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**THE ROLE OF NIGERIA CAPITAL MARKET IN THE GROWTH OF THE  
INDUSTRIAL SECTOR**

**(A CASE STUDY OF UNILEVER BROTHERS NIGERIA PLC)**

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**Thesis Abstract**

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The key aim of this thesis is to identify and discuss the contribution on the roles of the Nigerian capital market in mobilizing long-term finance for the development of the industry sector. Another aim is to examine the activities of the Nigerian industrial sector, to identify the problems and prospect of the Nigerian capital market in financing and sustaining industrial enterprises. Most of the information for the study was obtained from secondary sources; they were extracted from the Central Bank of Nigerian Publication 2005 and business newspapers. The capital market is a financial institution set up for the granting of medium and long-term instruments. It is an instrument of financing the operations of various sectors of the Nigerian economy. This study also analyses the economies of developing countries e.g. the African economy in brief and discusses the 5 major economies in Africa, the largest economies in West Africa, and their rankings in the world. Nigeria has the biggest economy in West Africa, the 3<sup>rd</sup> in Africa, and occupies the 30<sup>th</sup> position in the world.

Keywords: Nigerian capital market, Industrial sector, Stock market, Stock exchange

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**Abbreviations**

AIHN	Association of Issuing Houses of Nigeria
ANAN	Association of National Accountants of Nigeria
ASCE	Abuja Securities and Commodity Exchange
ASI	All Share Index
CBN	Central Bank of Nigeria
CIS	Chartered Institute of Stockbrokers
FDI	Foreign Direct Investment
FGN	Federal Government of Nigeria
NCM	Nigeria Capital Market
NGN	Nigeria Naira
NGSEINDEX	Nigeria Stock Exchange Index
NSE	Nigerian Stock Exchange
SME	Small and Medium Enterprises
VAT	Value Added Tax



## 1 INTRODUCTION

The Nigerian capital market has always played a significant role in the economic growth and development of the nation. In time of economic boom, it assisted in the provision of finances for expansion, retooling and establishment of production facilities. Also in current period of recession it has been providing finance for maintaining existing facilities diversification and acquisitions. The capital market spearheads the ongoing prudential structural adjustment of our national economy which will call for huge financial commitments of a reasonable proportion of the financial needs. Under this structure re-arrangement will certainly be met through the assistance of the Nigerian capital market.

A said feature of the Nigeria economic landscape is the large number of industrial project of the Federal and state government as well as the compelling of an unequipped private sector to assume greater responsibilities in the economy in order to who it may concern reduces the domineering status of foreign bodies. The oil boom of the 1970s made it possible for government to embark on various industrial projects.

However, the non-completion or underutilization in cases where some of them are fully executed of these projects amounts to a waste of scares services resources under the government industrialization program, consideration are given to the small and medium scaled enterprises (SME) which form the center of the industrial development of the country. Unfortunately, the SME's are only living in the shadows of large business for so long hence their importance as roots to the economic health of a nation have been forgotten. The problems of SME's ranges from improper policies which have been constitutes by the authorities guiding them to the problems as well as the Nigeria citizen with regards to foreign products as well as the problems of finance for the formation and sustenance or SME's.

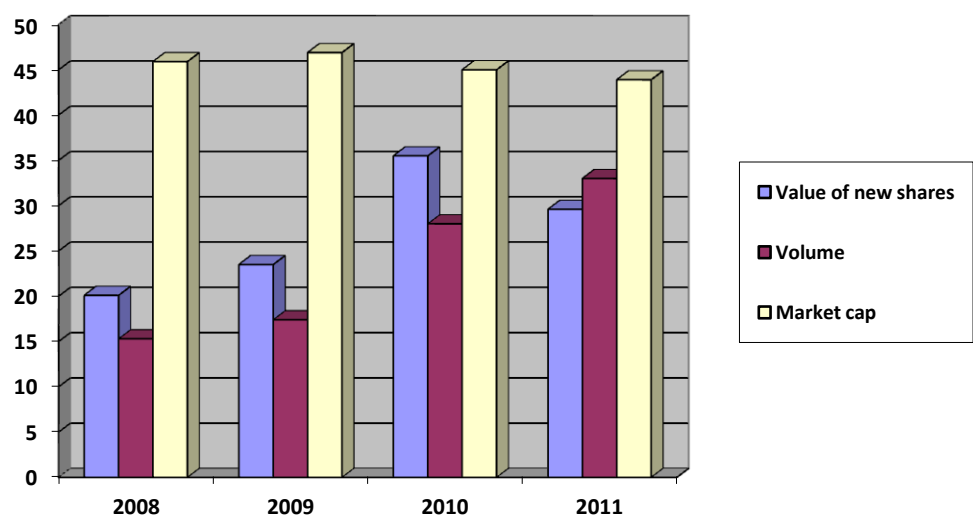
## 1.1 Needs for the study

The study “role of the capital market in the growth of the Nigerian industrial sector” is designed for us to understand and appreciate the important and functions of the capital market in shaping work done on this topic by various researchers and analysts. It has not in any way duplicate previously studies or investigating rather it has its goal as trying to improve on what has already been done.

The study and research thereby for is necessary because:

- ✚ It tries to find new ways and methods of Applying the capital market concept so as to improve the performance of the industrial sector
- ✚ Government and the enterprises would take advantage of the /suggestion and recommendations, the study make results oriented industrial policies
- ✚ It encourages the researchers, investigators, academics professional and analysts on the need for the researcher work and more studies on this issue.

Figure 1. Market capitalization, Volume and value of new shares in Nigeria (Okeife 1994, 23)



This trend in the market performance shows factors such as:

- Enhancement of government firm corporation performance
- The improvement of the overall Nigerian Macroeconomic environment outlook and it's socio-political stability

- The market liquidity which may arise from the increased portfolio of foreign direct investment

## **1.2 Statement of the problems**

The Nigerian industrial sector in spite of the great potential has failed to achieve the great aim of converting Nigeria into industrialization country' on like (Okeife 1994, 7) stated that there is apathy of our indigenous companies to see quotation on the stock exchange second tier securities market was established to remove the obstacle that militate against indigenous companies seeking quotation and to provide wider and cheaper long term source of financing for small and medium sized indigenous companies. In spite of this most of our indigenous companies still shy away from the stock market, some causes of these are the requirement of the stock exchange which has been developed over the year. Based on the above analysis these question arise why do out industrialist only away from the capital market in spite of its numerous benefits? Does our industrialist lose their enterprises by quotation in the capital market? Are the disadvantages of capital market out weighting the advantage? This research work seeks to answer these questions.

### **1.3 Objectives of the study**

As we have ascribed the role of Nigerian capital market in industrial growth of the country, the study is aimed at:

- a. To examine the activities of the capital market and the direct impact it had on the Nigerian industrial sector
- b. To know the problem prospects of Nigerian capital market in financing and sustaining industrial enterprise
- c. To make recommendations on how the activities of the Nigerian capital market can be improved to further the industrial growth in Nigeria.

### **1.4 Research questions/hypothesis**

Does capital market mobilize long term finance for the development of industrial sector?

- I. How resilient and to what extent has the capital market encouraged business and industrial expansion for economic growth and development?
- II. What are the pertinent factors hindering the activities of the economy?
- III. What role does the capital market exert influence on the performance on the performance of the Nigerian economy?

## 1.5 Assumption of the study

The study shows the role of capital market in growth of the Nigerian industrial sector and is designed for us to understand the important and functions of the capital market. So the research is therefore assumed that:

- It will find new ways and methods of applying the capital market concept so as to improve the performance of the industrial sector.
- Government and enterprises would take advantages of the suggestion and recommendation from the study result oriented industrial policies making use of the capital market.
- It will encourage the researchers' academic and analysis on the need for the research work and more studies on these issues.

## 1.6 Limitations and scope of the study

This study will as much as possible assess the Nigerian capital Market, roles and activities in the economy, and as well as the institutional operator of the Nigerian Capital market and their functions. Also, it will outline the pertinent factors hindering the activities of the Nigerian capital market and possible solution to the problems by taken data that cover period of (5) five years; it will be able to achieve the set objectives of this work. The choice of the period from 2000-2005 quickly calls to mind the industrial situation of the country.

**Time:** due to the hectic academic schedule of the researchers, the researcher was unable to visit more stock market operators and entrepreneur to get a wider view for the study. But the researcher was able to get some useful information from the staffs of the company via telephone interviews.

**Finance:** because the major constraint the researcher encountered this limited his transportation as well as the size of the sample used. He also got time to send questionnaires to the respondent so that minimize his cost of travelling there to organize some personal or face to face interviews.

**Data:** the researchers used secondary data, the problems here is that some companies in most case are unwilling to give the necessary information thus hindering the research in some point.

## 2 LONG TERM FINANCING FOR PRIVATE COMPANIES

The initial capital that is required to start up a business is usually provided by the entrepreneur himself or his immediate family, or however can have resource for financing a growing business. When a private company decides to raise a capital outside of the family it can seek funding from several potential sources like: Institutional investors, venture capital firms, and corporate investors (Berk J, Demarzo P & Harford J, 2010, 412):

**Institutional investors:** Institutional investors such as insurance companies, pension funds, endorsement, and foundations manager large amount of money. Institutional investors may invest directly in private firms, or they might as well become limited partners in venture capital firms by investing indirectly.

**Venture Capital Firms:** Venture capital firms is a limited partnership that specializes in raising money( capital) to invest in the private equity of younger firms. Institutional investors for example pension funds are the limited partners in the venture capital firms and they general partners in venture capital firm are known as venture capitalists, they work for as well as run the venture capital firm.

**Corporate investors:** Many established corporations purchase equity in younger, private companies. A corporation that invests in private companies is referred to by many names, which includes corporate investors, corporate partner, strategic partner, and strategic investors.

### 2.1 Securities and Valuations

When a company founder decides to sell equity to outside investors, it is common practice for private companies to issue preferred stock rather than common stock to raise the capital. Preferred stock issued by mature companies such as banks usually have a preferential dividend and seniority in any liquidation. (Jonathan B, 2010, 414)

## 2.2 Corporate debt

Corporate debt can be private debt, which is negotiated directly with the bank, group of investors, or as well as public debt, which trades in a public market. (Berk J, DeMarzo P, & Harford J, 2010, 420):

**Private Debt:** the first debt financing many young firms undertake is a bank loan. However, even very large, established firms use bank loan as part of their companies financing. But however bank loans are example of private debt, because they are those debts that are not publicly traded. The private debt market is often bigger than the public debt market. There are several segments of private debt market which includes: banks loans (term loans and line of credit)

**Public Debt:** A public bond issue is similar to a stock issue. A prospectus for a public offering must include a formal contract, or an indenture that specifies the company's obligations to the bondholders. This contract is actually written between the bond issuer and a trust company that represents the bondholders and makes sure that the terms of the indenture are enforced. Corporate bonds have historically been issued with a wide range of maturities. Most corporate bonds have maturities of 30 years or less.

## 2.3 Secured and Unsecured Corporate Debt:

There are four types of corporate debt which are typically issued: notes, debentures, mortgage bonds, and asset-bonds.

**Unsecured debt:** is a type of corporate debt that occur in the event of a bankruptcy, and it gives they bondholders a claim to only the assets of the firm that are not ready pledged as collateral on the other debt. And is a type of unsecured corporate debt with maturities shorter than ten years (Jonathan B 2010; Peter D, 2008):



**Debentures:** Is a type of unsecured corporate debt with their maturities up to 10 years or longer.

**Secured debt:** A type of corporate loan or debt security in which specific assets are pledged as a firm's collateral that bondholders have direct claim to in the event of a bankruptcy.

**Mortgage bonds:** Is a type of secured corporate debt in which the real property is pledged as collateral often times.

**Asset-backed bonds:** Is the type of secured corporate debt in which a specific assets are been pledged as collateral.

**Seniority:** A bondholder's holds priority, in the case of default event, in claiming assets not already securing other debt.

**Domestic bonds:** Domestic bonds are those bonds which are issued by a local entity, denominated in the local currency, and are traded also in the local market, but are been purchased by foreigners.

**Foreign bonds:** Bonds issued by foreign company in a local market and are intended for local investors. They denominate in the local currency also.

**Eurobonds:** Bonds which are international and are not denominated in the local currency of the country in which they are been issued.

**Global bonds:** Are those bonds that are been offered for sale and are accepted by several different markets.

**Bond Covenant:** Covenants are restrictive clauses in a bond contract that limit the bond issuer from taking actions which might undercut its ability to pay back the bonds. This covenant are there to protect debt holders in cases like this "is known that managers work for the equity holders and sometimes there are some certain

actions they can take that will benefit the equity holders at the expense of the debt holders”.

Figure 2. Nigeria’s Economic Growth (Anyanwu, 1993, 54)

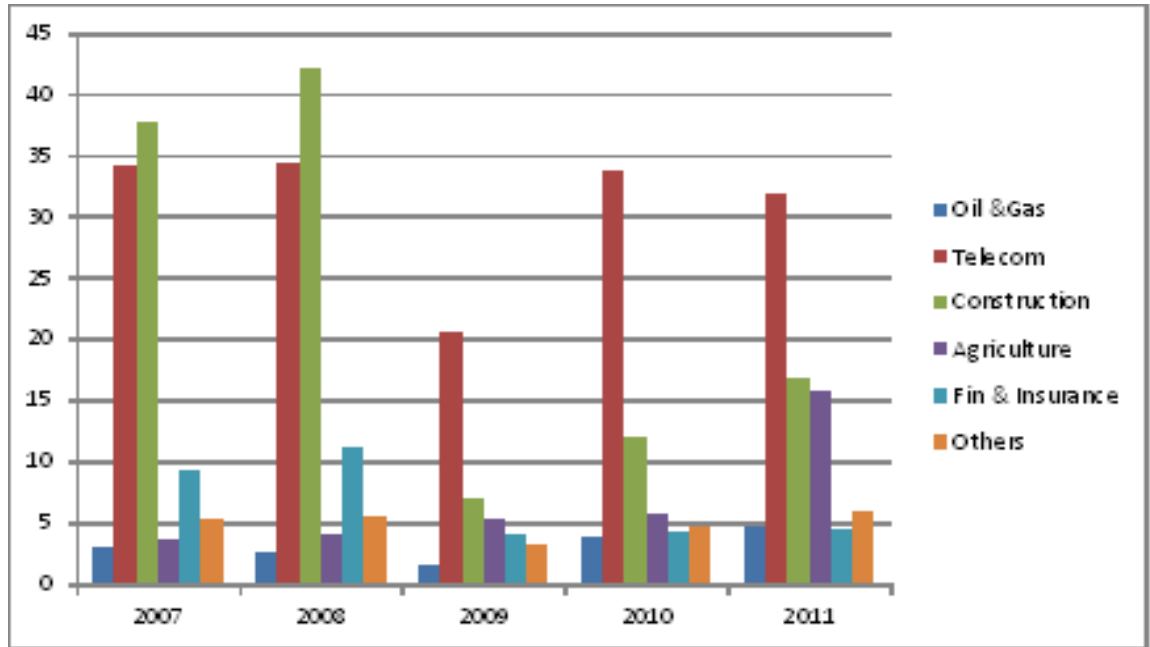
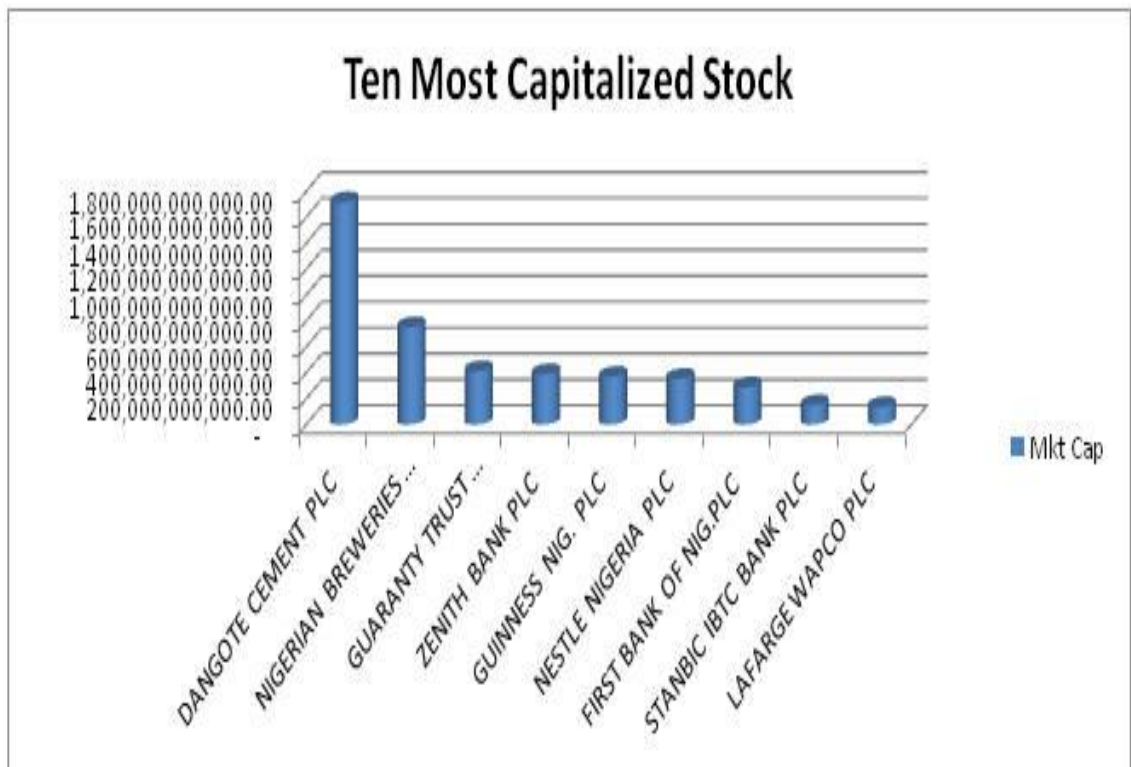


Figure 2. Nigeria’s Most Capitalized Stock (Onyebuchi Ejiogu, 2012, 13)



## **Advantages of Covenants**

One might expect that the equity holders would try to include a few covenants as possible in a bond agreement, that might not be the case, because the stronger the covenants in the bond contract, the less likely the firm will default on the bond and though the lower the interest rate then investors are expected to buy the bond. So that's to say that by including more covenants, firms can reduce their cost of borrowing.

## **2.4 Economic and Industrial Development:**

In terms of economic growth and industrial stability, 2001 was one of the toughest years on record, especially in IT industry (Information Technology). It was triggered by the collapse of the hyper-inflated dot-com sector, Q3 of calendar year 2001, the USA economy soften considerably, and there was a dramatic slowdown in the business investment, surrounded by the events of September 11, it tipped U.S into its first recession in a decade. During that period the world's three leading economies slowed simultaneously for the first time since 1974. Then the European economy was stalled, and then Japan struggled to fight both deflation and recession same year. These factors had a significant impact on HP's Fiscal year 2001. (Sullivan, Daniels, & Radebaugh, 2007, 185)

## **2.5 Elements of the Economic Environment and Development**

**Gross National Income (GNI):** it measures the income which is generated both by total domestic production as well as its international production activities of national companies. GNI is the value of all production in the domestic economy plus the net flows of factor income (such as rents, profits, and labor income) from abroad during a one-year period. (Daniels, Sullivan and Radebaugh, 2007, 187)

**Gross Domestic Product GDP:** is an essential part of GNI and is the total value of all goods and services which are produced within a nation's borders over a

period of one year, it doesn't matter if is domestic or foreign owned companies who make the product. And it is useful to use GDP in a country where its output is based on the multinational sector. (Daniels, Sullivan and Radebaugh, 2007, 187)

### 3 RESEARCH ENVIRONMENT

#### The 5 Largest Economies in Africa

**South Africa: The Largest African Economy:** South Africa is the only country in Africa that is part of the BRICS (Brazil, Russia, India, China and South Africa). Last year study shows that the BRICS could become one of the four most dominant economies of the world by 2050. And its GDP is estimated around USD 524 billion, they main contribution of that is from the service sector which has 66.7 percent, followed by its industrial sector at 30.8. Agriculture in the other hand is unimportant compare to the rest of African continent, contributing just 2,5 percent in the GDP. (Nitin Mehta, 2012, 10).

**Egypt: Second In Africa:** With about 82.5 million in population and an economy size of around USD 497.88 billion, Egypt is ranked second biggest economy in Africa. It also has one of the most developed and diversified economies in the Middle East. Agricultural, industrial and services sectors represent almost equal rates in its national production. But, despite the high levels of economic growth in the country over the past few years, life conditions for the average Egyptian still remains poor. (Nitin Mehta, 2012, 10)

**(Nigeria) Third in Africa:** Nigeria is the Preferred Destination for Investment in Africa, with its GDP of USD 413.4 billion which is provided by the industrial, agricultural and services sector, and occupied with its growing population of over 173 million making it the African most populous country. The country is ranked first in the top five host economies for foreign direct investment in Africa, due to the fact that over 20 of total FDI flows into the continent. Initial in the 1960s agriculture sector was the center of the growth process with it demands for food crops and production contributing 54.7 %, while the second decade after independence saw the emergence of its oil industry as the main source of growth process. But today Nigeria is a mono-economy country that is highly dependent on oil which accounts more than half of the country's economy with 75% of government's revenue. (Nitin Mehta, 2012, 11)

**Algeria Fourth in Africa:** Algeria is called Hydrocarbon Driven Economy because the economy is largely driven by hydrocarbons and it is estimated at USD 275 billion. But the economy is expected to remain in good condition despite the global uncertainties in economy, and also because of the country's unemployment rate which account for 21.5 % of its population; the country has a population of 37 million with the employment rate of 10 %. The hydrocarbon in Algeria accounts for approximately 60 % of the national budget revenues, which is 30 % of GDP, and they have over 95 % of exports earnings. They are ranked 10<sup>th</sup> in natural gas reserves in the world, they are also sixth in the largest exporter of gas. (Michael Lalor 2011, 12)

**Morocco –The Fifth African Economy by GDP:** Morocco has witness a steady and economic growth with 4.9 % year-on-year. But this year is not the good times for them haven finally passed its 2012 budget after 4 months late. This saw protests outside the parliament unlike what is seen in the country. But the country's economic growth is far more diversified, with the new industrial and service sectors development, but the economic slack from 2.6 in the second quarter compare to what it was in first quarter of 2.8 of 2012 as a result of weakening agricultural and consumption growth which took a toll on their economy. (Michael Lalor 2011, 10)

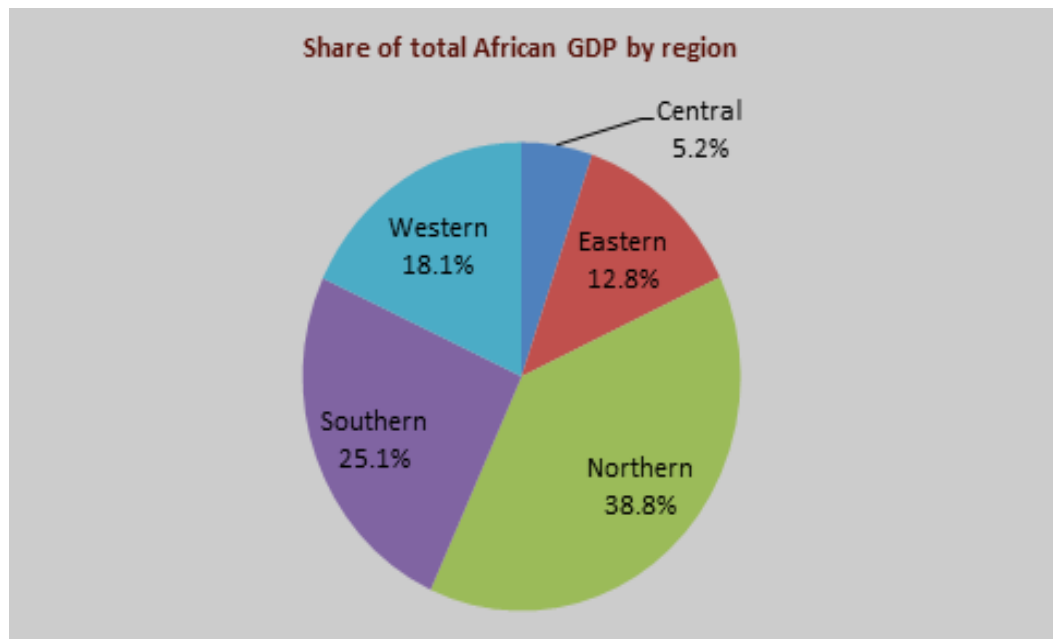
Figure below shows all the African Countries with their world ranking, African ranking, and its estimated GDP in USD millions. "The economic growth that is seen in Africa today is particularly visible in Ghana and Nigeria", (Nitin Mehta, 2012, 10). "These two countries are very rich in oil, gold and cocoa as well, that enables them to maintain stable currencies and continuous growth in their economy."

"South Africa the country topping the list is a great nation with diversified economy", (Michael Lalor 2011, 10). "It's one of the 30 largest economies in the world with its services accounting for nearly 66 % of their GDP". "However, we went ahead to explain that the country is yet to sort out both its domestic and external constraints".

Figure 4. GDP per capita (Purchasing Power Parity 2012)

Africa Ranking	World Ranking	Country	Estimated GDP, \$ millions	Date	Africa Ranking	World Ranking	Country	Estimated GDP, \$ millions	Date
1	26	South Africa	578,600	2012	29	137	Mali	17,350	2012
2	27	Egypt	537,800	2012	30	138	Namibia	16,840	2012
3	31	Nigeria	450,500	2012	31	139	Benin	15,510	2012
4	48	Algeria	274,500	2012	32	141	Rwanda	14,910	2012
5	59	Morocco	171,000	2012	33	142	Malawi	14,580	2012
6	66	Angola	126,200	2012	34	144	Niger	13,530	2012
7	70	Tunisia	104,400	2012	35	149	Guinea	12,250	2012
8	73	Ethiopia	103,100	2012	36	153	South Sudan	9,664	2012
9	78	Libya	87,910	2012	37	156	Mauritania	7,615	2012
10	79	Ghana	83,180	2012	38	159	Zimbabwe	6,909	2012
11	80	Sudan	80,430	2012	39	160	Togo	6,899	2012
12	84	Kenya	76,070	2012	40	163	Swaziland	6,148	2012
13	85	Tanzania	73,500	2012	41	164	Somalia	5,896	2012
14	95	Uganda	50,590	2012	42	165	Burundi	5,489	2012
15	96	Cameroon	50,320	2012	43	171	Eritrea	4,412	2012
16	104	Côte d'Ivoire	39,640	2012	44	173	Lesotho	3,945	2012
17	112	Botswana	31,490	2012	45	174	Central African Republic	3,847	2012
18	114	Equatorial Guinea	28,030	2012	46	175	Gambia	3,495	2012
19	115	D.R. Congo	27,530	2012	47	184	Liberia	2,693	2012
20	117	Gabon	26,710	2012	48	186	The Seychelles	2,410	2012
21	118	Senegal	26,500	2012	49	187	Djibouti	2,377	2012
22	120	Mozambique	26,220	2012	50	191	Cape Verde	2,188	2012
23	123	Burkina-Faso	24,030	2012	51	194	Guinea-Bissau	1,902	2012
24	124	Zambia	23,680	2012	52	205	Western Sahara	906	2007
25	128	Madagascar	21,370	2012	53	208	The Comoros Islands	872	2012
26	129	Chad	21,340	2012	54	214	São Tomé and Príncipe	403	2012
27	130	Mauritius	20,260	2012	55	227	Saint Helena, Ascension and Tristan da Cunha	18	1998
28	132	Republic of Congo	19,270	2012					

Figure 5. ReSAKSS, 2003–2011 annual average values of GDP and parity exchange rates; World Bank (WDI) 2013, accessed October 7



Above figures shows in comparing the geographic regions, with Northern Africa making up the largest share of Africa's economy (38.8 percent of total Gross Domestic Product (GDP) on average in 2003–2011), followed by Southern Africa and then Western Africa. With Central Africa which makes up the smallest share of Africa's economy. And Western Africa makes up the largest share of Africa's agricultural sector (36.4 percent of total agricultural GDP on average in 2003–2011), followed by the Northern part of and the Eastern Africa. Central part of Africa also makes up the smallest share of Africa's agricultural sector as well.



Figure 6. International Monetary Fund: World Development Indicators; Mckinsey Globe Institute (2011, 10)

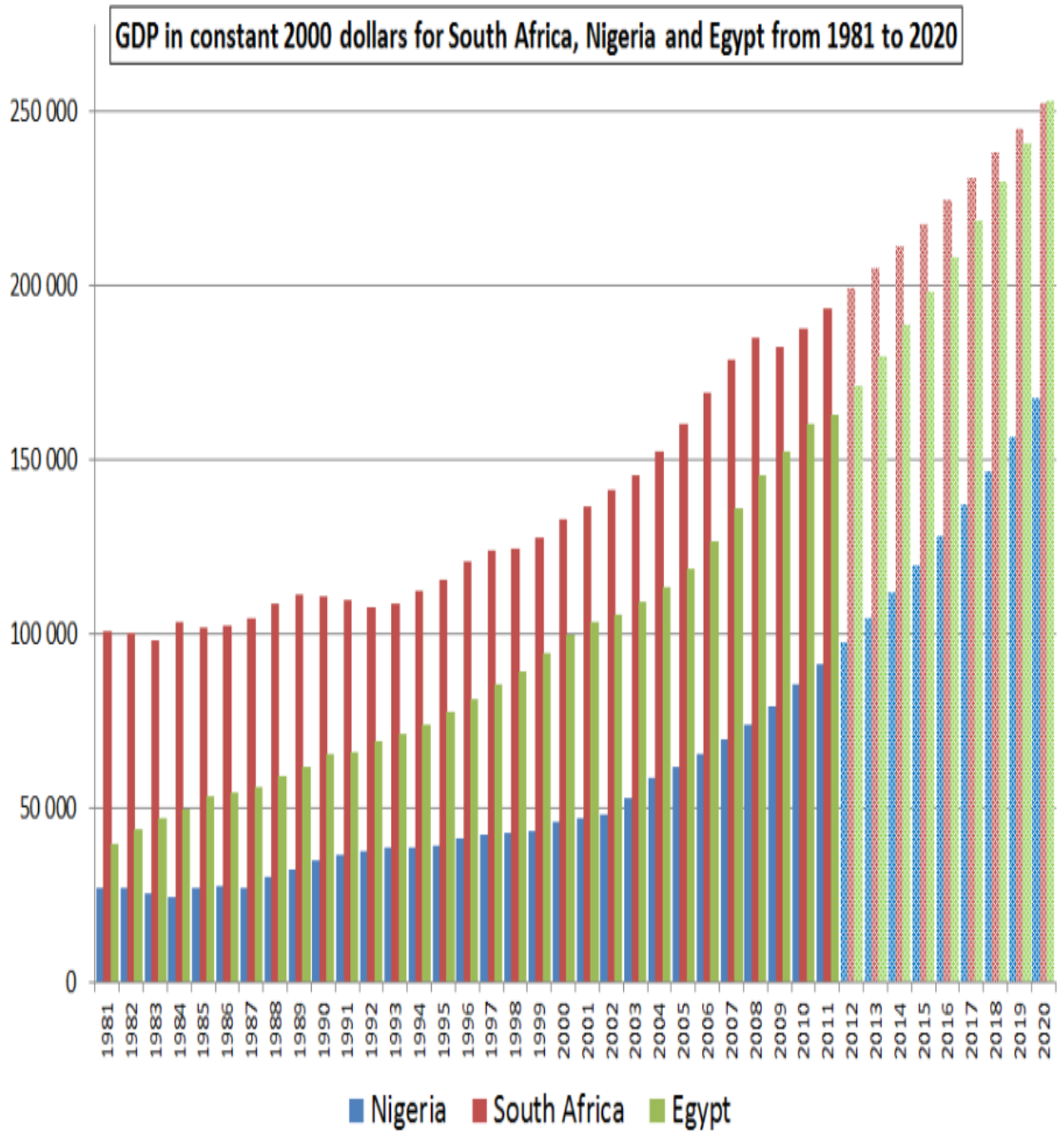
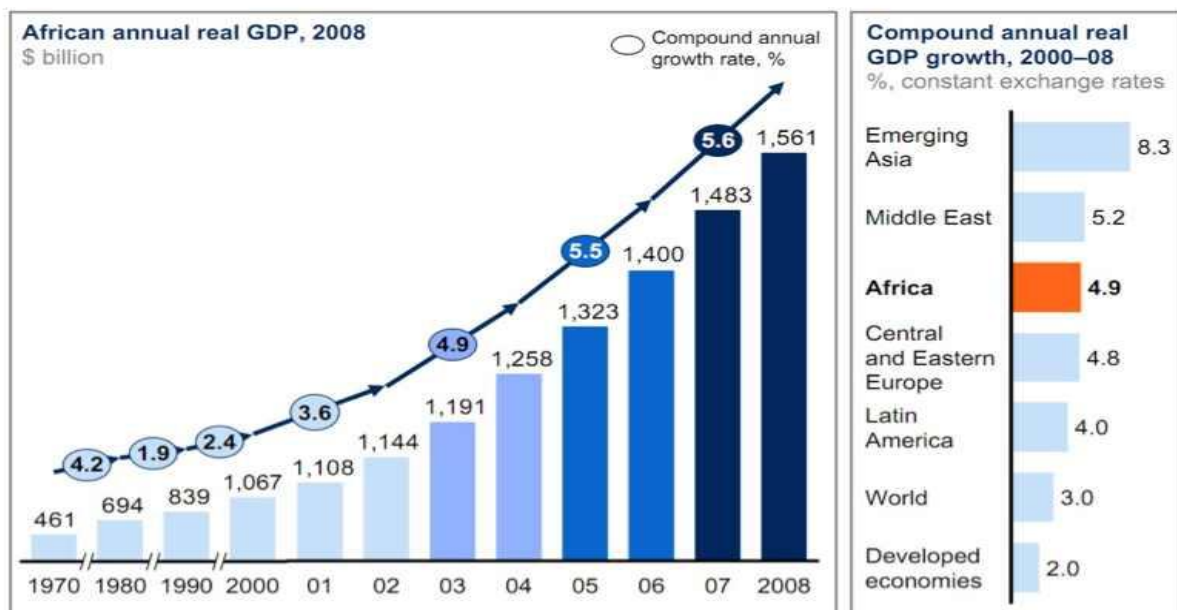


Figure above illustrate the 3 largest economy in Africa which includes; South Africa, Egypt, and Nigeria. and it is seen in the figure also the changes and how

the economy has been growing each year starting from 1981-2020 with South Africa always at the top, followed by Egypt then Nigeria 3<sup>rd</sup>.

Figure 7. International Monetary Fund: World Development Indicators; Mckinsey Globe Institute (2011, 12)

### Africa's economic growth accelerated after 2000, making it the world's third-fastest growing region



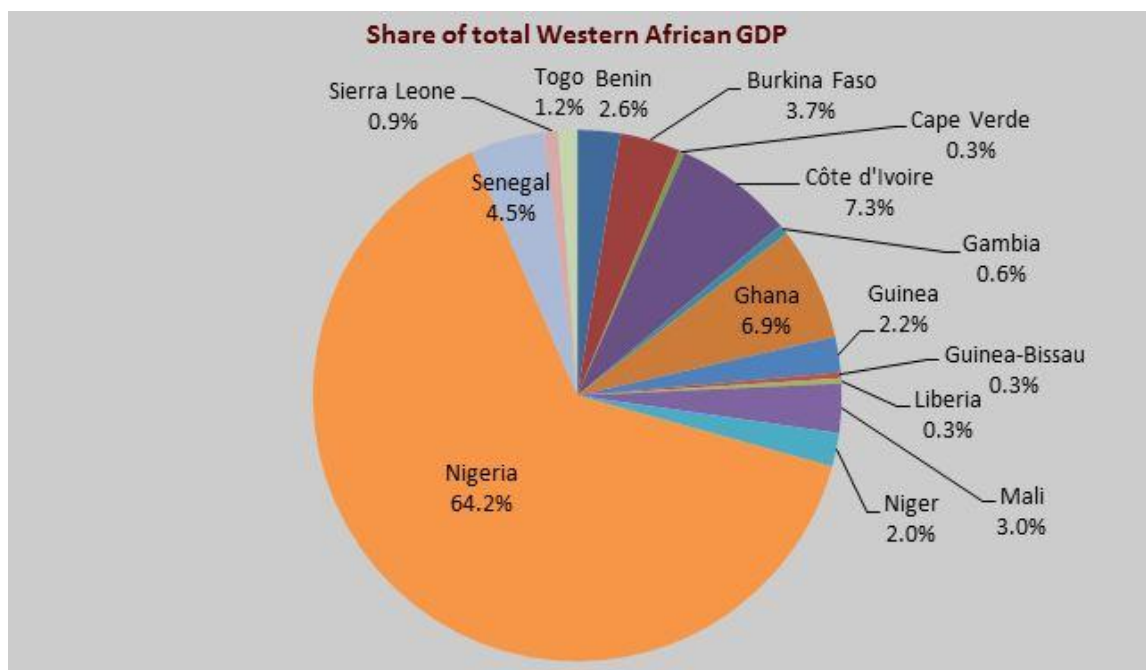
SOURCE: International Monetary Fund; World Bank World Development Indicators; McKinsey Global Institute

At the above figure after looking at the annual compound real GDP growth between 2000, and 2008, Africa is the third after Emerging Asia economy and that of the Middle East. At 4.9 the African region outperformed those of Eastern and Central Europe with a slim margin but well surpasses Latin America economy. Given the current financial climate in the North America and Europe, it is considered that those looking for growth numbers will continue to look to emerging African economies.

### 3.1 The West Africa Economies in 2011

Western Africa are made of fifteen countries: Benin, Burkina Faso, Cape Verde, Côte d'Ivoire, Gambia, Ghana, Guinea, Guinea Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone, and Togo (African Union 2013).

Figure 8. International Monetary Fund: World Development Indicators; Mckinsey Globe Institute (2011, 10)



Source: ReSAKSS, based on 2003–2011 annual average values of GDP and agricultural GDP measured in 2005 international dollars using purchasing power parity exchange rates; World Bank (WDI) 2013, accessed October 7.

### 3.2 The 4 Largest Economies in West Africa in 2011

#### **Nigeria #30 World #3 Africa and #1 West Africa**

GDP- Purchasing Power Parity: US\$ 413.4 Billion (As of 2011)

Contribution of its Industrial Sector in GDP: 32 %

Contribution of its Agricultural Sector in GDP: 30 %

Contribution of its Services Sector in GDP: 38 % (As of 2011)

Population: 155,215,573 (As of 2010)

Unemployment Rate: 4.9 % (As of 2007)

**Ghana: #77 World #10 Africa and #2 West Africa**

GDP- Purchasing Power Parity: US\$ 74.93 Billion (As of 2011)

Contribution of Industrial Sector in GDP: 18.6 %

Contribution of its Agricultural Sector in GDP: 29.9 %

Contribution of Services Sector in GDP: 51.4 % (As of 2011)

Population: 24,233,431 (As of 2010)

Unemployment Rate: 11 % (As of 2000)

**Ivory Coast: #97 World #15 Africa and #3 West Africa**

GDP- Purchasing Power Parity: US\$ 36.0 Billion (As of 2011)

Contribution of Industrial Sector in GDP: 21.3 %

Contribution of Agricultural Sector in GDP: 28 %

Contribution of Services Sector in GDP: 50.7 % (As of 2011)

Population: 20,617,068 (As of 2009)

Unemployment Rate: 40-50

**Senegal: #110 World #17 Africa #4 West Africa**

GDP- Purchasing Power Parity: US\$ 25.15 Billion (As of 2011)

Contribution of Industrial Sector in GDP: 21.7 %

Contribution of Agricultural Sector in GDP: 15.9 %

Contribution of Services Sector in GDP: 62.4 % (As of 2011)

Population: 13,711,597 (As of 2009)

Unemployment Rate: 48 % (As of 2001)

## **Nigerian economy and GDP growth 2011**

Nigeria is the Preferred Destination for Investment in Africa, with its GDP of \$413.4 billion which is provided by the industrial, agricultural and services sector, and occupied with its growing population of over 173 million making it the African most populous country. The country is ranked first in the top five host economies for foreign direct investment in Africa, due to the fact that over 20 of total FDI flows into the continent. Initial in the 1960s agriculture sector was the center of the growth process with its demands for food crops and production contributing 54.7 %, while the second decade after independence saw the emergence of its oil industry as the main source of growth process. But today Nigeria is a mono-economy country that is highly dependent on oil which accounts more than half of the country's economy with 75 % of government's revenue.

In generally Nigerian economy has not performed to its standard and has grossly underperformed with her enormous resource endowment to compare with her peer nations. It is endowed in commercial quantities of about 37 solid minerals types but yet the economic performance has been rather weak which does not reflect these endowments they have. But that are prospects based on the analysis of the economists that Nigeria are very bright with the achievement they have in past 10 years and the current reforms in various sectors, but for Nigeria to reach its goals and move higher in frontlines of development of growth, it must promote high-quality infrastructure, encourage competition in the market and most importantly improve human capital. But there must transparency in its fiscal operations, a firm fiscal policy, strengthening of the financial sector, exchange rate policy and strict adherence to the rule of law of the country.

## The World's Largest Economies 2012

Figure 9. The World's Largest Economies 2012 (IMF 2011 [www.economics.org](http://www.economics.org))

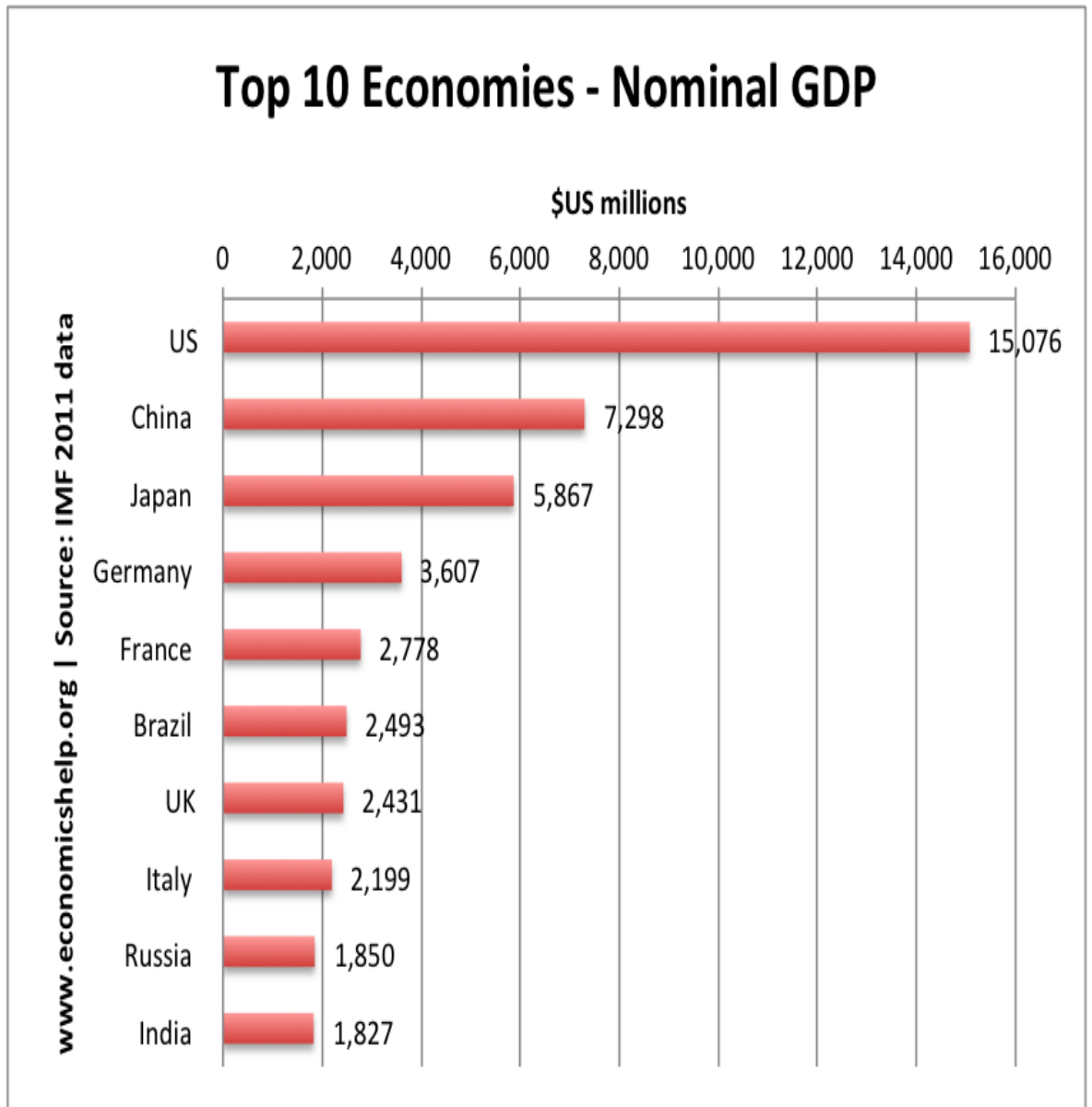


Figure above shows that by 2020 there will be a major shift in the global balance of economy power compared to 2010. The emerging economies will rise in importance and then China will have overtaken the now leaders USA to top the list which will be measured in PPP terms. It believes that the consumer markets in emerging economies will be presented with enormous opportunities but there will be a challenge in the global environment due to their rapid growth.

### **3.3 Unilever Nigeria PLC. (Case Study)**

Unilever Nigeria PLC. It was formerly known as Lever Brothers (West Africa) Ltd but changed its name to Unilever Nigeria Plc. in 2001. The company Unilever Nigeria Plc. was incorporated in 1923 and is based in Nigeria most populous city Lagos. And the company Unilever Nigeria Plc. is a subsidiary of Unilever Overseas Holdings B.V. It has a total of 1,240 employees. They are into manufacturing and marketing of food and food ingredients, personal care and home products primarily in Nigeria its food products includes, margarine under the Blue Band brand name, frozen and ready-made meals under the Knorr brand name, home care products, such as laundry and dishwashing products and the Omo and Sunlight brand names, and products brand name which includes toothpaste, soaps, and petroleum jellies these are under Close UP, Lux, Vaseline, Pears, and Pepsodent brand names. Unilever Nigeria Plc reported earnings results for the year 2011. The company announced that the turnover grew from NGN 46.807 billion in 2010 to NGN 54.724 in 2011, while profit after tax went up to NGN 5.59 billion from the previous NGN 4.180 billion, a 10% increase over the previous results. Earnings per share increased by 31% from NGN 1.11 per share to NGN 1.45 per share in 2011, while operating margin improved from 14.5% in 2010 to 15.0% in 2011.

### 3.4 Developing Countries Economy

The term and phenomenon of globalization began in such a primitive way when humans first settled into different areas of the world; but it has somehow shown a rather a steady and rapid progress in recent times and as well become an international dynamic which are cause due to technological advancements, it has increase in speed and scale, so that all the countries in the continents will be engage in it. The term globalization can be seen as a process that based on international strategies aims to expand business operations on a worldwide standard, and it was precipitated by the facilitation of global communications due to political and environmental development, technological advancements and socio-economic. (Angie Mohr, 2000, 6)

The goal is to provide an organization a superior and adequate competitive position with lower operating costs, so as to gain greater numbers of products, services and consumers. Diversification of resources in business is a strategy which increases the variety of business products and services within different organizations

#### 3.4.1 The Effects of Economic Globalization on Developing Countries

Financial and industrial globalization is substantially increasing and is creating new opportunities for both developing and industrialized countries. But the largest impact has been on the developing countries that are now able to attract foreign investors and foreign capital. It has both positive and negative effect on those countries. (Angie Mohr, 2000, 8)

**Increased Standard Of Living:** Economic globalization gives governments of the developing countries access to foreign lending. When these funds are used by the government in infrastructure including health care services, education, roads, and social services, the increases the standard of living of the country. But if the money is used selectively only for people then not all the citizens will participate in the benefits.



**Access to New Markets:** Globalization leads to free trade between countries; this is its largest benefits to developing countries. In such case where homegrown industries see trade barriers fall they can have access to much wider international market. The growth it generates enables companies to develop new technologies and produce new products and services.

**Widening Disparity in incomes:** Foreign companies and foreign capital creates a reduction in overall unemployment and poverty, it can as well also increase the wage gap which exist between educated and non-educated people. In a longer term, the educational levels will rise as the financial health of developing countries rise, but while in the shorter terms some of the poor people will become poorer, because not everyone will take part in an elevation of living standards. (Angie Mohr, 2000, 8-9)

**Decreased Employment:** with the influence of foreign companies into developing nations it increases employment in many sectors, especially for the skilled workers, but however the improvements of technology which will come with the new business with the technology spread to domestic companies. Moreover automation in the agricultural and manufacturing sectors will lessens the need to unskilled labor and then unemployment will rise in those sectors. If there are nothing like infrastructure to help the unemployed train for the globalised economy, then social services in the country may become strained trying to look after for the new underclass people in the country. (Angie Mohr, 2000, 9-11)

### 3.4.2 The Benefits of Free Trade for Developing Countries

**Increased Resources:** Developing countries may benefit from free trade by increasing their amount of access to economic resources. Those nations usually have limited economic resources. Those economic resources include labor, land and capital. Land may represent the natural resources which are found within the nation. Small developing nations often sometimes have limited amounts of natural resources in the economic marketplace. But free trade agreements ensure that

those small nations can obtain the economic resources needed to produce consumer goods or services. (Shangquan, Gao 2000, 245)

**Improved Quality of Life:** Free trade usually improves the quality of life for a nation and its citizens. Nations can import goods that are not readily available within their own borders. Importing goods can be cheaper for developing countries than attempting to produce goods and services for consumers within their borders. Because many developing countries do not have the production processes available for converting its raw materials into valuable consumer goods as developed nations does. Developing countries with a friendly relationship with their neighboring country may also be able to import goods more often from those countries. Because importing from neighboring countries ensures a constant flow of goods that are readily available for consumer consumption.

**Better Foreign Relations:** This is usually an unintended result of free trade. Developing countries are often subject to international threats. Development of strategic free trade relations with more powerful nations can help ensure that a developing country has additional protection from any form of international threats. Free trade agreements can also be used by developing countries to improve their military strength, its internal infrastructural amenities, and to improve politically. This benefits are been allow to be use by developing countries so that they can learn how they should govern their economy and to learn which of the government policies which will best benefit their people. (Rappa, Antonio L. 2011, 345)

**Production Efficiency:** Developing countries can use free trade to improve its production efficiency. Most countries can be capable of producing some of type of goods and service. But due to a lack of knowledge or proper resources can make the production ineffective or inefficiency. So free trade allows developing countries to fill in the gaps regarding their production processes. In some cases individual citizens may also visit some foreign countries to increase education or to have experience in a specific production or business methods. These individual can bring back home their experiences and crucial information about how to improve or develop the nations.

## 4 NIGERIAN ECONOMICS

Several definitions and explanations have been given to the concepts capital market. According to Ogbu (1997:4) he sees capital market as that section of financial system, which provides medium to long term funds for the environment, needs of business and governments (Okeife 1981:6) sees it as that part of the financial market, which deals in long term securities and procedures for the financing long term instruments.

Alile (1991:1) says that capital market includes the entire financial system, the commercial banks and other financial institutions providing short, medium and long term loan to finance both consumption and investment. He further says that capital markets is not a single entity rather it is network of special financial that in various ways bring together suppliers and users of capital.

Anyanwu (1993:4) refers capital market as a collection of financial institutions set up for the granting of medium and long term loans. He says that it is a market for long term instrument which includes market for government securities, market for corporate bonds, corporate share (Stocks) and market for the mortgages loan. It is a market for the mobilization and utilization of long term funds for development long term ends of the financial system.

According to (Michael 1990:5-7) he states that capital market is the market in which financial assets with maturity of more than one year is bought and sold.

According to (Alile 1991:2) the role of capital market includes

- a. It provides a means of raising long term finance to assist government and companies to execute their projects, expansion and modernization.
- b. It provides a means for allocating the national real and financial resources between various industries and companies.
- c. It provides liquidity for the investment funds from the stand point of individuals for the economy.

- d. The importance of market cannot be over emphasized Oladejo (1997:7) stated that “through its functions, the capital market enables the governments and industry to raise long term capital to finance development projects and for expansion and modernization of industrial commercial concern”

Usman (1998:51) in his views said that the importance of the capital market shows from the fact that it enables institutions and the economy that are in need of medium to long term funds to the acquisition of fixed and other long term projects to obtain such funds”

The function of capital market is to assist in the mobilization and allocation of a nation’s capital resources among numerous competing, alternative uses.

The exchange therefore provides essential facilities for governments, statutory corporation and limited liability companies to raise money locally for business expansion and for development projects.

Usman (1998:1) states that the capital market performs the following generalized functions.

- a. Allocation of scare resources.
- b. Creation of a continuous market
- c. Aiding new financing

#### **4.1 Historical background of research problem**

The origin of the capital market in Nigeria can be traced on (1946) when the 10 years plan local ordinance was promulgated (N600,000) local stock bearing interest at 3 1/4 percentage with maturity of 10-15 years. In 1951, loan funds were created for financing public utilities. These and other similar measures formed part of the implementation strategy to the 10 years plan of development of Nigeria. However, there were no objectives for development of local capital market by the colonial administration. The need for government to finance the growing budget

deficit as from 1958, the deteriorating balance of payment deficit as from 1955, the increasing pleasures from nationalist and the need to mobilize finance embark upon development programs, resulted in the forming of the bar back committee in May 1958. Its reference was to consider the ways and means of fostering a shares market in Nigeria, the committee in 1959 recommends.

- a. The creation of facilities for dealing in shares
- b. The establishment of the rule regulating transfers of shares.
- c. Measures to encourage saving and issue security of government and other companies

In May 1959, for the purpose of development the central Bank of Nigeria (CBN) floated the first federation of Nigeria development loan N4 million on behalf of the government. Due to lack of a market, the Central Bank had to maintain a central register for matching buyers and sellers of shares and suggest a price at which the deal took place (Alice, 1992: 2)

In March 1960, the Lagos stock exchange was registered and its incorporation was the efforts of Central Bank of Nigeria and business community as well as the Nigeria industrial development bank.

The Lagos exchange commenced operation in 15<sup>th</sup> June 1961 and there was passing of stock exchanges act of 1961 which restricted stock broking in Nigeria in relation to quoted securities only members of the exchange can opened its doors for business.

Lagos stock exchanges was transformed on 2<sup>nd</sup> December 1977 into Nigeria stock exchange with branches in Lagos, Kaduna, and Port Harcourt, today branches have been located in Ibadan, Onitsha, Kano including those mentioned previously.

## **4.2 Theories and models relevant to the research hypothesis**

According to (Anyanwu, 1993: 13-15) the reason for the establishment of Nigeria capital markets includes:

- a. To enable the authorities to mobilize long term capital for economic development of the country.
- b. To provide local opportunities for borrowing and lending for long term purpose
- c. To provide foreign business with the facility to offer their share and the Nigeria public an opportunity to invests and participates in the shares.
- d. To provide facilities for the quotation and ready marketability of shares and stock and opportunity to raise fresh capital in the market.
- e. Through participation and ownership to provide a health and mutually acceptable environment for participation and cooperation of indigenous and expatriate capital in the joint effort develop the Nigeria economy to the mutual advantages of both parties

### **4.3 Capital market and industrial development in Nigeria**

Besides saving mobilization and channelization to investment, financial intermediation credit creating capacity enhances the financing of economic growth through what is regarded as equity financing. (Patrick,1966:20-26) attributed the negative impacts of an undeveloped financial system 5 articulated the negative impacts of an undeveloped financial system and pointed out the financial development would impact positively to industrial growth and economic growth especially in developing economic where capital market are underutilized.

Industrialization and industrial development is about getting substantial and suitable improvement in levels and techniques of employment with industrial output accounting for at least 25% of the GPD and not less than 20% of the population employed in the industrial sector of the economy.

For industrial growth to occur, a country may invest to build up productive capacity, it is this capacity that determines the levels of output of goods and services in the economy.

However, the fact remains indispensable for industrial and economic development. This being the case, the sources, direction and flow of capital as well as the mechanism for its mobilization and efficient utilization are all issues which will be great concern to an economy that seeks higher growth and development.

Since the industrialization and allocation of both domestic and foreign savings are critical in the growth process, it is therefore obvious that a capital market has a significant role to play in the economic development. The occurrence of this growth and the channelization of saving it into productive investments will in turn raise the capital of the economy to produce goods and services.

Capital market (stock market) will succeed in facilitating industrial growth and development, if it can encourage the flows of savings or purchase of securities issued by government or private sector enterprise and other for the purpose of financing implementation and operation of capital projects. These suggestions mean that the domestic environment or economy just provides the right policy environment incentives and stability that can encourage and sustain the required flow of saving finished from the surplus spending units and channels into long term investment that will really enhance productive capacity. The role of exchange in accelerating industrial growth will not be fully realized if a country economic policy does not foster harmony between its capital markets to allow in foreign portfolio.

Figure 10. Nigeria's Economic Growth (Anyanwu, 1993: 54)

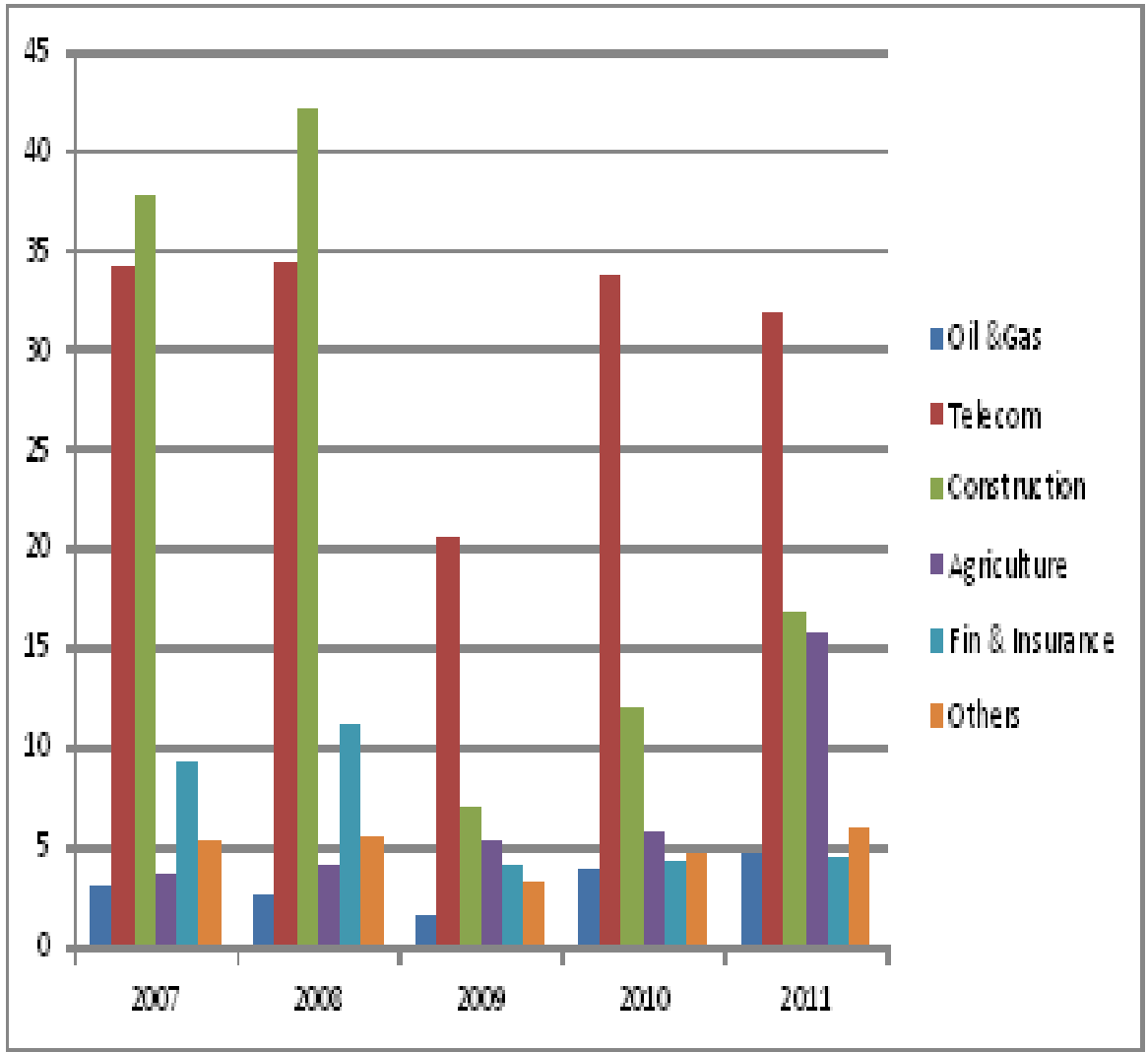
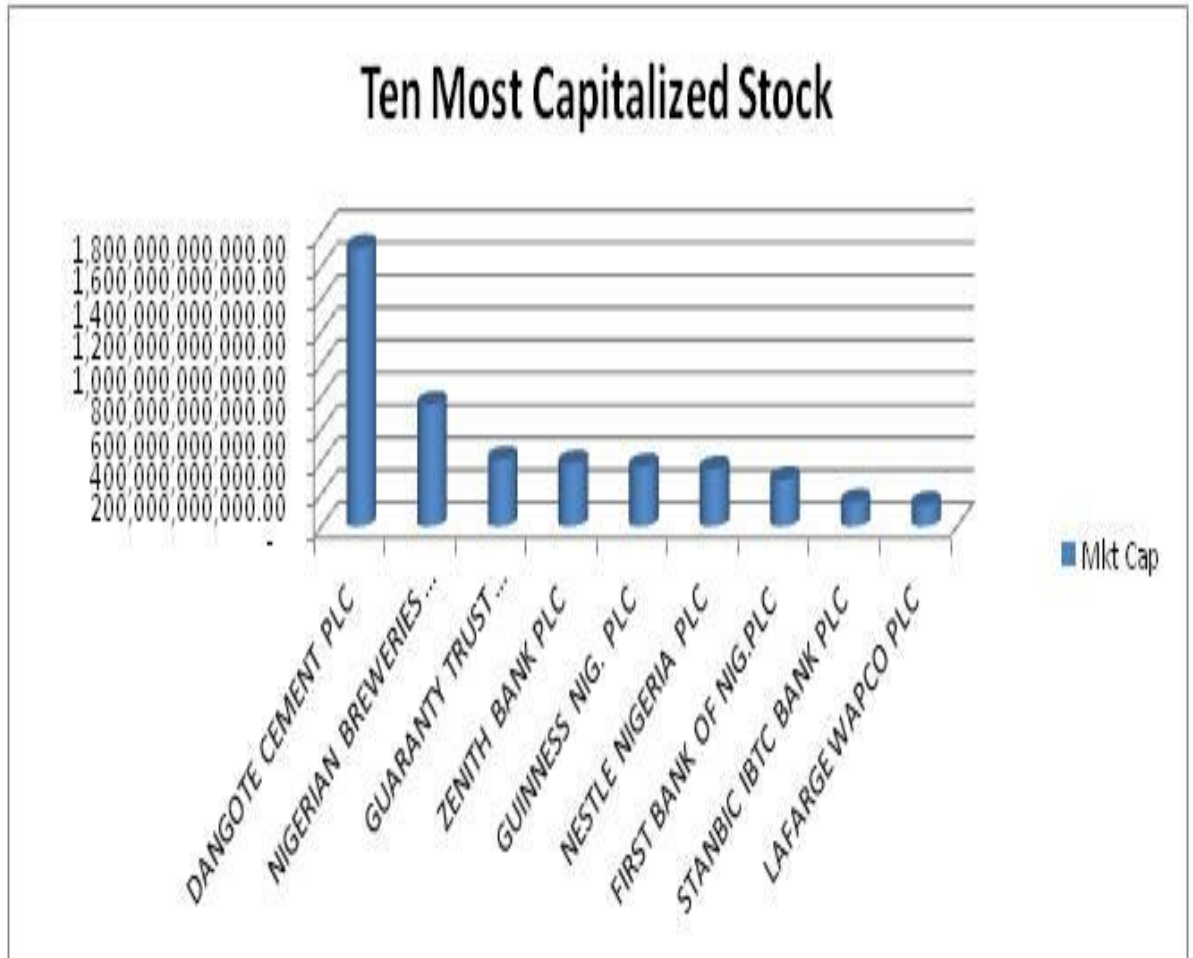




Figure 11. Nigeria's Most Capitalized Stock (Onyebuchi Ejiogu, 2012:13)



#### 4.4 Current Literature based on each of the relevant variables of the model

These are most of the activities performed in the Nigerian Capital Market and for the purpose of this study the operation of the Nigerian Capital Market will be divided into primary and secondary market activities.

##### 4.4.1 Primary Market Activities

The major concern of primary market is the offering of new issues, initial issues of securities in the capital market and those issues may be in form of:

**Debt:** These are financial claims with an obligation by the issuer to pay interest at stated interval and to pay or redeem the debt at a future date. In Nigerian Capital Market debt are either federal government development stocks, which are usually backed by the taxing power of the federal government, or industrial loan stock, which are dependent upon the earning power of the issuer.

**Equity:** This refers to the capital of the owners of the firm (ordinary shares). The ownership of this share counters on the holder some rights which include the right to receive notice of meetings, attend vote at such meetings and to receiving any surplus of income in the company after the prior rights of debtors have been satisfied.

#### **4.4.2 Secondary Market Activities:**

The major concern processed of securities start with the instruction to the stock broker by the directors of a company to sell or buy on their behalf. The stock broker then makes prices depending on the force of demand and supply and the client's instruction. The price should be either in "bid" or "offer" depending if they are selling or buying.

#### **4.4.3 Institution operators of the capital market**

The capital market is a network of complex institutions that in various ways constitutes a mechanism through which intermediates term funds and long term funds are pooled and made available to business government and individuals.

##### **These institution Includes**

- a. Merchant bank
- b. Stock broking firm
- c. Issuing house
- d. Venture capital companies
- e. Development finance companies
- f. Unit trust

- g. Central Bank
- h. The security and exchange commission of stock exchange.

#### **4.5 Capital market and investments**

According to Ogbu (1997:65), the capital market is the section of the financial system which provides medium to long term funds for the investment needs of business and government. Raising of funds in the market, makes possible the construction of factories, offers building, bridges and acquisition of plant and machinery.

Capital market is made up of the following institutions, merchant banks, stock broking firms, issuing houses, ventures, capital companies, development finance companies unit trust, the central Bank, the security and exchange Commission and the stock exchange. While the capital market mobilizes capital for investment and ensures that such capital is channeled into the most productive investment of the economic contribution of a capital market must be seen in a wide context.

Onyeike, (1995:41) stated that a well-functioning capital market also performs the following functions:

- a. Provides an additional channels for encouraging and mobilizing domestic for productive to bank deposits, real estate investments and the financing of consumption loans.
- b. Provides savers with better protection against inflation and currency depreciation.
- c. Improves the gearing of the domestic corporation sector and helps reduces dependence on borrowing.
- d. Facilitate the transfer from the public to the private and thus, help reduces the size of the public sector.
- e. Encourages privatization by increasing the marketability of new issues.
- f. Assists in the transformation of the private sector from “ownership” capitalism” to marginal capitalism” by encouraging public floatation of private companies, thus increasing the supply of assets available from long term investment.

- g. Improves access to finance for new and smaller companies and encourage institutional development in facilitating the setting up of domestic and foreign mutual funds adventure capital funds.

#### 4.6 Listing requirement of Nigeria stock exchanges

List of registered companies in Nigeria with their sectors

TABLE 1. Industrial Goods Sector in Nigeria (Nigeria Stock Market Securities, 2013)

#### Industrial Goods Sector

Name of the Company	Sector
Adswitch Plc	Industrial Goods
W.A Glass Ind.Plc	Industrial Goods
Lafarge Wapco Plc	Industrial Goods
Portland Paints & Products Nigeria Plc	Industrial Goods
Cutix Plc	Industrial Goods
Avon Crowncaps & Containers	Industrial Goods
Africans Paints Nigeria Plc	Industrial Goods
Cement Co. Of North. Nig. Plc	Industrial Goods

A company, which is desirous of obtaining admission to the official list of the Nigeria stock exchange, must satisfy the following conditions:

- a. The company must have on its register not less than 500 shareholders unless the council prescribed otherwise.
- b. Not less than 25 % of its issued capital, the said proportion having a normal value of N250,000 must be made available to the public or be in the land of the public.
- c. The application to the stock exchange must be in respect of fully paid up shares at the time of allotment or registration.
- d. The application for listing can only be entertained if sponsored by a dealing member of the Nigerian Stock exchange.

#### **4.7 Nature of Security Listed in the Nigeria Stock Exchange**

The instrument listed in Nigeria stock exchange (NSE) includes:

Federal and states government stock: The federal and states government raises much of their long term finance through issue of loan or development stock. The money mobilized by government through this way are used to finance long term capital projects such as airports, hospitals and roads, these loan are redeemable and bear fixed rate of interest, usually, they are floated through the central bank (CBN) which serves as the agent of the government.

##### **4.7.1 Commercial and Industrial Loan Stock and Debentures**

In addition to raising capital funds through the issue of share, many companies raise part of their long term capital by issuing loan, stock and debentures. They do not confer ownership of part of the company to the holder. Interest is paid on them and holders are entitled to receive fixed rate of interest whether profit or loss is made.

## **4.7.2 Company Shares and Stock**

In Nigeria, there are three types of shares namely: Ordinary share, Preference share, deferred shares.

### **4.7.3 Ordinary Share:**

These are the most important and common type of shares. Its holders bear the main risk of the business. When profits are made, they receive small or no dividend. In return for the (higher) risk which an ordinary shareholder takes, they gave power to control the business through voting at annual meetings.

### **4.7.4 Preference Shares:**

These are share that have fixed rate of dividend which is paid in preference to any payment to the ordinary shareholders. However, interest is only paid if the company makes profits. In the events of winding up such shareholders will also have preference over the ordinary shareholders in the repayment of capital.

There are four (4) types of preferences share namely:

- a. Cumulative preference share
- b. Redeemable preference share
- c. Non-cumulative preference share
- d. Participating preference shares

### **4.7.5 Deferred share:**

These are scarcely issued; they are issued to promoters or founders of a company.

## **4.8 Data Presentation and Analysis**

This has to do with the method and procedures adopted in collection and analysis of data. An economic method of data analysts employed in the study.

### **4.8.1 Theoretical Framework**

This study analysis, role of the Nigeria capital market in the growth of the industrial sector, the various factors affecting the role of Nigerian capital market in the growth of industrial sector were put into consideration for value of industrial securities in the capital market and gross domestic product (GDP) for the period of 2001-2005 were selected for the analysis.

### **4.8.2 Population and Sample Size for the Study**

The population size for the study is 85 persons which includes the management and other staff of lever brothers of Nigeria plc. The selection procedures of the staff was based on simple random sampling size of 85 workers for the purpose of administration of the questionnaires out of which 65 questionnaires were completed and returned and 20 were not returned.

## **4.9 Implementation**

The instrument used for this thesis was questionnaire, Google Documents was used as well in other to execute the survey and its findings, and a link was generated so as to ease the difficulties which may arise when distributing the paper works due to the size and locations. Data was collected through personal interview via telephone also. The questionnaires were administered to the stock brokers, accountants, managers and some of the staff of lever brothers. The survey was in 4 parts; general information, questions 5-17 relating to Nigerian capital market, 18-25 relating to Nigeria stock market and 26-27 relating to the Nigerian government.

To complement the situation where information through the questionnaires were not fully obtained several libraries were used for the collection of data.

#### **4.9.1 Step-by-step procedure**

There are a lot of several processes which the researcher had to go through in order to get the right questions asked and to get a comprehensive and adequate results. This research are based on both qualitative and quantitative method which includes questionnaires and interviews which the researcher conducted via telephone.

It was not easy to get the information which was needed but it took a lot of time to organize interviews with the persons in question these leads to some doubt about the validity and reliability of some questions, but finally the researcher have the opportunity to conduct a person interview with one of the top management staff and one of junior staff management of Unilever Nigeria plc about the Nigerian capital market, Nigerian stock exchange and Nigerian government roles in the growth of the capital market.

The researcher was able to discuss with some staff members of Unilever Nigeria plc and ask for their assistance before creating the questionnaires, it was created based on the category of staffs in the company. And it was created on the 30<sup>th</sup> of May 2013.

These questions and interviews were conducted in order to get more information about the roles of the government and the capital markets in the growth of the industrial sector. The questionnaire was sent to 15 top level managers of Unilever Nigeria Plc. and 35 questionnaires was sent to its middle level management and other 35 questionnaires were sent to the junior staff of the company. In total 85 questionnaires were sent on June 15th 2013 and 65 was collected on August 5th 2013. Finally the results was implemented by the researcher after carefully analyzing the answers giving by the respondents carefully.



## 4.9.2 Research Results

TABLE 2. Analysis of Questionnaire Return

<b>Level of Management</b>	<b>Number distributed</b>	<b>Number returned</b>	<b>Return %</b>
Top Management level	15	10	66%
Middle Management level	35	25	71%
Junior Staff	35	30	85%
<b>Total</b>	<b>85</b>	<b>65</b>	<b>76%</b>

A total of 85 questionnaires were administered to the management, and a total of 65 representing 76% return were collected.

## 4.9.3 Data Presentation and Analysis

In this chapter I will discuss about the analysis and presentation of the data in the field survey. The chapter also contains two sections namely:

4.9.4 (Analysis of introductory Responses)

4.9.5 (Analysis of Research Questions)

### 4.9.4 Analysis of Introductory Responses

This section of the analysis presents the introductory responses from the questions in section 1 of the questionnaire used in this study see (appendix 1). The reason for this section is to measure or to observe the ability and willingness of the workers to supply a sincere and open opinion on this research questions.

Here is a detailed overview of the questionnaire results in the Introductory Responses:

**Q1.** What category of staff do you belong

TABLE 3. Staffs Category

Responses	Number	%
Top level management	20	31
Middle level management	30	46
Junior staff	15	23
<b>Total</b>	<b>65</b>	<b>100</b>

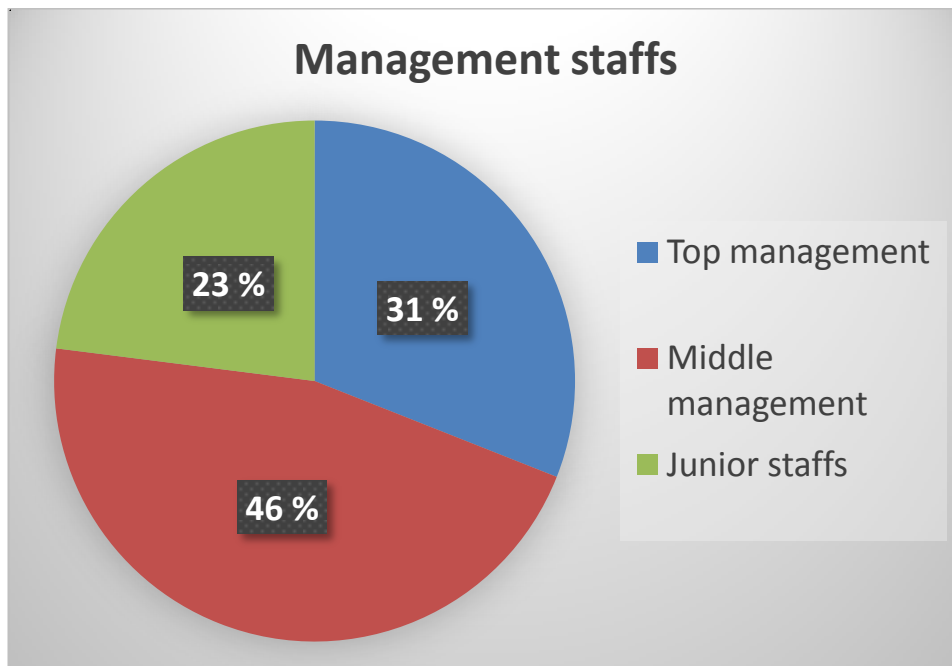


Figure 12. Management Staffs

It can be seen that there are much staffs that responded to the questionnaires in the middle management level unlike the ones in the top management and junior staffs.

**Q2. How long have you worked in the organization?**

TABLE 4. Working years of the Staffs

Responses	Number	%
0-1 yr.	8	12
2-4 yrs.	32	49
5 yrs. above	25	39
<b>Total</b>	<b>65</b>	<b>100</b>

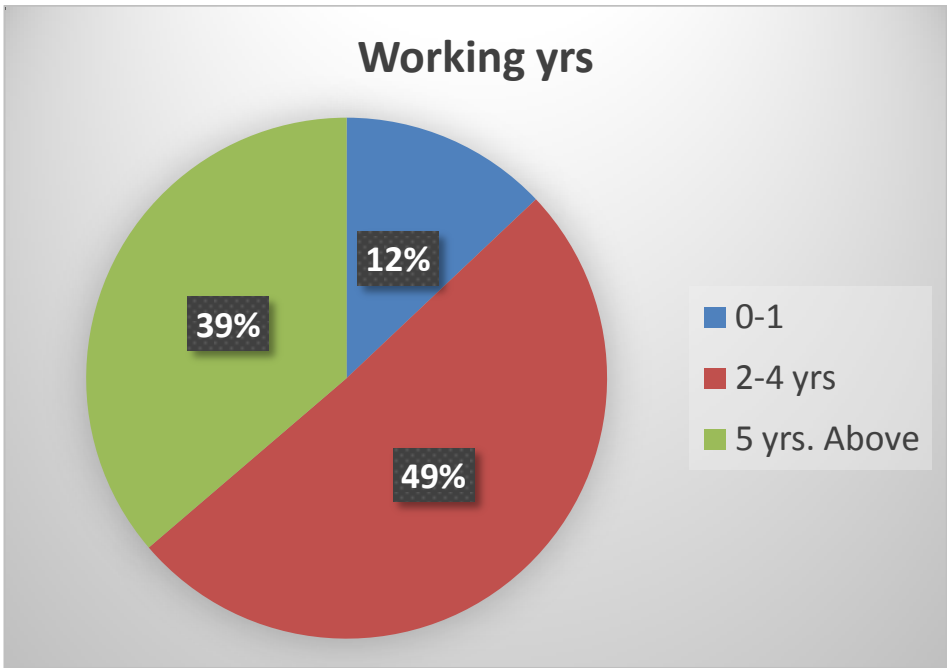


Figure 13. Working years

It is illustrated in the figure above that the amount of staffs working from 2-4 years are much higher than those of 0-1 years and from 5 above, which means that the workers in that category of 2-4 years of experience are the majority in the company and it shows that the company retains its workers rather than employing new workers as seen in the figure also where 0-1 year staffs having the minority.

**Q3.** Does your Department participate in stock market?

TABLE 5. Departmental Participation

Responses	Number	%
Yes	40	62
No	15	23
Indifferent	10	15
<b>Total</b>	<b>65</b>	<b>100</b>

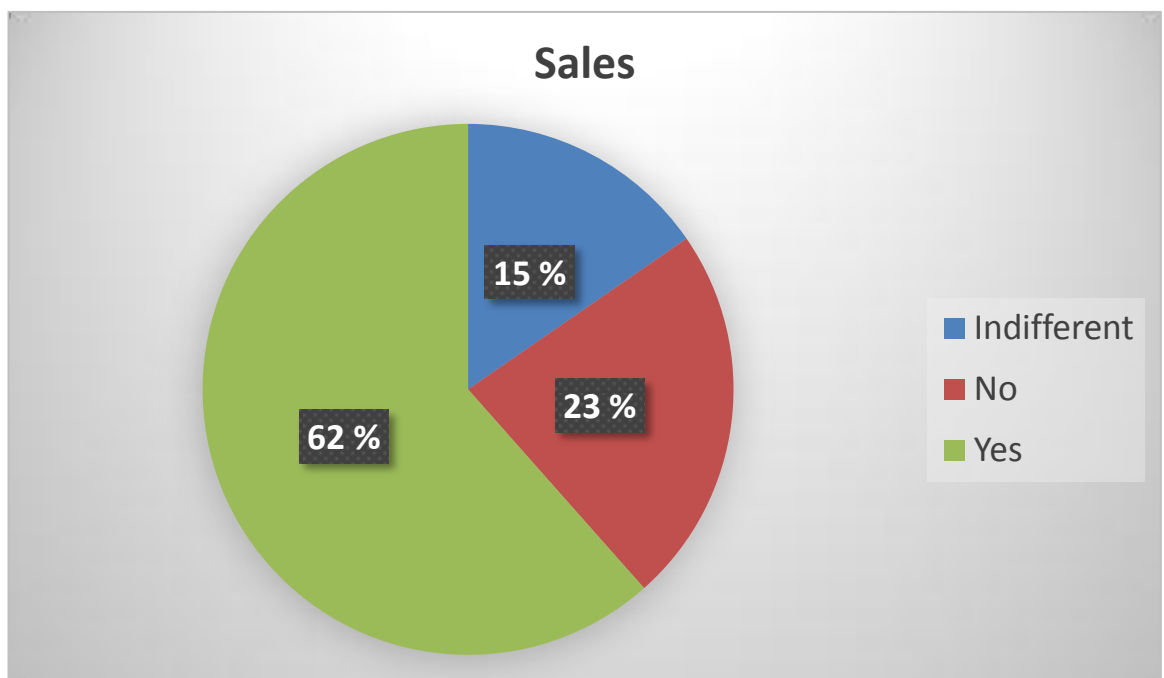


Figure 14. Departmental Participation

The above figure shows that the majority of the department in Unilever Nigeria Plc participates in the Stock market because the majority of them answered yes that they do participate. 60 percent said that their department participates in the stock market, while 25 percent said no with only 15 percent saying they don't have any idea which means that these 15 percent are among the employees that have worked under 2 years for the company or organization.

**Q4.** Which Department of the organization you belong?

TABLE 6. Organizational chart

RESPONSES	NUMBER	%
Administration	42	65
Information and public relation	16	24
Security	7	11
<b>Total</b>	<b>65</b>	<b>100</b>

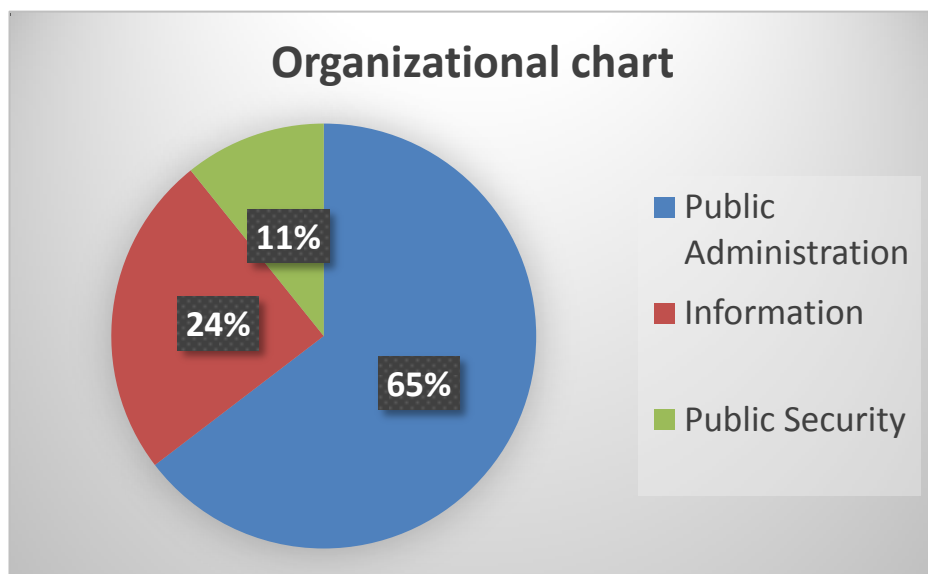


Figure 15. Organizational chart

In question4, it is observe that most of the respondents are in the administration sector of the company, and 15 percent in information and public relation.

#### 4.9.5 Analysis of Research Questions

This is the main or brain-box of this study because it contains vital date information which is used in the analysis of this study. It also handles the analysis of the research questions used here in the study.

Here is a detailed overview of the questionnaire results:

**Q5.** Has the Nigeria capital market mobilize long term finance for the development of industrial sector?

TABLE 7. Industrial sector

RESPONSES	NUMBER	%
Yes	45	69
No	15	23
Indifferent	5	8
<b>Total</b>	<b>65</b>	<b>100</b>

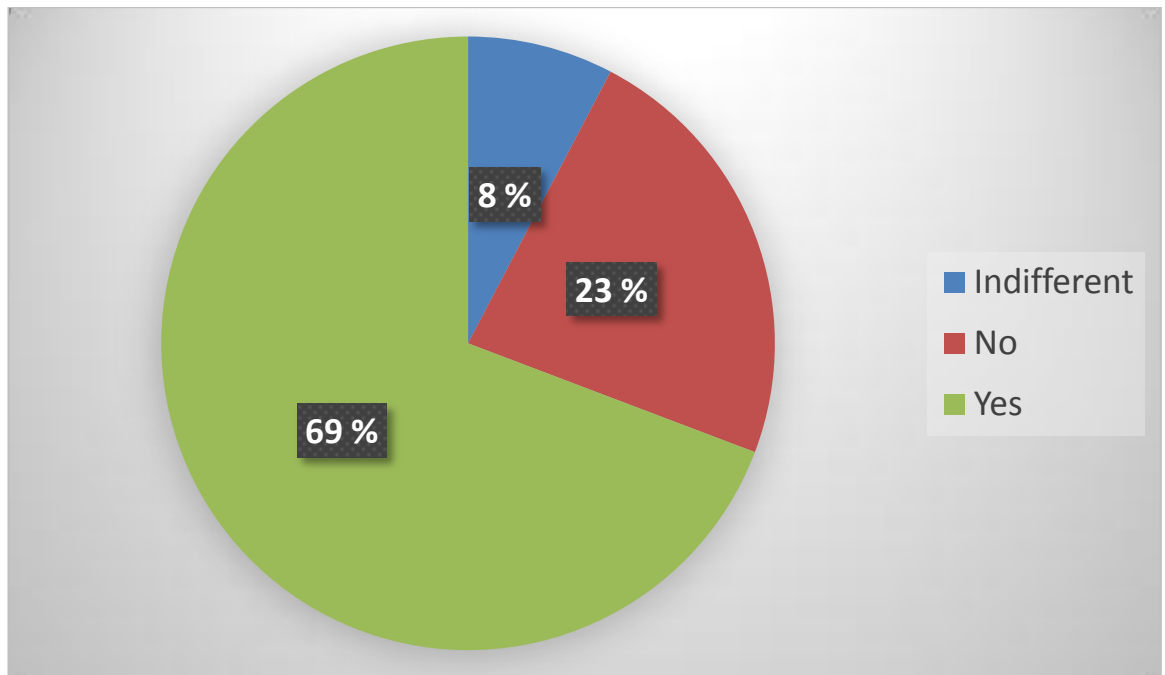


Figure 16. Industrial sector

The above diagram illustrates the importance of the Nigerian capital market in mobilizing the development of the industrial sector and majority of the respondent agrees that the capital market does help in the development, and 15 % said no but with the answers it seems that it does have an impact on the development.

**Q6.** Does the capital market play a role in revamping the economy?

TABLE 8. Capital market role in revamping the economy

RESPONSES	NUMBER	%
Yes	55	85
No	0	0
Indifferent	10	15
<b>Total</b>	<b>65</b>	<b>100</b>

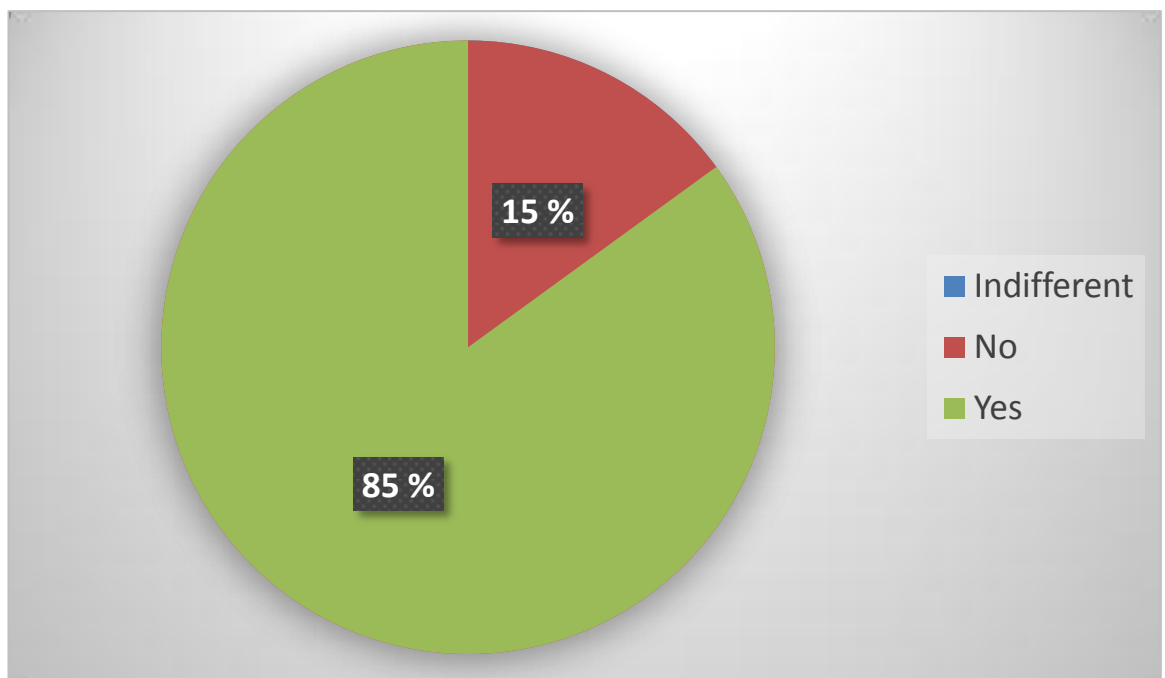


Figure 17. Capital market role in revamping the economy

In above question 6 it is believe that the capital market in Nigeria play a role in revamping the country's economy because almost all of the respondent says yes while the remaining minority of them stays in indifferent, with none of the respondent saying no.

**Q7.** How do you rate the efficiency of the Nigeria capital market in the development of the economy?

TABLE 9. The efficiency of the Nigeria capital market

RESPONSES	NUMBER	%
Average	55	84
Above average	5	8
Below average	5	8
<b>Total</b>	<b>65</b>	<b>100</b>

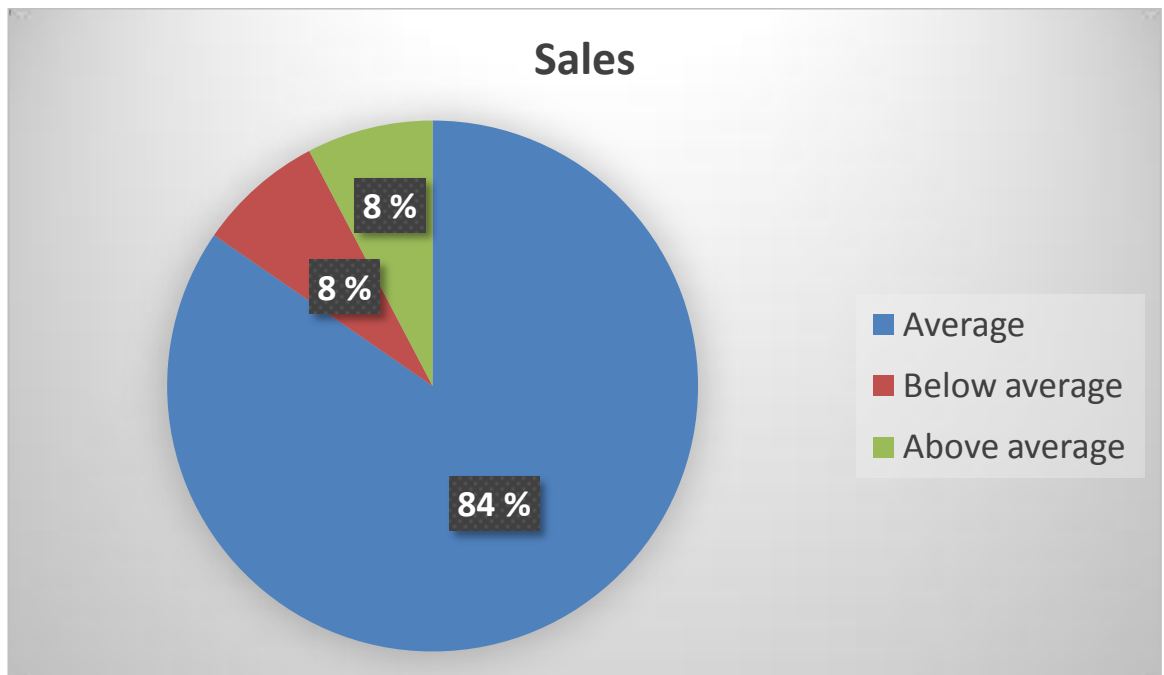


Figure 18. The efficiency of the Nigeria capital market

Question 7, shows the rate the efficiency of the Nigeria capital market is in the development of the country's economy and it is average according to the respondent who has 85 % of them saying it is average, and 7.5 in both above average and below average.



**Q8.** Is the Nigeria capital market competent enough to perform their duties?

TABLE 10. Duties of the Nigerian capital market

RESPONSES	NUMBER	%
Yes	40	62
No	10	15
Indifferent	15	23
<b>Total</b>	<b>65</b>	<b>100</b>

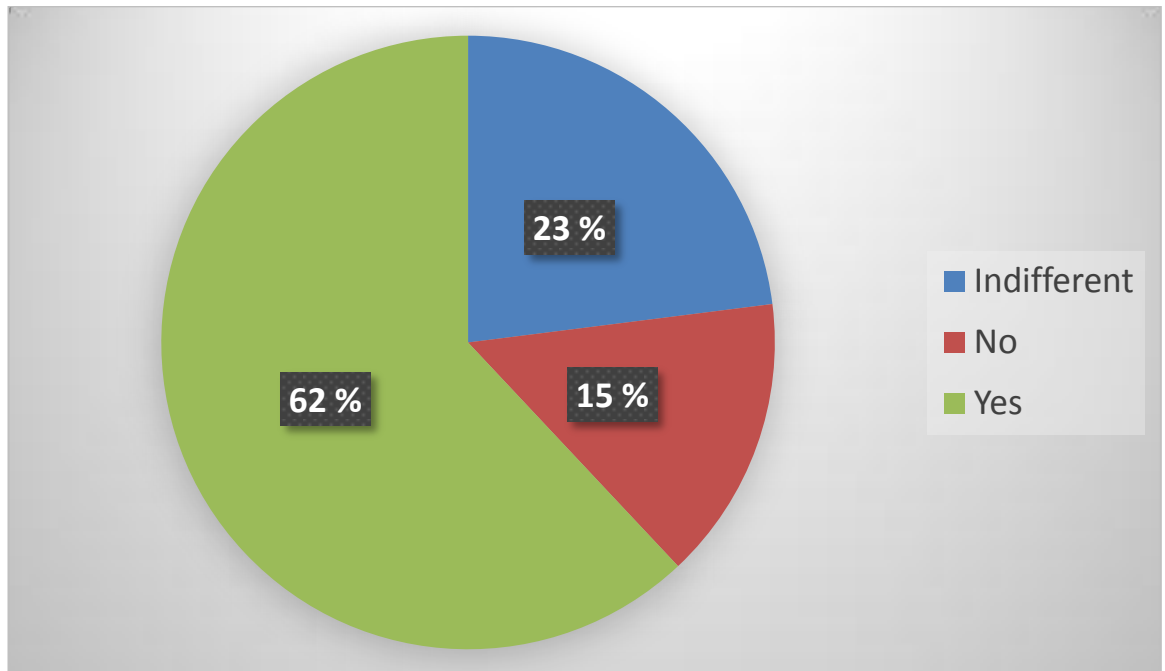


Figure 19. Duties of the Nigerian capital market

The question above shows whether the Nigeria capital market have been competent enough to perform their duties and 62 % of the respondent says yes and 15 % says no while those of indifferent are about 23 %. This shows that the Nigerian capital market has been competent enough to perform its duties.

**Q9.**What is the level of independence of the capital market in the development of industrial sector?

TABLE 11. Independence of the capital market

RESPONSES	NUMBER	%
High	37	57
Average	23	35
Low	5	8
<b>Total</b>	<b>65</b>	<b>100</b>

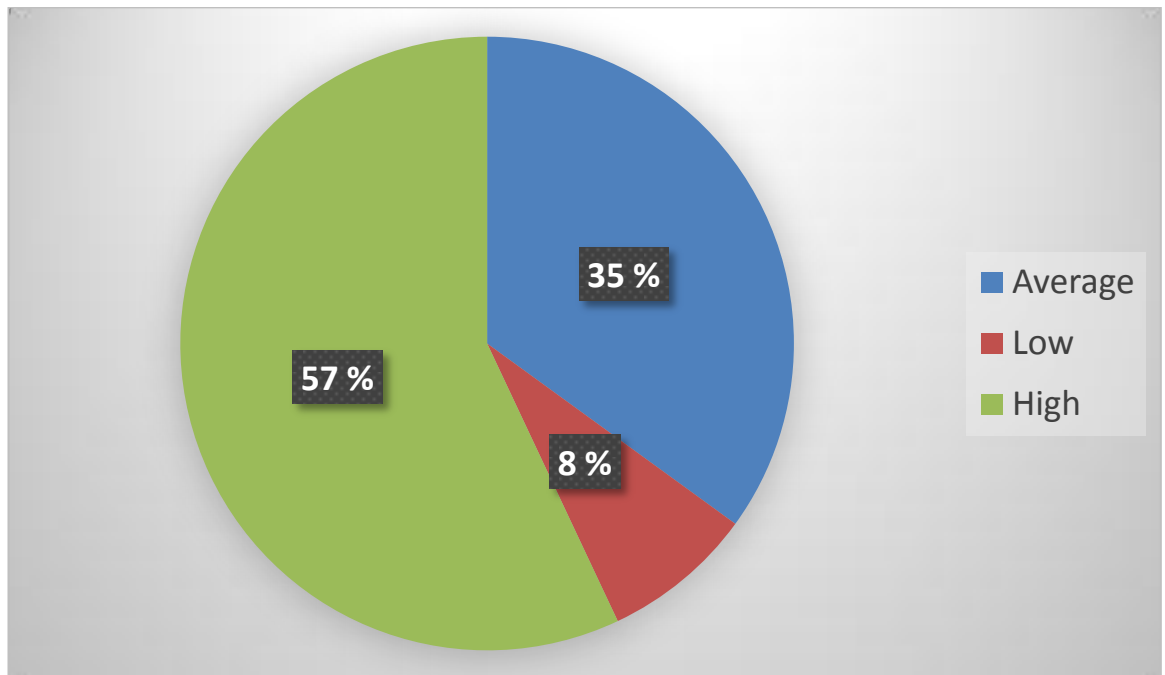


Figure 20. Independence of the capital market

Question 9, shows the level of independence of the capital market in the development of industrial sector and the answers given by the respondent shows that there are levels at some points where the capital market haws independence in the development of the industrial sector.

**Q10.** Has the Nigeria capital market apply any concept to improve the performance of the industrial sectors?

TABLE 12. Concept performance of Nigerian capital market

RESPONSES	NUMBER	%
Yes	30	46
No	30	46
Indifferent	5	8
<b>Total</b>	<b>65</b>	<b>100</b>

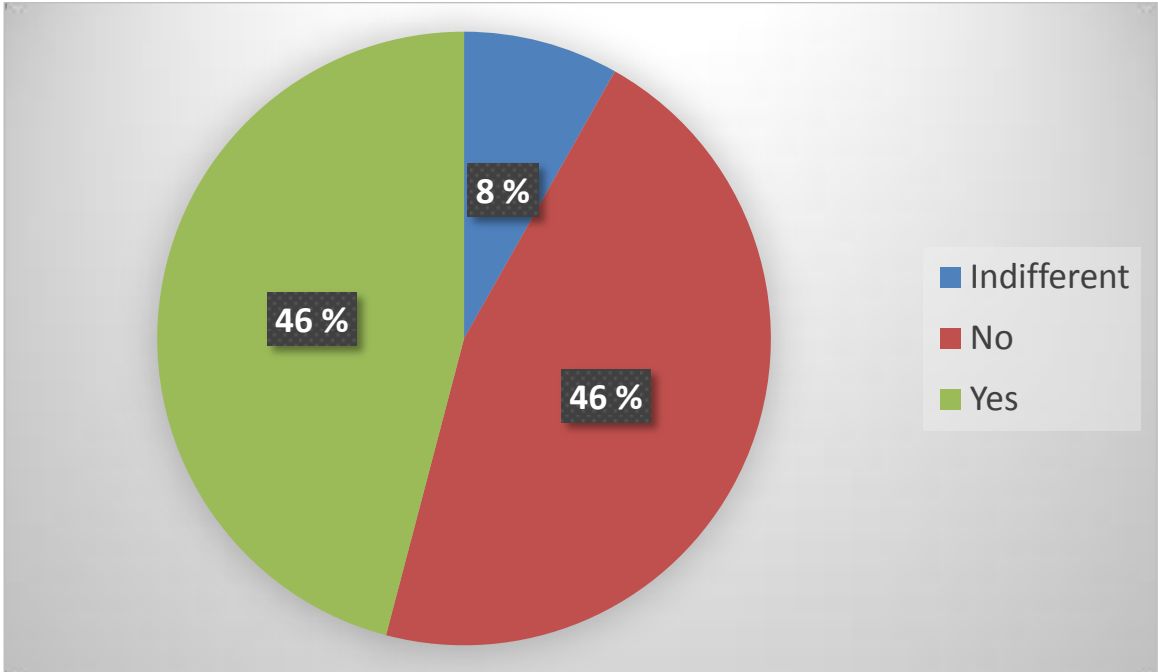


Figure 21. Concept performance of Nigerian capital market

There is equal result on this question above between those saying that the Nigeria capital market has apply concept to improve the performance of the industrial sectors and those saying no to that which means that there is still disagreement on that section of the question.

**Q11.** Inadequate functional communication network causes lack of public awareness which hinder realization of potentials of the capital market

TABLE 13. Communication network awareness

RESPONSES	NUMBER	%
Totally agree	10	15
Agree	30	46
Disagree	25	39
<b>Total</b>	<b>65</b>	<b>100</b>

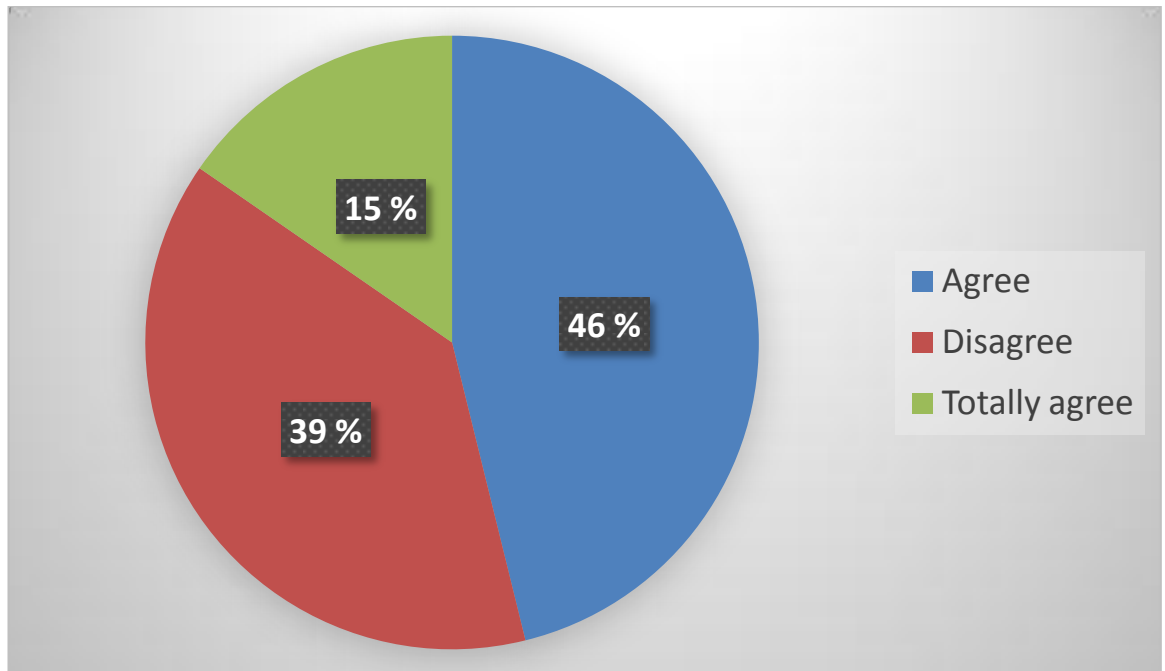


Figure 22. Communication network awareness

Above question shows that majority of the respondent agree that inadequate functional communication network causes lack of public awareness which hinder realization of potentials of the capital market which means that the capital market should put more effort in their communication networks around the country.

**Q12.** Does capital market reduces over rebalance on money market?

TABLE 14. Rebalance on money market

RESPONSES	NUMBER	%
True	10	15
False	17	26
Indifferent	38	59
<b>Total</b>	<b>65</b>	<b>100</b>

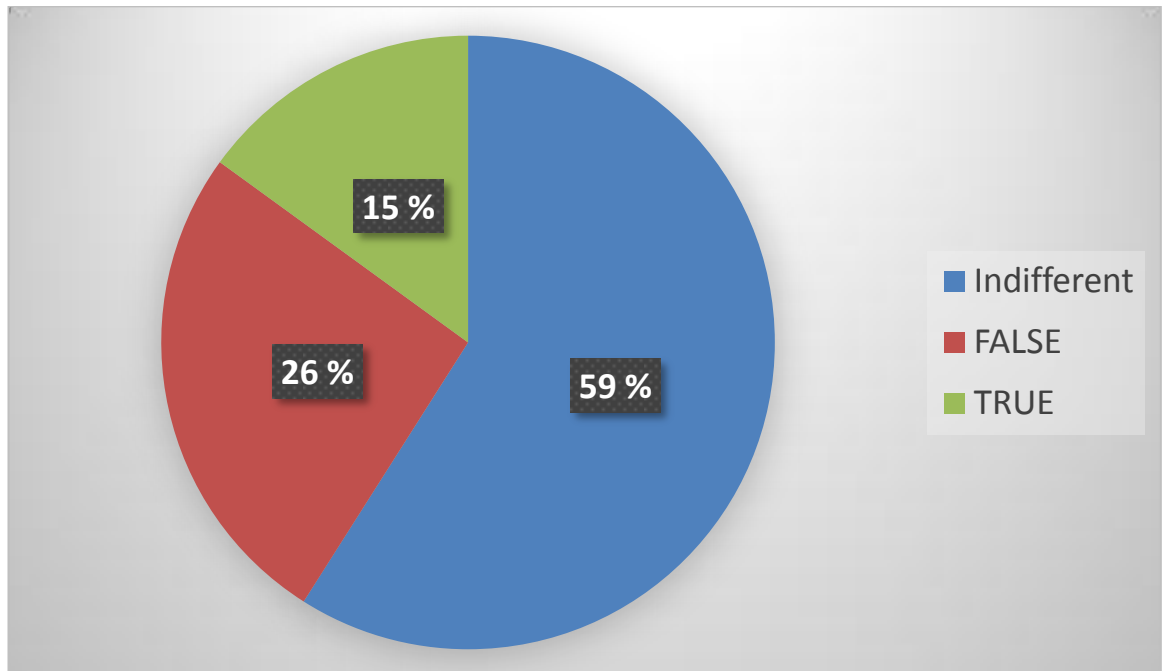


Figure 23. Rebalance on money market

Majority of the respondent in Q.12 above wasn't sure if capital market does reduces over rebalance on money market while 26 % said no to that and 15 % answered true.

**Q13.** As an investor, from your response above in what way has the capital market appealed to you

TABLE 15. Investor's point of view

RESPONSES	NUMBER	%
Provision of medium and long term fund for investment,	50	77
Ensure wide spread ownership of shares of quoted companies,	15	23
No impact	0	0
<b>Total</b>	<b>65</b>	<b>100</b>

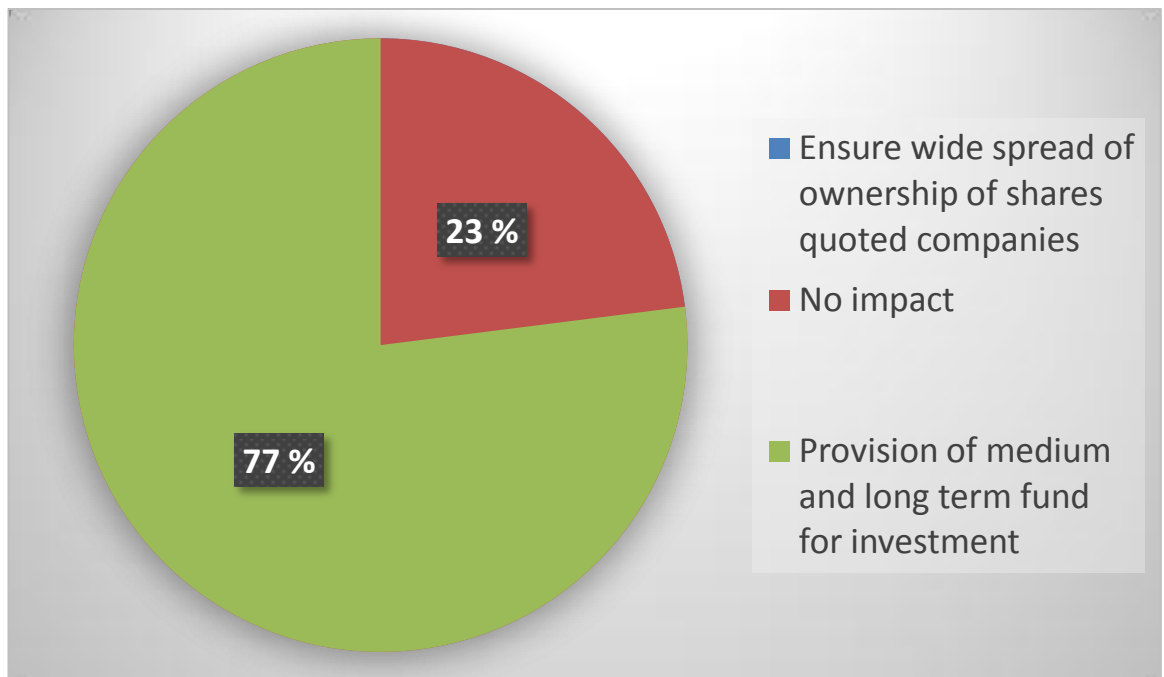


Figure 24. Investor's point of view

From the above question it seems that capital market provides medium and long term fund for investment to investors and entrepreneurs. Because majority says that their own point of view as investors.

**Q14.** Nigeria capital market is fully recommended as an efficient instrument in the growth of the industrial sector?

TABLE 16. Efficient instrument in the growth of the industrial sector

RESPONSES	NUMBER	%
Totally agree	40	62
Agree	25	38
Disagree	0	0
<b>Total</b>	<b>65</b>	<b>100</b>

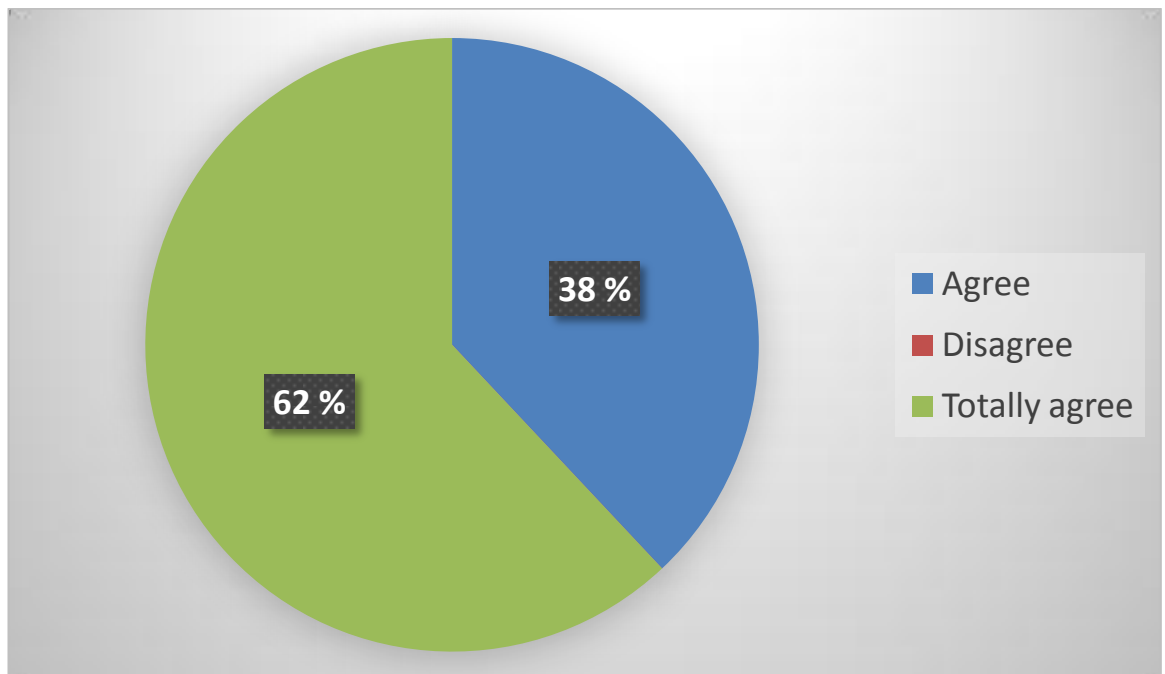


Figure 25. Efficient instrument in the growth of the industrial sector

Above question no. 14 shows that all respondent totally agree or agree that Nigeria capital market is fully recommended as an efficient instrument in the growth of the industrial sector.

**Q15.** Has the Nigeria capital market been able to achieve its purpose for existence?

TABLE 17. Purpose for existence

RESPONSES	NUMBER	%
Yes	50	80
No	0	0
Indifferent	15	20
<b>Total</b>	<b>65</b>	<b>100</b>

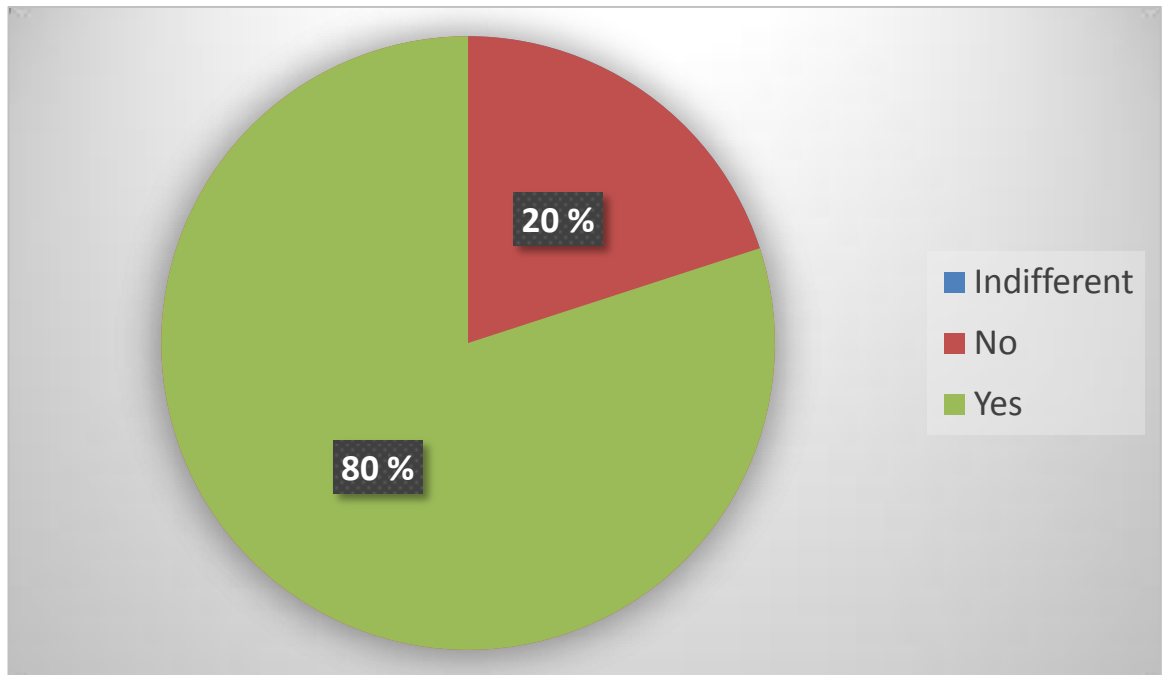


Figure 26. Purpose for existence

Question 15, shows that the Nigeria capital market been able to achieve its purpose for existence because almost all the respondent responded positively by saying yes to the question just only 20 % gave indifferent as their answer.



**Q16.** The regulatory bodies of Nigeria capital market have enhanced its ability for expansion and modernization of industrial sector?

TABLE 18. The regulatory bodies of Nigeria capital market

RESPONSES	NUMBER	%
Totally agree	20	31
Agree	25	38
Disagree	20	31
<b>Total</b>	<b>65</b>	<b>100</b>

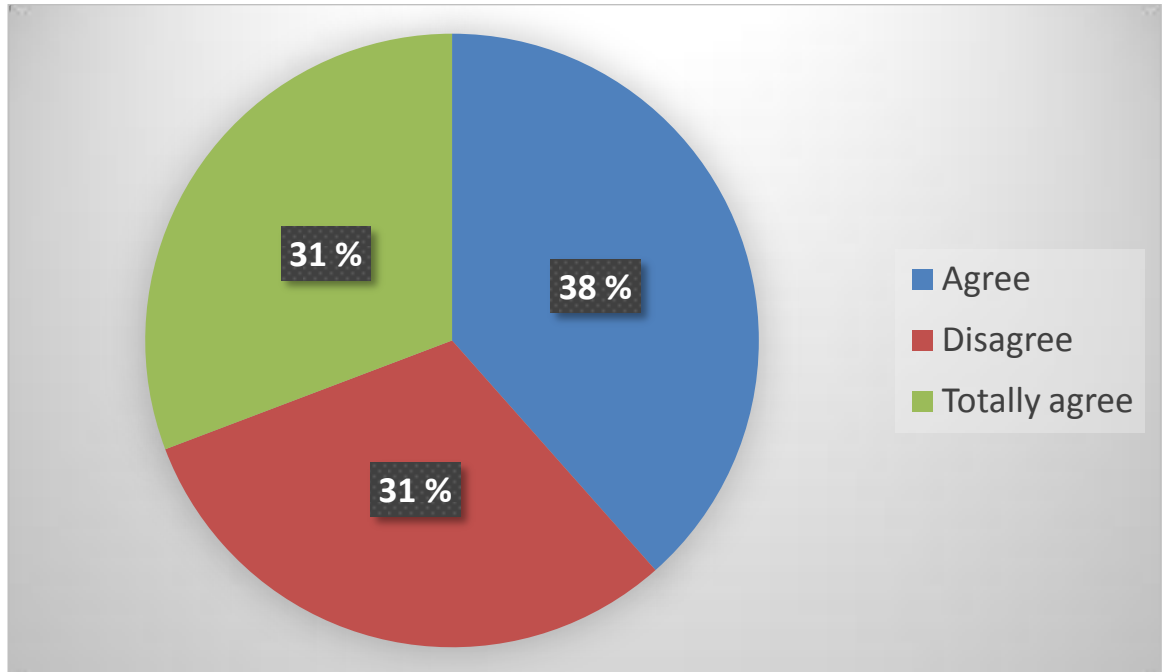


Figure 27. The regulatory bodies of Nigeria capital market

In question 16, there an even answer even by both who totally agree that the regulatory bodies of Nigeria capital market have enhanced its ability for expansion and modernization of industrial sector and those that disagree,

**Q17.** Will it be more to investors, if the capital market has it branches in different part of the country?

TABLE 19. Different branches of capital market

RESPONSES	NUMBER	%
Yes	65	100
No	0	0
Indifferent	0	0

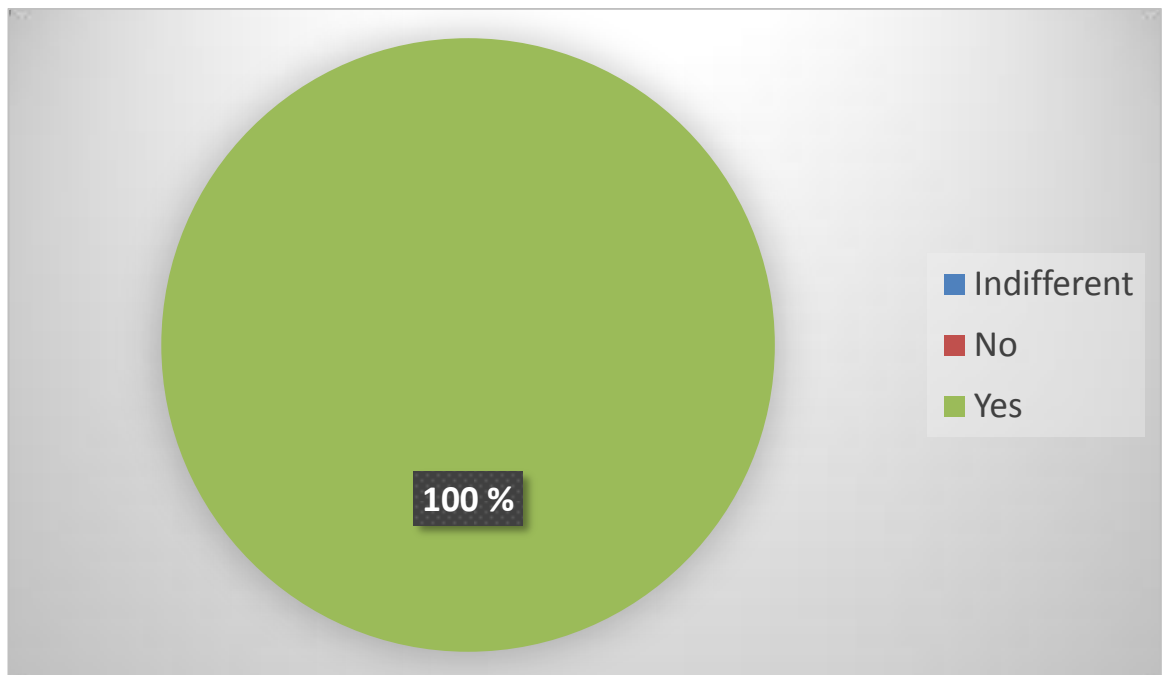


Figure 28. Different branches of capital market

In Q. No 17 all of the respondents agree that it will be more to investors, if the capital market has its branches in different parts of the country, so this should encourage the Nigeria capital market to work hard in order to have its branches in different parts of the country especially in the rural areas.

**Q18.** Are there any pertinent hindrances in the activities progress of the stock market as a source of long term finance?

TABLE 20. Pertinent hindrances in stock market

RESPONSES	NUMBER	%
Yes	15	23
No	20	31
Indifferent	30	46
<b>Total</b>	<b>65</b>	<b>100</b>

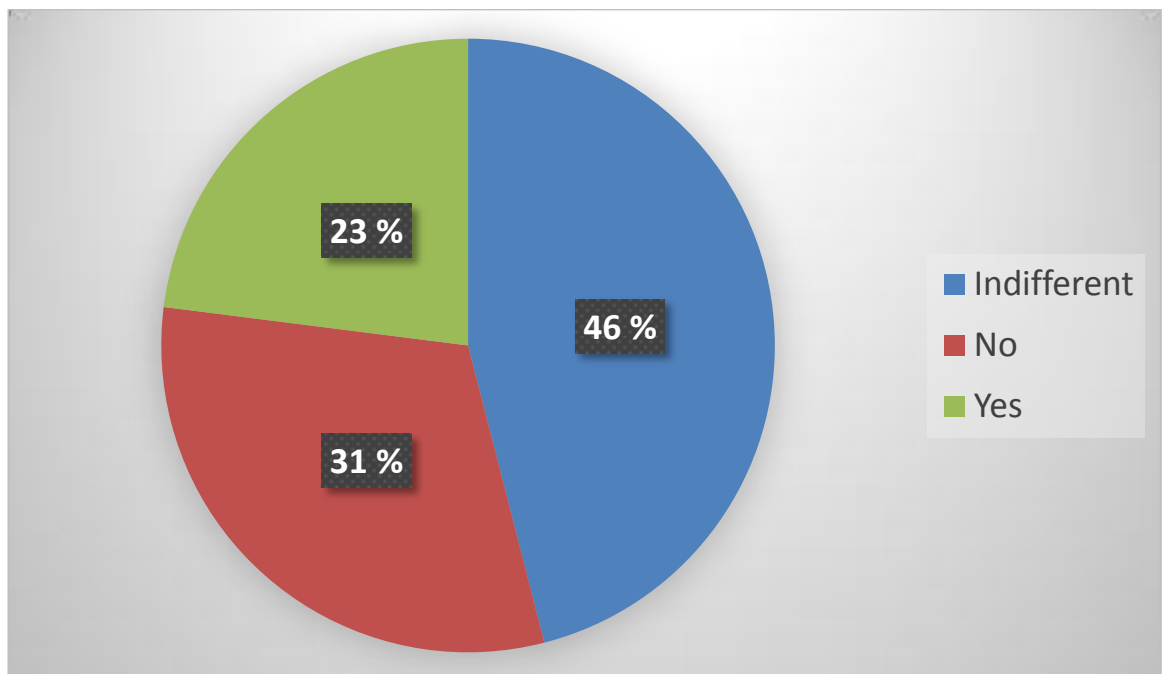


Figure 29. Pertinent hindrances in stock market

Question 18, there is more percentage of the respondents with their answer indifferent towards the pertinent hindrances of the stock market, while the least percent are those who said yes to the question with 23 %.

**Q19.** Do you think the use of interest system will improve awareness to investors in order to have direct access to information on the stock / capital market?

TABLE 21. The awareness of interest system

RESPONSES	NUMBER	%
Totally agree	40	62
Agree	25	38
Disagree	0	0
<b>Total</b>	<b>65</b>	<b>100</b>

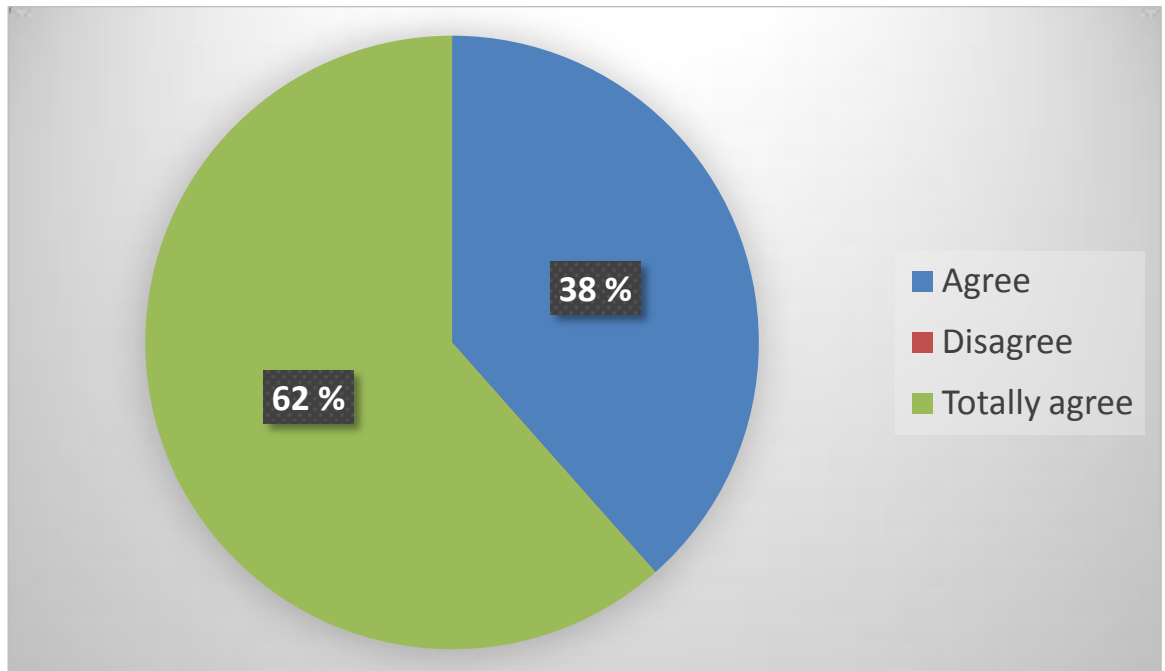


Figure 30. The awareness of interest system

The above figure shows that more than half of the respondents totally agree that the use of interest system will improve awareness to investors in order to have direct access to information on the stock / capital market while the remaining respondents agree.

**Q20.** Does the Nigeria stock market speeds up the rate of national economic development?

TABLE 22. National economic development

RESPONSES	NUMBER	%
True	65	100
False	0	0
Indifferent	0	0
<b>Total</b>	<b>65</b>	<b>100</b>

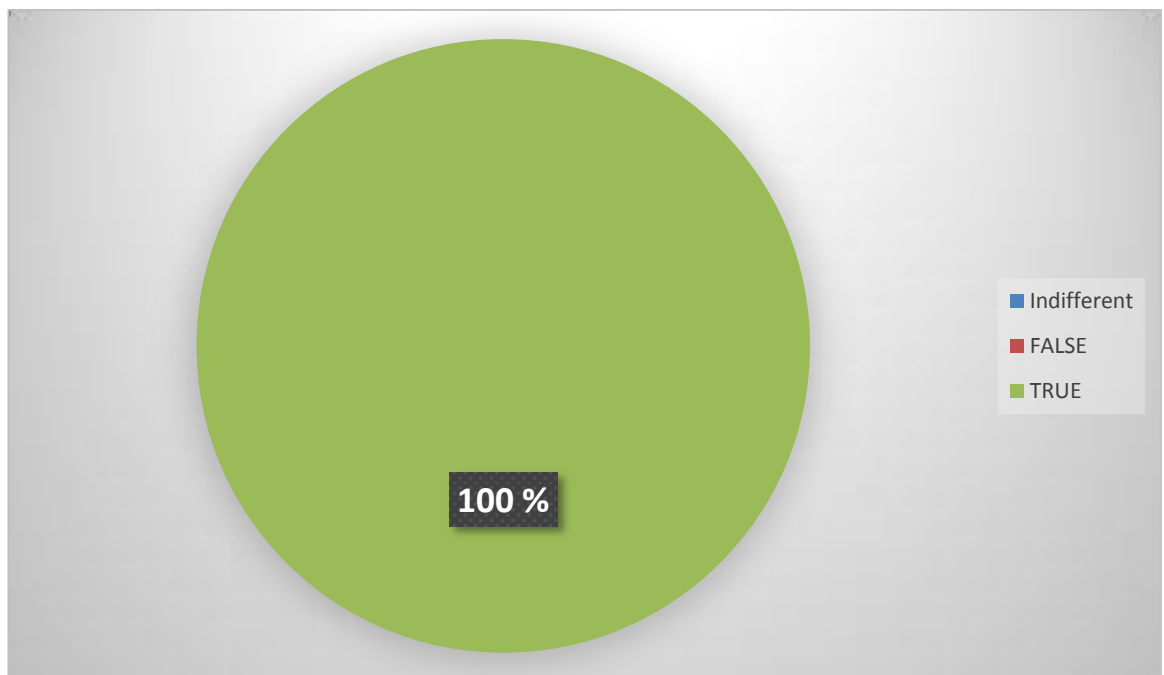


Figure 31. National economic development

It is seen in the above question that it is true that the Nigeria stock market speeds up the rate of national economic development because all the respondents responded true.

**Q21.** The Nigeria stock exchange is one of the regulatory bodies of stock market?

TABLE 23. The regulatory bodies of stock market

RESPONSES	NUMBER	%
True	65	100
False	0	0
Indifferent	0	0
<b>Total</b>	<b>65</b>	<b>100</b>

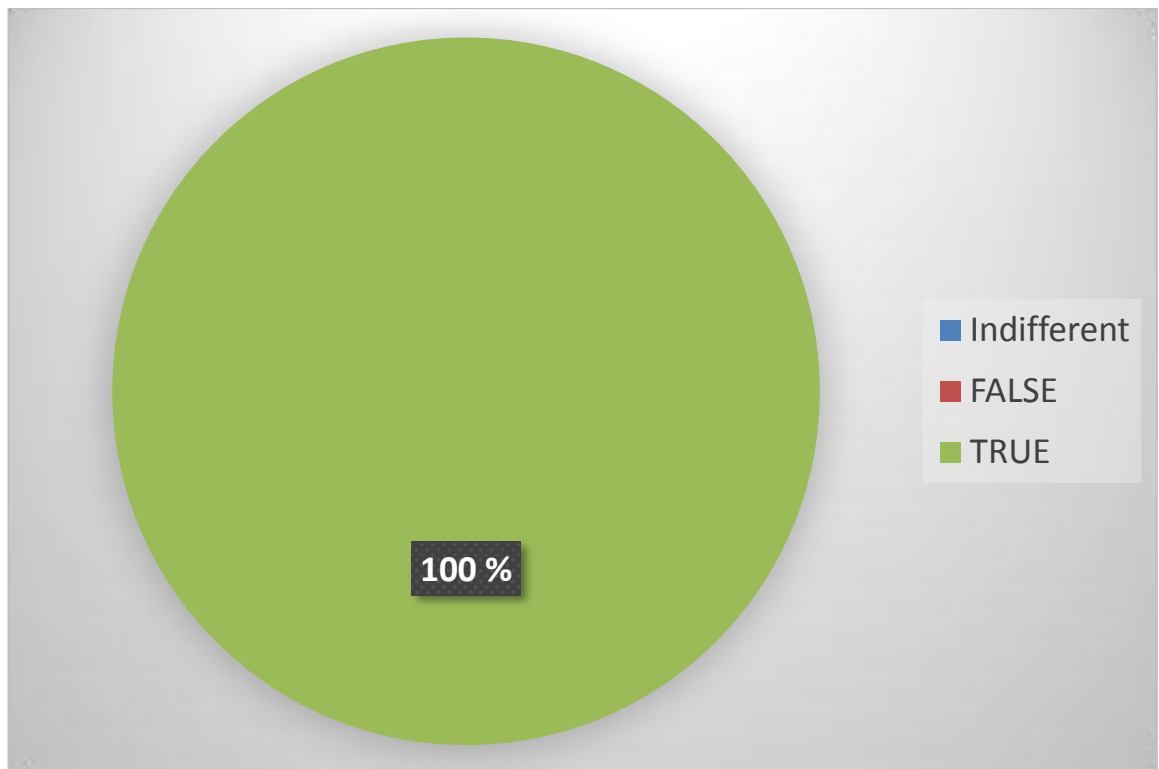


Figure 32. The regulatory bodies of stock market

Above questions and responds from the respondents indicates that The Nigeria stock exchange is one of the regulatory bodies of stock market.

**Q22.** In serving as a regulatory body, the Nigeria stock exchange:

- I. Supervises the operations of the formal quoted market:
- II. Take charge of the overall regulations of the capital market.
- III. It serves as a market for trading outstanding issues.

TABLE 24. The Nigeria stock exchange regulatory bodies

RESPONSES	NUMBER	%
Totally agree with all	15	23
Agreed with only (i)	27	42
Agree with (ii) and (iii)	23	35
Totally disagree with all	0	0

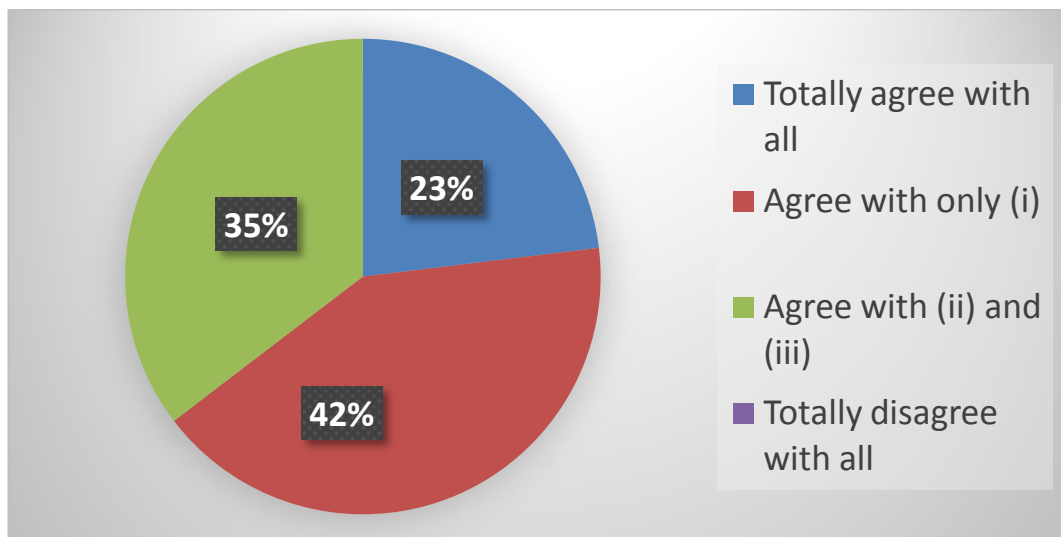


Figure 33. The Nigeria stock exchange regulatory bodies

23 % of the respondents agreed to all that in serving as a regulatory body, the Nigeria stock exchange; supervises the operations of the formal quoted market, take charge of the overall regulations of the capital market, and it serves as a market for trading outstanding issues. And 42 % agreed only with (i) and 35 % agreed with (ii) and (iii).

**Q23.** Stock exchange provides a meeting place for dealing members to buy and sell existing stocks and shares.

TABLE 25. Stock exchange provision

RESPONSES	NUMBER	%
Yes	33	51
No	21	32
Sometimes	11	17
<b>Total</b>	<b>65</b>	<b>100</b>

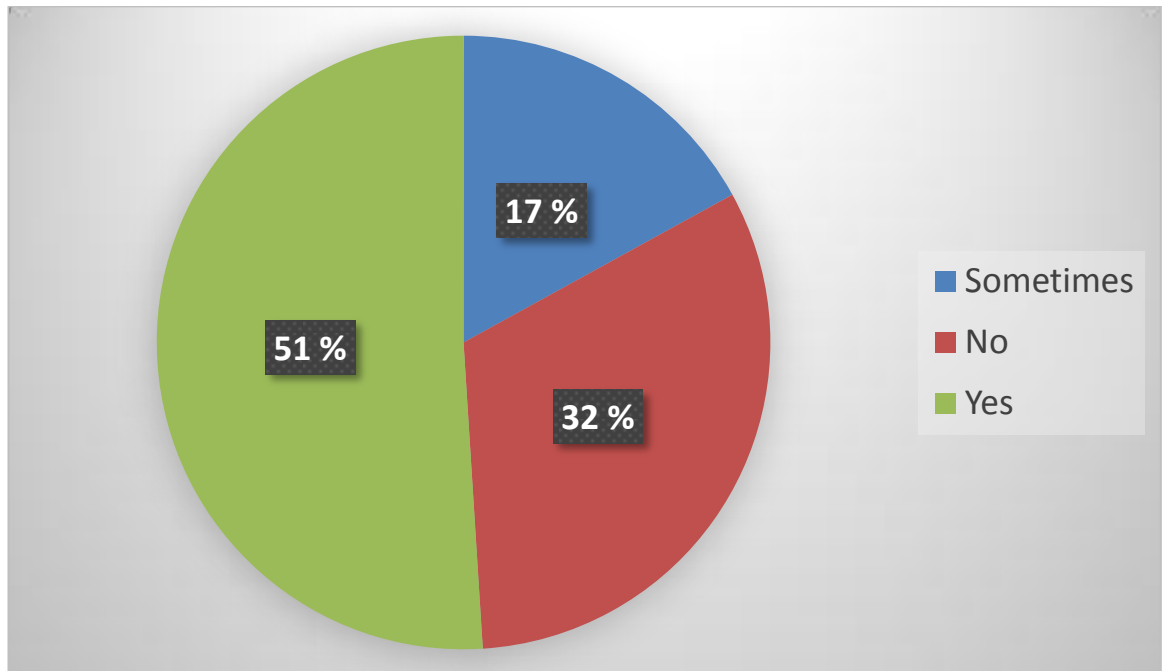


Figure 34. Stock exchange provision

Above question shows the importance of stock exchange in providing a meeting place for dealing members to buy and sell existing stocks and shares and the majority of the respondent says yes that it does, while 32 % said no and 17 % says that it does sometimes.



**Q24.** What is the role of the Nigeria stock exchange in the development of capital/ stock market?

- I. To determine the company's share value
- II. To determine the company's share fair value
- III. Responsible for generating permanent capital from the area of surplus to area of deficit sector of the economy

TABLE 26. Nigeria stock exchange in the development of capital/ stock market

RESPONSES	NUMBER	%
Agree with all	33	51
Disagree with all	8	12
Partially agree with all	15	23
Partially disagree with all	9	14
<b>Total</b>	<b>65</b>	<b>100</b>

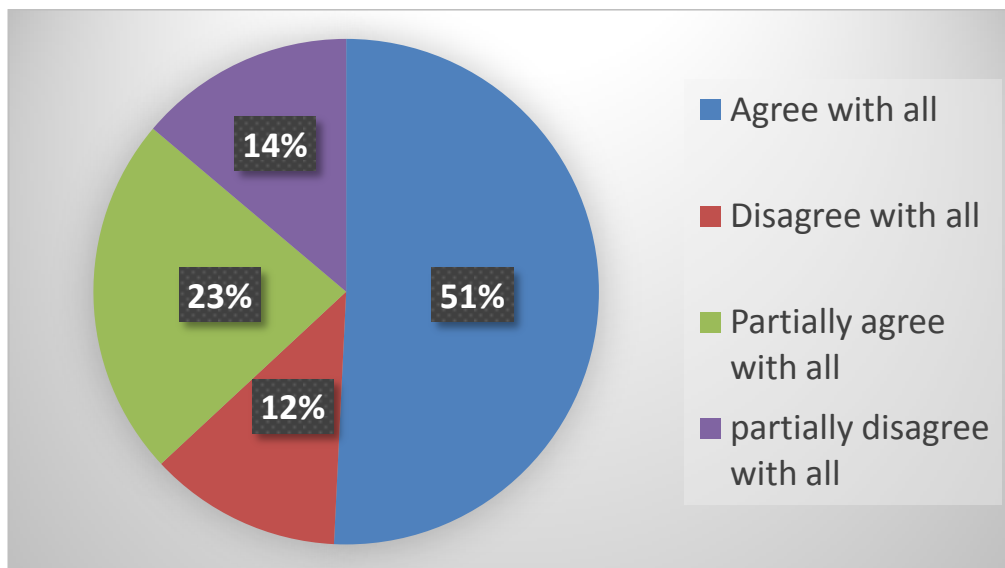


Figure 35. Nigeria stock exchange in the development of capital/ stock market

In the above question no 24 relating to the role of the Nigeria stock exchange in the development of capital/ stock market more than half of the respondent gave yes as their answer to that, while the other remaining half partially agree with all, disagreed with all and partially disagreed with all.

**Q25.** Does the company listing requirement of the Nigeria stock exchange affect the small and medium industries?

TABLE 27. Company listing requirement of the Nigeria stock exchange

RESPONSES	NUMBER	%
Yes	37	57
No	5	8
Partially	23	35
<b>Total</b>	<b>65</b>	<b>100</b>

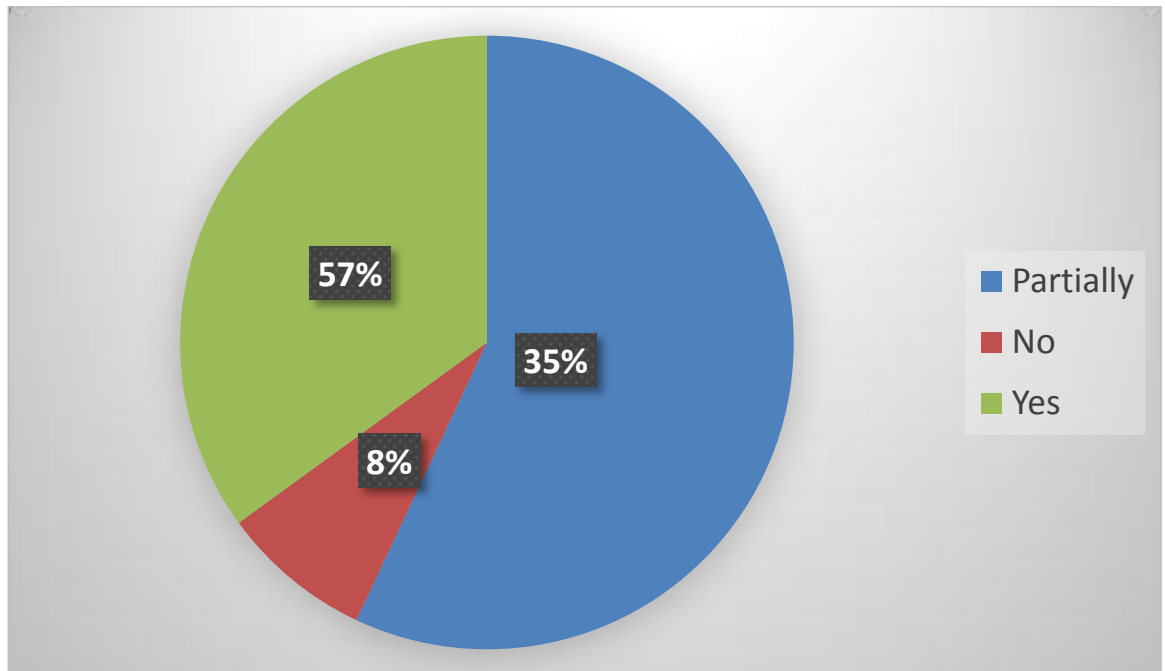


Figure 36. Company listing requirement of the Nigeria stock exchange

As seen in the above figure that majority of the respondent said that the company listing requirement of the Nigerian stock exchange affect the small and medium industries, it seems that the requirement of the Nigerian stock exchange is high which does affect the SME.

**Q26.** What impact do you think responses in Nigerian capital market above, have on the economy?

- a. Successful implementation of indigenization and privatization exercise
- b. Provide opportunity for investment diversification
- c. Discouraged small and medium companies from investment
- d. A and B

TABLE 28. Impact of Nigerian capital market on the economy

RESPONSES	NUMBER	%
Agree with A and B	57	88
Disagree with all	0	0
Agree with all	2	3
Agree with C and B	6	9
<b>Total</b>	<b>65</b>	<b>100</b>

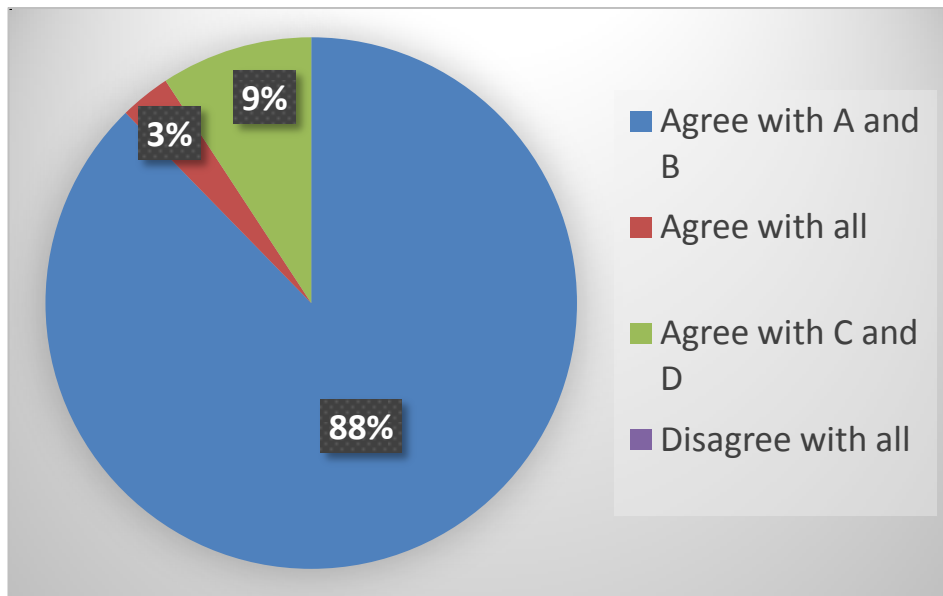


Figure 37. Impact of Nigerian capital market on the economy

In the figure above it is observed that the capital market helps in provision of successful implementation of indigenization and private exercise as well as provides opportunity for investment diversification for investors and it helps in the Nigeria economy.

**Q27.** How has government regulations and policies affected the operations of Nigeria capital market?

TABLE 29. Government regulations and policies

RESPONSES	NUMBER	%
Positively	52	80
Negatively	13	20
No effect	0	0
<b>Total</b>	<b>65</b>	<b>100</b>

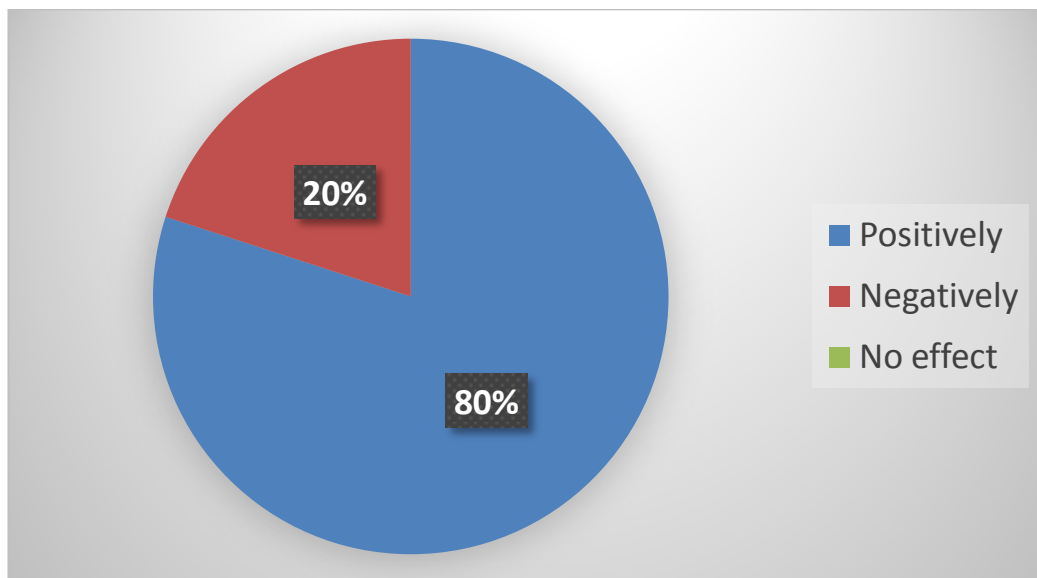


Figure 38. Government regulations and policies

It can be seen from the above figure that the government's regulations has affected the operations of the Nigerian capital market in a positive way. So this means that the government plays a significant role in the capital market.

#### **4.9.6 Recommendation**

In trying to proffer solution based on the problems encountered by the Nigeria capital market and what it would do in order to maintain its roles in the economy, the following recommendations are made:

- a. Government should make concerted effort at ensuring the development of capital market. This could be achieved by creating more funds and more market in other parts of the country where the market does not exist.
- b. Developing a proper legal framework, the purpose of stimulating investments in security Nigeria should liberalize his economy opportunities developed with its internally generated resources only. The task therefore, for the vision 2020, if it is real is to come up with right strategies that will spur foreign investment in Nigeria capital market.

Improving the market capitalization states government should use fiscal and legislative means to induce higher level of participation, without the steps and many others; the anticipated level of industrial development by 2020 may be a mirage.

## 5 CONCLUSION

In the original essay, we have able to discuss briefly the definition of capital market, its historical evolution in Nigeria and its activities in the Nigeria capital market. Consequently, it will lead to the development of an effective Nigeria capital market. The effective capital market will invariably lead to industrial and economic development by the fund they mobilized. Also it was discovered that capital market stock market will succeed in facilitating industrial growth and economic development which will encourage the flow of saving or purchased of securities issues by government or private sector enterprises and other for the foreign implementation and operation of capital projects.

More so, industrial country's economic policies do not foster harmony between its capital markets to allow for inflow of foreign portfolio.

In the previous chapter an economic methods was used to carry out the test that the Nigeria capital market does not mobilized adequate fund for industrial development in which case, it was accepted prior to the result.

In the real life sense, avenues upon which an economy neither raises nor generate funds for its development is numerous, nevertheless, if development is to take place, there should be a significant investment in real capital which can be through a mechanism such as the capital market which collects the money (capital) of savers and channels it to the system investors.

When the capital is efficiently allocated between computing ends and savings channeled into investment, industrial growth and development will be achieved.

Since there are other avenues by which an industry raises funds, one will fully subscribes the fact that capital market does not mobilize adequate funds for development.

## **5.1 Validity and Reliability**

### **Validity**

Validity can be achieved if the results of the research obtained are true and believable. So to determine the validity of this research, the researcher poses a series of questions and often looks into the answers of others to check whether the measurements are accurate or not. (Ukessay 2003-2013)

This research study can be considered valid because the researcher administered the questionnaires to a small group of respondents and they all played a meaningful role in answering the questions and returning it to the researcher. And there was enough time given to the respondents to give their answers, it was given and answered based on their management level in the organization and age. The results were sent with no doubt or uncertainty, without them knowing anything about the study.

### **Reliability**

Reliability is the extent to which the results are consistent over time and to see if the results will stand a test of time, which means the results should be stable even when carried out with different researchers.

To enhance the reliability of the study, many questionnaires were generated and sent to the staffs of Lever Brothers Nigeria PLC and the test results were carefully analyzed. There are also applicable theories which have been stated to support the study with adequate research questions and interviews which were analyzed carefully as well.

## **5.2 Usefulness**

If consideration is given to the small and medium scaled enterprises (SME) this will be the center of the industrial development of the country, because the SME's are only living in the shadows of large business for so long hence their importance

as roots to the economic health of a nation have been forgotten and in doing that the country will achieve its great aim of converting Nigeria into industrialization country. For industrial growth to occur a country may invest to build up productive capacity both in SME and large business, it is this capacity that determines the levels of output of goods and services in the economy and it brings about suitable improvement in levels and techniques of employment with industrial output accounting for at least 25% of the GPD and not less than 20% of the population employed in the industrial sector of the economy.

### **5.3 Areas for further study**

- a. The economic effect of the activities of the Nigeria capital market.
- b. Problems and prospects of the Nigeria capital market.
- c. The problems and prospects of the Nigeria industrial sector.

### **5.4 What the researcher have learned – and what he would do differently**

If the researcher decides to do this research again there are some things he will need to put into consideration, the researcher will not have to make the mistake of conducting interviews via phone because at the initial stage of this research it was hard to conduct interviews with the staffs of the company due to their busy schedule so the researcher has to go to the company in other to conduct the interviews face to face and that was successful. And it will be good for the researcher to visit the company and administer the questionnaires to them than to send by email because not all the staffs or managers will have time to check their email and reply.



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## **APPENDICES**

Appendix 1: Cover Letter for Structured interview

Appendix 2: Structure Questions for the interview

**APPENDIX 1. Letter of Motivation**

15th August, 2013

Seinajoki University of Applied Sciences, Department of International Business,  
Seinajoki, 60100 Finland.

Sir/ Madam,

REQUEST FOR YOUR ASSISTANCE AND COOPERATION IN RESPONDING  
TO THE ATTACHED QUESTIONNAIRE

I am a final year student of Seinajoki University of Applied Sciences in the Department of International Business am currently carrying out a research on the Role of Nigerian capital market and the Growth of the industrial sector using your company lever Brother Nigerian Plc. as a case study.

I humbly request that you give me the necessary information and return to me at the above address. I assured you that the information you will provide to me will be treated confidentially and used solely for the academic research work.

Thanks in anticipation.

Yours faithfully,

Kanu Obinna Christopher.

**APPENDIX 2.****QUESTIONNAIRE****INSTRUCTIONS**

Please tick the boxes provided below for the answer (s) you consider appropriate.

**SECTION ONE, BASIC INFORMATION**

1. Sex

a. Male  b. Female

2. What category of staff do you belong?

a. Top levels management  b. Middle level management  c. Junior   
staff

3. How long have you worked in the organization?

a. 0-1  b. 2-5  c. 5years and above

4. Does your Department participate in stock market?

a. Yes  b. No  c. No idea

5. Which Department of the organization do you belong?

a. Administration  b. Security  c. Information and public  
relation  d. Others, specify

**SECTION TWO; ...CAP.MAR, STOCK M. NIGERIAN GOVERNMENT**

6. Has the Nigeria capital market mobilize long term finance for the development of industrial sector?

a. Yes  b. No  c. Indifferent

7. Does the capital market play a role in revamping the economy?

a. Yes  b. No  c. Indifferent

8. How do you rate the efficiency of the Nigeria capital market in the development of the economy?

a. Average  b. Above average  c. Below average

9. Is the Nigeria capital market competent enough to perform their duties?

a. Yes  b. No  c. Indifferent

10. What is the level of independence of the capital market in the development of industrial sector?

a. Average  b. High  c. Low

11. Are there any pertinent hindrances in the activities progress of the stock market as a source of long term finance?

a. Yes  b. No  c. Indifferent

12. Has the Nigeria capital market apply any concept to improve the performance of the industrial sectors?

a. Yes  b. No  c. Indifferent

13. Inadequate functional communication network causes lack of public awareness which hinder realization of potentials of the capital market

a. Totally agree  b. Agree  c. Disagree  d. Totally disagree

14. Do you think the use of interest system will improve awareness to investors in order to have direct access to information on the stock / capital market?

a. Totally agree  b. Agree  c. Disagree  d. Totally disagree

15. Capital market reduces over rebalance on money market

a. True  b. False  c. Not sure

16. As an investor, from your response above in what way has the capital market appealed to you?

a. Provision of medium and long term fund for investment

b. Ensure wide spread ownership of shares of quoted companies

c. No impact

d. A and B



17. Nigeria capital market is fully recommended as an efficient instrument in the growth of the industrial sector?

- a. Totally agree  b. Agree  c. Disagree  d. Totally disagree

18. What impact do you think responses in (17) above have on the economy?

- a. Successful implementation of indigenization and privatization exercise.
- b. Provide opportunity for investment diversification.
- c. Discouraged small and medium companies from investment.
- d. A and B

19. How has government regulation and policies affected the operations of Nigeria capital market?

- a. Positively  b. Negatively  c. No effect

20. Has the Nigeria capital market been able to achieve its purpose for existence?

- a. Yes  b. No  c. Indifferent

21. The regulatory bodies of Nigeria capital market have enhanced its ability for expansion and modernization of industrial sector?

- a. Totally agree  b. Agree  c. Disagree  d. Total disagree

22. The Nigeria stock market speeds up the rate of national economic development?
- a. True  b. False
23. The Nigeria stock exchange is one of the regulatory bodies of stock market?
- a. True  b. False
24. In serving as a regulatory body, the Nigeria stock exchange:
- i. Supervises the operations of the formal quoted market:
  - ii. Take charge of the overall regulations of the capital market.
  - iii. It serves as a market for trading outstanding issues.
- a. Totally agree with all  b. Agreed with only (i)  c. Agree with (ii) and (iii)  d. Totally disagree with
25. Stock exchange provides a meeting place for dealing members to buy and sell existing stocks and shares.
- a. Yes  b. No  c. Some times
26. What is the role of the Nigeria stock exchange in the development of capital/ stock market?
- i. To determine the company's share value

- ii. To determine the company's share fair value
- iii. Responsible for generating permanent capital from the area of surplus to area of deficit sector of the economy.
- a. Agree with all  b. disagree with a  c. Partially agree with   
d. Partially disagree with all
27. Does the company listing requirement of the Nigeria stock exchange affect the small and medium industries?
- a. Yes  b. No  c. Partially
28. Will it be more to investors, if the capital market has it branches in different part of the country?
- a. Yes  b. No  c. Indifferent

Any comments or feedback?

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THANK YOU...