development. Claessens, et. al., (2002) noted that improved macroeconomic fundamentals, such as more monetary stability and higher economic growth also support in the growth of financial markets. More so, general economic and specific capital markets reforms, including privatization of stateowned enterprises, financial liberalization, and an improved institutional framework for investors, attribute i to stock markets development. Kemboi and Tarus (2012) examine macro- s economic determinants of stock market development in Kenya for the period cointegration technique to test the relationship between stock market development and macroeconomic determinants, the results indicate that macro-economic factors such as income level, banking sector development and stock market liquidity are important determinants of the development of the Nairobi Stock market, The results also show that macro-economic stability is not a significant predictor of the development of the securities market. Aisyah, et. al.. (2009) examines the factors that affect the Malaysian stock market from the macroeconomic perspective. Some conventional econometric techniques are applied along with a battery of complementary tests to trace out both short and long run dynamics.

Upon testing a vector error correction model, it show that changes in Malaysian stock market index do perform a integrating relationship with changes in money supply, interest rate, exchange rate, reserves and industrial production index. Result showed that monetary policies variables (proxied by money supply, exchange rate, reserves and interest rate) and domestic supply factor (presented by industrial production) have significant long run effects on Nigeria stock market.

CHAPTER THREE

3.0 INTRODUTION

Research methodology is the specification of procedures and methods for collection and analyzing the data necessary to define and solve problems, Asika (1990); the methodologies that will be employed for this research study are as discussed below:

3.1 RESEARCH DESIGN

The research design which is used for the purpose of the research i intended to be a case study approach to allow for intensive study of the topic. It involves an observation of the operation and activities of zenith bank as its concern its information technology. This method is chosen because it gives an understanding of the situation.

Both primary and secondary data were used for the purpose of the study, the primary data was collected or source through the use of questionnaires, which contain well strutted, unambiguous and carefully worked question. This was complemented with interview conducted with some member of the staff and customer of the case study in order to obtain information as regards their view on the effect of IT on the operational efficiency of bank in Nigeria.

Secondary data sources include textbooks, journals, papers delivered at various seminars, workshop and conferences, articles annual reports and account of the case study and other related literature.

3.2 SOURECES OF DATA

The research was carried out by using both primary and secondary data in order to achieve the set objectives of the study

Primary data will be obtained from responses to staff in the credit management department or Central Bank of Nigeria, through the use of questionnaire, interview, observation and suggestion from the staff.

While secondary data will be extracted from journal, bulleting, textbooks, banks annual reports, past notes reports etc.

3.3 POPULATION OF THE STUDY

The target population of this study includes all the stock exchange in Nigeria.

3.4 SAMPLE SIZE AND SAMPLING TECHNIQUES

The sample rundown sampling method was used for the purpose of giving each method of the population equal chance of being a member of the sample. The research sample for this study includes forty (40) staff and forty (40) customers of STOCK ECHANGE LAGOS.

3.5 RESEARCH INSTRUMENT

The instruction used for data collection i.e. the gathering of primary data was questionnaire. It was divided into parts. Part one provides the personal data of the staff and operational data of Zenith Bank plc. While part two provided personal data of customer and operational data of Zenith bank Plc, which contain closed ended questions with series of answer options.

3.6 METHOD OF ANALYSIS

Data source were analyzed using both descriptions inferential statistic and mathematical tools were used in analyzing the data collected, and interpretation were based on the result of analysis

The description tools included the used of the tables, charts and simple percentage, while the inferential statistic were chi-square at (r-1) (c-1) degree of freedom and an alpha level of 5%. Chi-square analysis is denoted by Greek letter X^2. it is used in testing the hypothesis concerning the difference a set of observed distribution with hypothesized distribution at a significant level.

This chi-square is a simple statistic and it is computed as $X^2 = \sum \frac{(0-E)2}{e}$

Where o = observed frequencies

e = expected frequencies

$\sum =$ sign of summation

C = $\frac{\text{Column Total x Row Total}}{\text{Grand total}}$

DECISION RULE:

The decision rule for chi-square 15 that null hypothesis (H0) s should be ejected if the calculated value while the alternative hypothesis (Hi) should therefore be accepted and vice-versa.

3.7 MODEL SPECIFICATION

The model is based on Demirguc-Kunt and Levine 1996, Levine and Zervos 1996, Demirgue-Kunt ,Levine and Asli (1996) and Ewah, Esang and Bassey,2009 which have investigated linkage between stock market and economic growth Model which specifies that he ocio-economic development (proxy by Gross Domestic Product) is significantly influenced by the capital market indices (market capitalization, new issues, value of transaction and total listing) is formulated as follows:

GDP = F (MCAP, TNI, VLT, LEGS)

$GDP = a + a_1 MCAP + a_2 TNI + a_3 VTS + a_4, TLS + U$

Where the apriori expectation is: al, a2, a3, a4 > 0 and

GDP = Gross Domestic Product, MCAP = Market capitalization, TNI- Total News Issues, VLS = Total value of transactions ,TLS - Total listed Equities and Government Stock, U = Disturbance Term, a = Intercept, $a_1 – a_4$ = coefficient of the independent variables.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.1 INTRODUCTIONS

This chapter deal with the presentation, analysis and interpretation of data gathered during the course of this research.

The courses of the data used in this project are mainly secondary, mostly obtained from emerging stock market fact book (**2020),** library, national office of statistic, central bank of Nigeria (CBN) and relevant financial website

The data selected are of a cross selection time native. Time serves are mathematical or statistical figures of past data, for example monthly sale for the lost term pears. Time series data are representative and more appropriate for period that is not relatively long. All the data were got form the secondary sources, that is information that already exists, having been collected for another purpose.

4.2 DESCRIPTION OF DATA

Gross domestic production (GDP) refers to the output. Of productive resources within a given geographical area, such as Nigeria, irrespective of whether the productive resources in question are owned by the national of the area or not. It is a very popular and accepted yard stick for evaluation economy performance and it growth rate.

Generally speaking, the growth of Nigeria GDP to an acceptable level is somewhat retarded by the economy independence on trade in crude oil sales accounted for 98% of export earnings in 2019 and weighted 40% of GDP, in 1998 sales made up to 30% of GDP and from table (4.1.1) there was an increase in the economy GDP

The variation in the economy GDP are also effected by other factor such as manufacturing health and even aggregate demand

In Nigeria trade in crude oil has a very significant effect of stock activities of GDP.

4.3 PRESENTATION OF DATA

Presentation of data is the summary of price earning ration of the Nigeria stock market (Lagos stock exchange market) as measured by its price earning ration (P/E ratio and Nigeria gross domestic population (GDP) over a 100 year. Period (1996-2005).

Table 4.1.1

Price Earning and gross domestic product (GDP) of Nigeria

YEAR	P/E RATIO	VS ()
2015	12.6	38,038.15
2016	11.0	38,242.72
2017	10.4	31,030.15
2018	8.4	42,352.83
2019	14.5	44,493.65
2020	12.1	61,423.53
2021	10.1	64,251.52

2022	12.8	76,439.51
2023	11.8	85,251.97
2024	13.4	110,383.31

Source: National Bureau of Statistic and Earning Stock Market Fact (2025)

The table below show the summary of the performance of the stock market selected for this research work and as measured by their price.

Earning Ratio (P/E Ratio) over 10 year period (2015-2024).

Table 4.1.2

Price Earning Ratio of the Selected Countries

Year	Nigeria	Argentina	Greece	Thailand	2.1 million
2015	12.6	306.0	11.7	14.0	8.0
2016	11.0	38.7	7.8	15.9	4.0
2017	10.4	44.0	11.3	29.5	10.8
2018	8.0	15.0	11.4	23.7	8.1
2019	14.5	13.0	11.8	15.1	9.3
2020	12.1	42.0	11.2	34.6	14.9
2021	10.1	17.3	19.6	5.6	11.3
2022	12.8	15.4	35.6	14.6	7.3
2023	11.8	40.4	20.4	7.9	12.9
2024	13.4	786.9	20.4	7.9	12.9

Source: Earning Stock Fact Book (2025)

4.4 TEST OF HYPOTHESIS

The hypothesis is test by employing the T-statistic at a confidence interval to 95% the number of degree of freedom for the statistic (N-2) i.e. 10=8.

The table value is also 1.860. To test the hypothesis we restate in null alternation hypothesis

HYPOTHESIS 1

H_o: stock market performance (as measured by P/E ratio) has no significance positive impact on Nigeria GDP

H_I: stock market performance has a significant positive impact on Nigeria GDP

The 1 value of the parameter based on the equation is 0.550 since this is less than table value of 1.860, null hypothesis is accepted. Hence, stick market performance has no significant impact on GDP

HYPOTHESIS 2

This is also restated into and alternative as follow,

H_o: stock market performance as by price earnings ratio in other emerging market performance of Nigeria

H_1: stock market performance of Nigeria the T-value of the parameter is 1.160, 0.393,0.603 and 0.432.

None of these value is greater than the table value of 1.860

As a result of this, the alternative rejected and null hypothesis are accepted

For the purpose of easy comprehension of the result and resting of hypothesis, the narration are hereby restated

Q1=P/E Ratio of Nigeria

Y1=P/E Ration of Argentina

Y2=P/E Ratio of Thailand

Y3=P/E Ratio of Zimbabwe

Y4=P/E Ratio of Greece

Table 4.1.3

Year	Nigeria	Argentina	Greece	Thailand	2.1millon
2015	12.6	306.0	11.7	14.0	8.0
2016	11.0	38.7	11.3	15.9	4.0
2017	10.4	44.0	11.3	29.5	10.8
2018	8.0	15.0	11.4	23.7	8.1
2019	14.5	13.0	11.8	15.1	9.3
2020	12.1	42.0	11.2	34.6	14.9
2021	10.1	17.3	19.6	-5.6	11.3
2022	12.8	15.4	20.4	7.9	12.4
2023	11.8	40.4	57.6	-8.9	12.6
2024	13.4	786.9	20.4	7.9	12.4

Source: Emerging Stock Market Fact Book (2025) Test of Hypothesis

4.5 SUMMARY OF RELEVANT RESULT FOR TESTING THE HYPOTHESIS

Q1=10.195-2.5X1

SE=(1,252) (0.000)

T stat = (8.143) (-0.550)

R= 0.191

R^2= 0.036

SE= 1.896

Q1 =9.420 -2.8X1X1.853X2 X3.484X3-0.103X4

SE =(2412) (0.02) (0.04) (0.058) (0.236)

T. stat=(3.905) (-1.160) (0.603) (-0432)

R = 0.489

R^2 =0.40

SE = 2.131

4.5 INTERPRETATION OF ANYLYSIS

The result from the data analysis during the research has shed more light on the concept of globalization of Nigeria market, its effect and appraisal

The analysis has reviewed that, there is a positive relationship between Nigeria's gross domestic product (GDP) and the performance of the Nigeria stock market as measured by its P/E ratio. Deposit the existence of this positive relationship, the analysis as show that this is not positively significant, indicating that the performance of the Nigeria 19 stock market does not have a significant effect or influence on Nigeria's GDP

Elaborating further on this trend, would be difficult to ascertain the true performance this may as a result of the stock market being over looked or in exploited by the real in fluencies component in the economy. The lack of participation by these component in the economy may be as result of lack of confidence, in accessibility or just plan ignorance. For instance, the Nigeria capital market being a source of credit is nowhere nears the popularities of banking in situation in Nigeria. Apart from all these component on the economy that are similar with the stock market are not encourage by the future prospect or potential of the stock market as indicated by its price earning ratio

The analysis has further revelation as to notion and empirical evidence of the fact that Nigeria is still a developing economy, because it would be surprising to discover that the stock market activities of developed economy do not significantly influence their gross domestic product, an economy performance.

It is also show that Nigeria stock market performs is positive related to other stock market in the global economy. As it was indicated by positive correlations between the price earnings ratio of the Nigeria stock market on one hand and stock market of other economy selected represent different continent around the world given analysis of a global representatives

However, analysis also shows that the positive relationship is in significant. Any forward thinking modern economy id trying to achieve, economy growth It is well established that highly influence one another. This analysis has pointed in the direction that Nigeria capital market is not significantly integrated into global market and due to this fact, it has not been so influence.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMEDATIONS

5.1 SUMMARV OF FINDINGS

Globalization is the integration of national economies is through trade and financial interaction (Obaseki, 1998). All over the world; increase in financial integration has fuelled by capital market. Rapid capital a and financial integration helps in mobilizing foreign saving for domestic growth is what Nigeria economy is trying to achieve and sustain.

The relevance of capital market in Nigeria economy is not as significant as it should be going by the results from analysis of data carried out in the project. The relevance of capital market in the development economic is well established and has undoubtedly fuelled their economic growth and development.

The determinant of stock market development vary from country to country and ranges from macro-economic to institutional factors stock market is a financial institution specially known for resources .allocation to supplies and users of find for effective economic activities hrough transactions in financial securities available for it this function is made possible through stock exchange floors located in some state of the feeration .stock market accumulates capital for national development through mobilization of domestic and foreign savings. The larger the saving, the higher the amount of capital flow to stock market. stock market provide saver with an alternative avenue to save for higher returm. without the possibility for household to save their accumulated resources they would have compelled to have it in other finds wealth whirl hinder stock market activity from the empirical analysis.

This study revealed three result from which many implication can be drawn first, savings is found to have positive impact but statistically insignificant in explaining stock market development in Nigeria within the period covered by this study this leads us to accept null hypotheses which state that savings does not have significant positive impact on stock market development the result show that the coefficient of savings is 0.474 and the overall regression ie significant at: 5% level ideally ,savings IS expected to enhance stock market development through funds provided by individual many of when wish to allow it to be used for limited period.

This is farfetched as a result of lack of expansion in private and public domestic savings, low level of saving occasioned by low income ,high poverty rate, employment, bottleneck use of policy instrument by way of government budget surplus, tackling inflation, creating employment induced through national pension funds which is a forced savings and through voluntary savings of commercial banks ,insurance companies and finance companies.

5.2 CONCLUSION

Nigeria capital market has kept pace with development to give it a more international appearance but this exit on paper in reality this is not case. Even though, it can be said as a result of this analysis that a positive relationship with other capital markets, can be ideal the Nigeria capital market is still undergoing some development in other to boost its image that will in turn make it more attractive to both foreign and domestic investment. Through Nigeria capital market must have a good reputation domestically before it can be viewed abroad procurable.

It is imperative that the Nigeria capital market is developed to cope with problems that may weekly arise from the full integration of the Nigeria capital market into global net.

5.3 RECOMMENDATIONS

In line with finding of this research the following recommendation are given:

i. Increased participation of government at all level could also boost the capital market for instance, the sale of government security in companies like ASHAKA Cement and inspectors; help the growth of Nigeria stock exchange. At the same time, foreign investment will comes to Nigeria economy if the environment is conducive. Apart of diversifying economy base, the restructuring could also be done through intensifying the growth of the private sector. While adoption of positive policies in form of realistic and stable exchange rates and appropriate pricing of goods and services by attracting foreign investment.

ii. Effort should be made to encourage interaction between the capital informal and unsophisticated level. Funding the agricultural sector through the capital market and boosting its organization in order to have a situation where they are more involvement in the capital market, by being quoted on the stock exchange.

iii. In reality the true internationalization of Nigeria capital market should be proceeded by a strong domestic company and a competitive external sector. Nigeria economy should also be diversified to reduce its dependent on the volatile price of crude oil which has limited its scope for diversification.

iv. Nigeria should also ensure that its government rating which reflects the abilities to repay debt, its growth prospect and economy principle favorable attract capital flows. The economy of Nigeria should ensure that its reserves are equal to its short-time debt which show the country's vulnerability to a sudden loss of confidence.

v. The Nigeria capital market should make effort to gain greater influence on the GDP which is the stock market indicator, most reliably linked with economy growth. All effort policies and incentives should be put in place to protect the economy from unhealthy influences.

vi. The strategies and policy to moderate the adverse maintenance of micro-economic stabilities international co-ordination of policies to ensure convergence and the retain of the international monetary and financial system to ensure a level playing field for all participant in the economy from the Nigeria perspective, the pursuit of sound policy should be paramount in order to reap the benefit of globalization.

Apart from being regarded Nigeria as an emerging economy which is generally per cured to be unexploited to an existed market and other market provide the opportunity for international portfolio diversification.

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