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NIGERIAN STOCK EXCHANGE AND SELECTED AFRICAN STOCK EXCHANGES: A PERFORMANCE APPRAISAL

by

EMEKA J. OKEREKE, PhD
and
UWAECHIE EMMANUELA
Department of Finance & Banking,
Faculty of Management Sciences,
University of Port Harcourt, Port Harcourt.
Okereke77@yahoo.com

ABSTRACT

This study is aimed at unveiling the performance of Nigerian Stock Exchange vis-à-vis other African Stock Exchange. This is with a view to identifying their weakness and strengths and improving and capitalizing on then respectively. Data sources were mainly secondary. Descriptive and regression analyses wee carried out. It was found among others, that there is no significant relationship between Nigerian Stock Exchange and Other African Stock Exchanges which can be accounted to the dispersion of market capitalization figures of African countries. It is therefore recommended that Nigerian Stock Exchange and African Stock Exchanges should embark on aggressive investment educational programme and should be integrated in the curriculum of both primary and second schools.

1. BACKGROUND

Most African countries including Nigeria are faced with scarcity of long-term capital for economic development and growth. In an attempt to move away from this depressed state, funds must be effectively and efficiently mobilized to harness our human, material and management resources for optimum output. To this end, many economies use capital market as a potential conduit for mobilizing and channeling long-term funds into the productive sector.

The principal institution in the capital market that carries out the function of facilitating the free flow of long-term capital in an economy is called the Stock Exchange. Stock Exchanges started as an arrangement enabling the conversion of investments which were inherently illiquid to a liquid state through their re-conversion into cash at the option of the investor without disrupting the operation of the Issuers Company or government. These stock exchanges cut across the world and fused recently by the growing technology. Essentially, the world stock exchanges or world markets are being bound by the increase in computerized trading and electronic systems which have eventually turned the individual stock market into a single global stock market. This has been achieved as technology has erased national boundaries, vastly improving investors access to markets worldwide and enabling firms to finance projects anywhere almost at the same time through the stock exchange market.

The stock exchange is a key institution of the capital market, which is a network of individuals, institutions and instruments involved in the efficient administration and channeling of funds from the surplus economic unit to the deficit economic units. The instruments and methods/processes in the market have witnessed consistent improvement. Today, they are characterized by rapid growth and filled out complexities. These ranges from the development of the central securities clearing system (CSCS) and automated trading system (ATS) and the introduction of derivative market instruments such as Global Depository Receipts (GDR), trading in rights, equity options, stock index futures and a host of other derivatives being tracked throughout the world.

These innovations are tailored at having an efficient market. Thus the core of all abilities of the exchange and its central objective remains the maintenance of an efficient market. This brings into the curiosity of knowing how efficient the Nigerian capital market has been in relation to other African capital markets. Therefore, this study is focused on appraising the performance of the Nigerian Stock Exchange vis-à-vis other African Stock Exchanges. This is with a view to taping the strengths of these exchanges and improving on their weaknesses.

In order to achieve these objectives, this study has been organized into four parts. Part one gives the general overview of the study. Part two reviewed the literature of the capital market, its relevance to the economy and the history of some African Stock Exchange. Part three focused on the method of obtaining relevant data, operational measures of variables and data analysis techniques. Part four contains the findings, conclusion and recommendations proffered.

2. REVIEWED LITERATURE

2.1 The Capital Market

The capital market, unlike the money market, exists for mobilization and intermediation of long-term funds between the deficit and surplus economic units. According to Osaze (1997:2) capital market is the fulcrum on which the fortunes of the economy turn and provides an area for its growth and development programmes as well as serves as an indicator of the economy's liquidity and general performance. Briton (1969:2) explains capital market as the environment for setting the world's capitalized values, citadel of capital and the temple of values.

The capital market is essentially the market for long-term funds and securities like corporate stocks and shares, preference shares, debenture stock and bonds. These instruments constitute the permanent financing of any company, hence their long-term nature lasting longer than 3 years. The capital market also accommodates instruments such as government development stock and bonds which are normally referred to as gilt-edged securities since they are normally backed by government resources, which eventually reduces the rate of default risk compared to other securities.

According to Nzotta (1999:166), the capital market can be divided into two segments: the non-securities market or the market for negotiable capital fund which is characterized by direct dealing of long-term nature between fund users and fund suppliers. These direct deals consists of negotiated loan transaction arranged between two parties and does not necessarily involve the sale of securities. This segment can further be subdivided into the informal capital market and the market for institutional capital fund which consist of all sources of long-term capital provided by various institutions. For example development banks, development finance companies, investment trusts, venture capitalists and insurance companies etc.

The securities market segment deals with assets or securities which represent the promissory notes of various bodies and are impacted liquidity by the market. It is subdivided into the primary market (market for new issues) the secondary market (Stock Exchange) and the derivatives market.

The secondary market, which is the main focus of this study, operates after the issue had been completed in the primary market. It comprises of the organized stock exchange and the over-the-counter (OTC) market. It is a market for assisting shares mediated by transfer thereby creating liquidity to illiquid assets.

2.2 NIGERIAN STOCK EXCHANGE AND THE ECONOMY

Before the establishment of the Nigerian Stock Exchange most internally generated funds were sent abroad to be invested and traded on the London Stock Exchange by the British Colonial masters. However, in May 1958, the then Ministry of Commerce and Industry appointed a committee under Professor Barback to consider the ways and means of fostering a share market in Nigeria. This lead to the establishment of the Lagos Stock Exchange in 1960 as it was called. According to Dozie (1997:3), since its establishment the Exchange has been the centre of the Nigerian Capital Market. The stock exchange was expected to help in the mobilization of funds for capital development within the public and private sectors of the economy. Due to severe legal and administrative bottlenecks the stock exchange was unable to fulfill this role as envisaged. It however, played a major role in the economic history of the country since the government relied on it as the main vehicle for it indigenization and privatization programmes.

Since 1961 when trading commenced on the trading floor of the Lagos Stock Exchange (now the Nigerian Stock Exchange) it has played the following roles in Nigeria's economy. Between 1961 and 1987, the Federal government raised over ₦10 million from the stock exchange for lending to regional and later state government for executing development projects. Defunct Bendel state government raised ₦20 million in August 1978 for its housing project. Defunct Oyo State government raised ₦30million for market development and defunct Ogun state floated two revenue bonds worth ₦90 million to execute Lekki Peninsula and new town development. Defunct Kaduna state government raised ₦30 million to set up a ginger drink processing plant Kachia. In 1993, the Lagos State Island government ₦100 million floating rate revenue bond was listed on the Nigerian Stock Exchange. In 2000, Edo State government raised ₦100 million from the capital market to finance its housing estate. The golden rule is that a fund raising tier of government must tie the fund to a viable project. This is one way capital market enforces discipline on these tiers of government.

The stock exchange helps in privatization and commercialization of government controlled enterprises through its offer for sale or subscription on the capital market based on Decree 25 of 1998.

According to Okereke-Onyiuke (1997:10) the major reason for privatization of parastatals and public enterprises is economic, mainly to improve their performance as well as that of the economy.

The Nigerian Stock Exchange provides a secondary market for investors to buy and sell securities. This way the market provides the means of giving investors liquidity and allowing them to spread their risk while allowing the borrower such as government and companies to retain their funds for investment in projects.

It serves as a measure of confidence in the economy and such as important economic barometer. According to Anao, Osaze and Ekundayo (1993:7) a stock market index is one of the most important indicators of economic performance since it measures daily movement of stock prices and as such indicates investors' confidence in the economy by their buying and selling activities.

It provides means of allocating the nations real and financial resources between various industries and also creates access to finance for small and medium scale enterprises (SMEs) through its second tier securities market.

The Nigerian Stock Exchange hedges savers and investors against inflation and currency depreciation and encourages inflow of foreign capital through the internationalization of the capital market.

2.3 SELECTED STOCK EXCHANGES: A HISTORICAL PERSPECTIVE

According to the African Stock Exchange Hand Book (ASEHB 1997), The Alexandria Stock Exchange of Egypt, which was established in 1883, is the oldest in Africa. There are two stock exchanges in Egypt –the Alexandria and Cairo stock exchanges which reached their peak in 1979 when they ranked a joint fifth among the world's business exchanges. In 1961, President Nasser introduced a programme of privatization after which Egypt's exchanges slowly fell into decline. The down ward trend continued until 1992 when capital market law No 95 came into effect. The law was implemented to liberalize the exchange and its effect on the market has been substantial. There has been a steady increase in the number of listing on the exchange as well as growth in the market capitalization. A continuing programme aimed at privatizing state assets, has been instrumental in bringing positive change to the exchange.

A capital market authority was established with the aim of almagating the Cairo and Alexandria market. However, the body has preferred to allow the two exchanges to continue in the pursuit of their separate interests. The two exchanges run under one administration and most equities are listed on both exchanges. As at 1996, it had 646 listed securities with market capitalization of US$14.143m and trading value and volume of EE2bn and 302000 trades respectively. Its market capitalization in 2004 is US$37.1bn.

Morocco

The Casablanca Stock Exchange (CSE) was founded in 1929 by a number of banks. It was reformed in 1948, again in 1967 and most recently radically reformed in September 1993 as the "big bang". In this latest reform the exchange was made autonomous with the broker owing the equity. Le Council Deontoligique des Value Mobilieres (CDVM) was established as the committee that monitors all trading and the Association

Professionelle des Society de Bourse (APSB) was established to write the rule and procedures for trading. The Minister of Finance and Justice and the Governor of the Central Bank, are among the broad members of CDVM. The exchange uses the T+3 settlement on the open outcry market. It has an established electronic trading system and is ultimately fully computerized.

CES is the African third oldest stock exchange and has transformed itself in the past two years to being one of the most modern and efficient exchanges in emerging markets. Its first step towards modernization occurred in August 1995 when its (11) broking firms formed a management company which introduced an electronic trading system in March. Its reform programme completes broader economic changes in Morocco in recent years including privatization, trade liberalization, lifting of price control, gradual elimination of subsidies, fiscal reform, promotion of export and restructuring of state enterprises.

As at 1996, its market capitalization stood at US $8.66mm, with value and volume of $2099.09 and 34.1 trades respectively. It has 48 listed companies and has had 3 rights issues. Its market capitalization in 2004 is US $25B.

South Africa

The Johannesburg Stock Exchange (JBE) was first established to provide a market place for the share of the many mining and financial companies formed shortly after the Witwatersrand goldfield were discovered in 1886. The exchange dates from November 8, 1887. It was founded by Benjamin Woolan and was first situated in Simmonds streets. In 1889 the building was demolished to make way for a double story exchange on the same site. This survived until 1903 when the third exchange was build. This time in Holland Street and remained until 1958 when it was again replaced by a new building. Trading took place there from November 1960 until December 1978 when the Johannesburg stock exchange moved to its present home in Diagonal Street.

On November 8, 1995, the Johannesburg Stock Exchange launched the biggest shake-up in its history, throwing open its door to foreign and corporate members. The move, part of a broader deregulation package designed for the entire local and international investors, parallels the London stock markets ''Big bang'' of 1986 although changes have been phased on over time. These included closing the open-outcry market floor in favour of automate (electronic) trading, introducing dual trading capacity, negotiated brokerage and extensive new measures for protecting investors.

In 1996, the marketable securities tax was halved and Johannesburg Equity Trading (JET)

System was introduced. In same year the Exchange's market capitalization stood at US$241bn, its all share-index increased by 6.9% while its All-Gold index increased by 12.1%. In 2004, its market capitalization is US$386.8bn.

Kenya

The history of the Kenya market dates back to the days of British Colonial rule, stocks and share were traded throughout the 1920's but there were no formal market to provide rules and regulations and all deals were based on gentleman agreement. Stock broking activities were conducted by an assortment of lawyers, accountants, estate agents and auctioneers who exchanged prices at informed meetings.

In 1954 an official exchange was established. Nairobi Stock Exchange (NSE) as a voluntary association, involving stock brokers registered under the Securities Act. After obtaining a clearance from the London Stock Exchange recognizing the NSE as an overseas stock exchange, the NSE was finally formalized. This recognition was pivotal in establishing the credibility of the NSE. However participation in the exchange was limited to resident of European origin in terms of colonial laws. Regulations excluded members of the African and Asia communities from certain financial activities including the holding of quoted shares.

In 1963, Kenya gained independence. Racist restrictions on trading were removed but the history of exclusion made it difficult for most Kenyans to view the stock exchange as a means of economic empowerment. At the same time, post independence uncertainly caused the market to decline.

Evidence of strong economic growth between 1963 and 1966 revived investors confidence, and the exchange subsequently handled various heavily over subscribe of public issues. Market growth continued until 1972 when the oil crises caused a sharp decline in Kenya's economy. In 1975, a 35% capital gain tax was introduced exacerbating the market slump. The Kenya government began developing and implementing economic policy reforms in the early 1980s. Sustainable development and creation of a stable efficient financial system were recognized as priorities. Reforms aimed to build an active private sector and lesson the demand of public ventures. A programme of public sector rationalization was implemental in an effect to stimulate capital market growth and broaden the base of ownership. The International Finance Corporation (IFC) produced an influential study on the development of money and capital in Kenya and in 1984, the document became a guide for structural reforms in the market. A proposed increase in capital gain tax was suspended in 1985. A new regulatory body, the Capital Market Authority (CMA) was formed in 1989 in accordance with the recommendation in the IFC study and operates as a mechanism for the development of national capital markets.

The Nairobi Stock Exchange (NSE) was registered under the companies Act of 1991 and subsequently abandoned its "call over" arrangement in favour of a floor-based "open outcry" System. In 1994, the exchange moved to the nation center a more accommodating venue. The modernization process continued with updating of computer technology and the introduction of sophisticated electronic trading system.

At the end of 1994, Kenya was proclaimed "world's stock market performer" ahead of 67 other stock markets. It received the honour after a 174% increase in its price index in US dollar terms. Its market capitalization at 1996 was US$1864.2m with a value of US$72.5m and US$113.66 respectively. Its market capitalization in 2004 is US$3.7bn.

3. METHODOLOGY

The data for this study were mainly secondary data sourced from Central Bank of Nigerian (CBN), Federal Office of Statistics (FOS), and most importantly the Nigerian Stock Exchange (NSE). Specifically relevant handbills, bullions, annual reports, financial reviews, government publications, journals, magazines and various papers were used in this study.

The study employed both descriptive and regression analysis. The regression analysis, which is a parametric test, is used to test the independent and dependent variables which are both in internal scale. This statistical tool was chosen because of its ability to establish relationships and discover the nature of the relationship between the variables and whether such relationships are significant.

The model is expressed simply as thus

$$Y = a + bx$$

Where

Y = is the dependent variable

x = is the independent variable

$$b = \frac{n(\sum yx) - (\sum y)(\sum x)}{n(\sum x^2) - (\sum x)^2}$$

= variable coefficient

$$a = \frac{\sum y}{n} - b\frac{\sum y}{n} = \text{constant}$$

n is the sample size.

In the study, the Nigerian stock exchange market capitalization (NSEMC) is the dependent variable while those of other African stock

Exchanges (ASEMC) is the independent variable.

After the calculation of 'Y' the next step is to compute the coefficient of determination which shows the level of variations in the dependent variable that is explained by variation in the explanatory variable. The coefficient of determination varies from 0 to 1. If 0, it means that none of the variation in 'y' is explained by the 'x' variables. Whereas if it is 1, it indicates that 100 percentage of the variation in 'y' is explained by 'x'

It is calculated as.

$$r^2 = \frac{\sum(y-\bar{y})^2 - \sum(y-yp)^2}{\sum(y-\bar{y})^2}$$

where $\sum(y-\bar{y})^2$ is total variance in dependent variable

$\sum(y-yp)$ is variance explained by the regression equation

yp is the predicted value of the dependent variable

$$\bar{y} = \frac{y}{n} \text{ or } \frac{\text{dependent variable}}{\text{number of sample}}$$

In order to measure the relationship between the dependent and independent variable the coefficient of correlation was used. It reveals whether the relationship between the variables is positive or negative. It is the square root of the coefficient of determination and range from -1 to + 1. It is calculated as

$$r = \sqrt{\frac{\sum(y-\bar{y}) - \sum(y-yp)^2}{\sum(y-\bar{y})^2}}$$

or

$$r = \frac{n(\sum xy) - (\sum x)(\sum y)}{\sqrt{(n(\sum x^2) - (\sum x)^2)\ (n(\sum y^2) - (\sum y)^2)}}$$

To measure how significant the relationship between the variables is, the t-test of significance is used. This was chosen because the sample size is less than 30. It is calculated as

$$t = \frac{\sqrt{n-2}}{\sqrt{1-r^2}}$$

with n-2 degree of freedom

The rule of thumb when using t-test is that if the computed t falls within the region of the critical (tabulated) t the null hypothesis should be accepted. Otherwise reject.

4. DESCRIPTIVE AND REGRESSION ANALYSIS AND FINDINGS

4.1 Descriptive Analysis and Findings of Selected African Stock Exchanges

In evaluating the performance of the Nigerian Stock Exchange vis-à-vis other African Stock Exchanges, their market capitalization, returns on investment price earnings ratio and divided yield where used a shown in table 1. In accessing the market capitalization in US dollar, Nigeria is ranked 6th position with the largest market capitalization of $11.5bn out of the 19 Stock Exchanges in Africa. Although this is encouraging but not impressive when compared with its South African, North African, Sub-Sahara ex S.A, Egypt and Morocco counterpart with market capitalization of $386.8, 650.0, 27.4, 307.1 and 25.0 billion respectively.

The return on investment which measures the efficiency with which firms utilize the total fund provided by its creditors and owners in generating profit has also ranked Nigerian Stock Exchange 10th which means that the firms quoted on the Nigerian Stock Exchange are not efficiently utilizing its owners fund in generating profit when compared to its Zimbabwean counterpart whose return on investment is 160%.

The Price-Earning Ratio (P/E) which shows the number of times, months or years it takes the investors earnings to yield its current market price of the security. It also relates the earnings per share to the market price per share which shows, the investors confidence in the future performance of the firm thereby increases the price per share. It should be noted that the higher the earnings yield or return on investment, the better the securities traded on the exchange. Since this is the inverse of the price earnings, it means that the lower the price earning the better the securities. From this, the Nigerian Stock Exchange, which has the highest forward and historic price-earning ratio, takes investors the longest period of time to recover the current price of its securities.

The divided yield is used to measure the return on investment as it shows the relationship between the dividend per share and the current market price per share. It allows an investor useful and meaningful comparison with other equally risky shares of competitive companies.

This analysis shows that the firms quoted on the Nigerian stock Exchange pays the 6th least dividend in relation to its stock prices. It also means that the Nigerian investors are not sensitive to cash return on their investment as the higher the dividend yield the better for the investor.

4.2 REGRESSION ANALYSIS AND FINDINGS

The regression analysis is aimed at testing the hypothesis, which states that there is no significant relationship between the market capitalization of the Nigerian Stock Exchange and those of other African Stock Exchanges.

The variables which have been computed as shown in Appendix 1 are substituted into the regression equation.

$$NSEMC = a + bASEMC$$

$$b = \frac{n(\sum xy) - (\sum y)((\sum x)}{n(\sum x^2) - (\sum x)^2}$$

$$= \frac{18(6438.85) - (207 \times 556.9)}{18(156635.27) - (556.9)^2}$$

$$= \frac{115899.3 - 1115278.9}{2819434.86 - 310137.61}$$

$$= \frac{621}{2509297.25}$$

b = 0.0002474796479 or 0.00025

$$a = \frac{\sum y}{n} - b\frac{(\sum x)}{n}$$

$$= \frac{207}{18} - 0.00025\frac{(556.9)}{18}$$

= 11 .5 – 0.00025 (30.94)

= 11.5 -- 0.007735

= 11.49

NSEMC = 11.49 + 0.00025ASEMC

This means that for every \$1 billion change in market capitalization of other African Stock Exchange there is a 0. 00025 increase in the market capitalization of the Nigerian Stock Exchange.

Coefficient of Determination

$$r^2 = \frac{\sum(y-\bar{y})^2 - \sum(y-yp)^2}{\sum(y-\bar{y})^2}$$

$$= \frac{0 - 0.008790204375}{0}$$

= - 0.008902004375

This shows that the regressi equation (yp =11.49 + 0.00025x) capable of explaining nothing ab the total variation observed in dependent variable, Nigerian Sto Exchange Market Capitalizati (NSEMC)

Coefficient of Correlation

$$r^2 = \frac{\sum(y-\bar{y})^2 - \sum(y-yp)^2}{\sum(y-\bar{y})^2}$$

$$= \sqrt{-0.008902004395}$$

= .09375or 9.38%

This shows that there exist a posit relationship between the mar capitalization of the Nigerian St Exchange and those of other Af countries.

Test of Significant

$$t = \frac{r\sqrt{n-2}}{\sqrt{1-r^2}}$$

with n – 2 degree of freedom

$$= \frac{.094\sqrt{18-2}}{\sqrt{1-(-0.0089202004)}}$$

$$= \frac{0.094\sqrt{16}}{\sqrt{1.0089202}}$$

$$= \frac{0.094 \times 4}{\sqrt{1.0089202}}$$

$$= \frac{0.376}{1.000445} = \mathbf{0.374}$$

$t^* = \pm 2.120$

Since the calculated t falls within the acceptance region of the critical t (t*), the hypothesis is accepted.

This then shows that there is actually no significant relationship between the market capitalization (MC) of the Nigerian stock Exchange and that of other African countries. This may be as a result of the dispersion of the market capitalization figures of various African countries. For example South Africa's market capitalization is $386.8bn while Mozambique and Uganda have the lowest market capitalization of $0.1bn each. Although Nigeria is in the top six (6) in African, its market capitalization can not compared with those of the other top five (5) countries (which include South African ($386.8bn), North Africa ($65bn), sub-Sahara Ex.S.A ($27.4bn) and Morocco ($25bn).

This also shows that most Stock Exchanges in Africa are still in the infancy and remotest stage and are not moving along with the world market. This could be as a result of high rate of poverty, illiteracy, economic and political instability, dictatorship in leadership e.t.c.

With the deregulation of various capital markets, the activities **of each market is expected to compliment the effort of others thereby allowing Exchange to grow.** However, this has not been the case with Africa as some of the Exchanges are very big while others are so small that their impact are rarely noticed or felt. This perhaps explains why there is no significant relationship between the market capitalization of Nigerian Stock Exchange and those of other Africa countries.

5. RECOMMENDATIONS AND CONCLUSION

Based on our findings and discussions, the following recommendations are proffered.

The Nigerian Stock Exchange (NSE) and other Exchanges in Africa should engage on a more aggressive educational programme to enlighten management of companies, the investing and the general public on the reliance of Stock Exchange. They should also go as far as including a subject on *Investment Education* in the curriculum of both primary and secondary schools.

They should seek unlisted local manufacturers, educate them and encourage them to use the exchange as a source of long term financing and get enlisted too.

They should set ethical principles and standards of honesty.

fairness, diligence, competence and integrity for market operators.

They should improve on the creation of new instruments such as futures, options and other forms of derivatives in order to increase the supply of securities.

The federal, state, local governments in Nigeria in particular and/or indeed Africa in general should patronize indigenous goods and services to enhance the continent's productivity which will increase her GDP and lead to economic growth.

It is strongly believed that if these recommendations are implemented it will help to hasten up the achievement of specific and broad objectives of the Nigerian Stock Exchange and other Stock Exchanges in Africa especially in the wake of liberalization, globalization, equity finance- oriented economies, information technologies, reduced government interest in the private sector through privatization and other reform programmes.

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TABLE 1: PERFORMANCE OF SELECTED AFRICAN STOCK MARKET IN 2004.

COUNTRIES	MARKET CAPITA-LIZATION in US$ Bn	CAPITAL %	RETURN ON INVESTMENT %	P/E HISTORIC %	P/E FOR-WARD %	DIVIDEND YIELD %	DIVIDEND COVER
South African	386.8	80.7	44.0	25.8	20.0	2.2	2.73
Nigeria	11.5	2.4	24.4	28.0	20.0	3.0	1.48
Kenya	3.7	0.8	4.0	17.2	15.0	4.4	1.59
Botswana	2.4	0.5	19.9	13.7	11.0	6.8	1.06
Mauritius	2.3	0.5	20.0	13.7	9.0	6.1	2.08
Cot D'voire	2.0	0.4	23.3	9.5	8.0	9.6	1.17
Ghana	1.8	0.4	87.6	27.3	20.0	2.3	2.13
Zimbabwe	1.8	0.4	160.0	5.8	4.0	2.2	16.16
Tanzania	0.7	0.1	1.6	9.9	8.0	9.8	1.03
Namibia	0.4	0.1	35.4	10.3	7.0	14.8	1.15
Zambia	0.3	0.1	60.1	16.1	11.0	6.2	1.4
Malawi	0.2	0.0	83.9	2.6	2.0	11.3	1.83
Mozambique	0.1	0.0	0.2	13.8	9.0	5.1	1.43
Uganda	0.1	0.0	12.9	10.9	8.0	6.4	1.7
Sub-sahara Ex. Sa	27.4	5.7	29.3	20.0	14.9	4.6	2.49
Egypt	32.1	7.7	109.1	26.2	18.0	1.7	1.52
Morocco	25.0	5.2	22.2	21.6	17.0	3.5	1.63
Tunisia	2.8	0.6	4.4	11.9	10.0	4.3	2.33
North Africa	65.0	13.6	71.9	23.8	14.0	2.5	1.6
Africa	479.1	100.0		25.2	19.3	2.4	2.56s

Source: Africa Emerging Market Reports, U.K from The News Magazine (pgs 38 and 40) February 21 and 28, 2005.

Appendix I: REGRESSION TABLE

S/No	Market Capitalization of NSE in US $ bn (Y)	Market Capitalization of Other African Stock Exchanges (X)	Y^2	X^2	XY	$Y_p = a + bx$	$Y - \bar{Y}$	$(Y - \bar{Y})^2$	$Y - Y_p$	$(Y - Y_p)^2$
1.	11.5	386.8	132.25	149614.25	4448.2	11.5867	0	0	0.0867	0.00751689
2	11.5	7.7	132.25	13.69	42.55	11.490925	0	0	0.009075	0.00082355625
3	11.5	2.4	132.25	5.76	27.6	11.4906	0	0	0.0094	0.00008836
4	11.5	2.3	132.25	5.29	26.45	11.490575	0	0	0.009425	0.000088830625
5	11.5	2.0	132.25	4.0	23.0	11.4905	0	0	0.0095	0.00009025
6	11.5	1.8	132.25	3.24	20.7	11.49045	0	0	0.00955	0.0000912025
7	11.5	1.8	132.25	3.24	20.7	11.49045	0	0	0.00955	0.0000912025
8	11.5	0.7	132.25	0.49	8.05	11.490175	0	0	0.009825	0.000096530625
9	11.5	0.4	132.25	0.16	4.6	11.4901	0	0	0.0099	0.00009801
10	11.5	0.3	132.25	0.09	3.45	11.490075	0	0	0.009925	0.000098505625
11	11.5	0.2	132.25	0.04	2.3	11.49005	0	0	0.00995	0.0000990025
12	11.5	0.1	132.25	0.01	1.15	11.490025	0	0	0.009975	0.000099500625
13	11.5	0.1	132.25	0.01	1.15	11.490025	0	0	0.009975	0.000099500625
14	11.5	27.4	132.25	750.75	315.1	11.49685	0	0	0.00315	0.000099225
15	11.5	37.1	132.25	1376.41	426.65	11.499275	0	0	0.00725	0.000000525625
16	11.5	25.0	132.25	625.0	287.5	11.49625	0	0	0.00375	0.0000140625
17	11.5	2.8	132.25	7.85	32.2	11.4907	0	0	0.0093	0.00008649
18	11.5	65.0	132.25	4225.0	747.5	11.50625	0	0	0.00625	0.0000390625
	207	556.9		156635.27	6438.85					0.008790204375