

IMPACT OF PRIVATIZATION ON THE DEVELOPMENT OF NIGERIAN CAPITAL MARKET

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Abstract

The study presents a critical examination of the impacts of privatization on Nigerian capital market development over a period of 25 years (1986-2011). Ordinary Least Square regression, Augmented Dickey Fuller Unit Root, Johansen co-integration test and Error Correction Mechanism were employed to investigate the dynamic relationship between increased participation in the capital market and Nigerian Stock Exchange market capitalization. Results show that dynamic long run relationships exist among the variables. From the co-integration equation, privatization has a significant negative impact on capital market development in

Nigeria. The significance of the number of listed securities and volume of transaction suggests that privatization is a determining factor for the development of the capital market in Nigeria, hence the legal framework and operating environment of capital market should be reviewed and strengthened to further regulate and facilitate the activities in the capital market. Specifically, Securities and Exchange Commission should be more involved in the determination of the allotment of securities during privatization in order to ensure wider spread.

Keywords: Privatization, Co-Integration, Market Capitalization, Listed Securities, Capital Formation

INTRODUCTION

Several reasons have been advanced for government ownership of enterprises. Merit goods are goods that enhance the general welfare of the society but which the consumer may not purchase enough except for government intervention e.g. education. In the case of some natural resources, profit interest of private firms tends to be at the detriment of the nation especially developing ones. Also the amount involved in some industries and the consequent risk may be too much for private sector to shoulder. Other reasons include the nature of some project, the need to reduce income inequality and stabilization of economy and public goods by its characteristics (Oke, 2003). Nigeria at the earlier stage of development is characterized by large presence of government which resulted in the creation and establishment of about 600 federally owned public enterprises (Mahmoud, 2003). However the observed general inefficiency of state owned enterprises, corruption, unproductive and wasteful use of resources and too much burden on government led to a clamor for limited government involvement in enterprises.

The consequent privatization accounted for an increase in the number of companies listed on the Nigerian Stock Exchange. This in addition to deregulation brings about increased public participation in capital market activities. Capital Market everywhere plays a significant role in facilitating and stimulating socioeconomic growth and development via the mobilization and formation of long-term funds for investment. While the trend in number of listed companies; number of listed securities engendered by privatization exercise are important barometers for the assessment of capital market performance (Babalola and Adegbite, 2001), as a matter of fact, the impact of increased participation in capital market remains unclear. There are several studies on the impact of privatization on economic growth (see Kalejaiye, Adebayo and Lawal, 2013; Adnan, 2005; Ifionu and Ogbuagu, 2013) or capital market and economic development

(see Pat and James 2010; Echekoba, Ezu and Egbunike, 2013 and Kolapo and Adaramola, 2012) but a quantitative study of the impact of privatization on capital market development has received little attention, hence the current study. It becomes expedient to conduct a research that seeks to provide answers to questions such as: what impact has privatization on the Nigerian capital market?

LITERATURE REVIEW

Concept of Privatization

Ranging from Zayyad's (2007) description of privatization as 'transfer of government-owned shareholding in designated enterprises to private shareholders, comprising individuals and corporate bodies' or as involving a change of ownership of enterprises from the government to private owned; through Privatization and Commercialization Act of 1988 and the Bureau of Public Enterprises Act of 1993 as the relinquishment of part or all of the equity and other interest held by the federal Government or any of its agencies, in enterprises whether wholly or partly owned by the Federal government; to Jerome (2008), as a policy aimed at altering the mix in ownership and management of enterprises away from government to private sector, authors have defined privatization in various way.

Kaleijaye et al (2013) noted that privatization involves a socio-economic reorganization of activities where social services that were hitherto provided by government are now transferred to private investors. The common privatization strategies in Nigeria include offer of shares to the public, trade sale, sales of assets, new equity investment by the private sector, reorganization or breakup, employee or management buyout and management contracts and leases (Salako, 1996).

Evolution of Nigerian Capital Market

The evolution of the Nigerian capital market dated back to colonial administration when the then British master ruling in Nigeria at the time required funds to maintain the members of the most fundamental functions of government, which is administration. The shortfall of agricultural product and solid mineral revenue to meet financial obligations informed the colonial administration reforming of the system of revenue mobilization in order to expand its revenue base. Therefore, it was necessary to establish a financial system by setting up the basic infrastructure for its take-off pending the development of an organized private sector (Osaze, 2001). Professor Bambarck Committee was commissioned in 1958 to consider the ways and means of encouraging the development of capital market in Nigeria. The recommendations of the Committee gave birth to Lagos stock exchange in 1961 which later metamorphosed to

Nigeria stock exchange in 1977 for creation of facilities for dealing in shares; the establishment of rules regulating share transfer and measures for encouraging saving (Adaramola and Ajayi, 2004) and issue of securities of the government and other organizations. The coming of Central bank of Nigeria in 1958 preceded capital market arrangement. This was followed by an ad-hoc committee of central bank in 1962 to oversee capital market operation known as capital issue committee which was transformed to Securities and Exchange Commission in 1978. The purpose of the above arrangement and various other legislations was to establish the legal and infrastructural framework for the takeoff of capital market activities especially to finance post-independence Nigeria.

The Nigerian Stock Exchange started with 19 listed securities made up of 3 industrial equities, 6 government securities and 10 industrial loans in 1961. The Nigerian Stock Exchange is the Centre point of the Nigerian Capital Market. The exchange has recorded significant growth over the year. Factors responsible for this include the enactment of Trustee Investment Act 1962; Insurance Act of 1979; Nigerian Enterprise promotion or Indigenization Act 1972-1977; privatization and commercialization programme of governments; deregulation of financial market in the mid 1980s and promulgation of Companies and Allied Matters Decree of 1990 (Adaramola and Ajayi, 2004).

Capital market is divided into primary market and the secondary market. The primary market is where governments and corporate bodies raise fresh funds by issuing shares and loan stocks. The secondary market provides investors the opportunity to deal in existing, old, or second hand securities. The secondary market can be organized or unorganized. It is organized where there is a physical location for trading in quoted securities. Unorganized market provides no physical trading location and transactions are conducted mainly on-line i.e. Over the Counter Market (OTC). Instruments traded in Nigerian Capital market may be government e.g. development stock/bonds; corporate e.g. ordinary shares, preference shares or debenture stock. The Nigerian Capital Market is composed of a lot of players, performing various functions. These players can be grouped into two major groups, namely the regulators and the intermediaries/operators or consultants. The regulators include statutory regulator (Securities and Exchange Commission (SEC)) and self regulatory organizations (SRO) such as Nigerian Stock Exchange. Operators are the intermediaries which include Issuing Houses, Dealers, Stock Brokers, Registrars, Trustees, Portfolio/fund managers and Audit firms.

Theoretical Considerations

At micro level, privatization is expected to alter managerial incentives, change the behaviour of enterprises and finally raise efficiency (Boubakri and Cosset, 1998) but Mahmoud noted that

there is no theoretical reason why private firms should be more efficient than public enterprises. Commander and Killick (1988) however argued that ownership matters. The neoclassical economists opined that private ownership facilitates the implementation of efficiency-enhancing policies. This assertion culminated into product efficiency theory that decline in production costs is possible with proper management. In the same vein Property right theory hold that such rights tend to bring about allocative and productive efficiency in the use of resources and abolishing the public sector property rights positively impacts productive performance and innovation of firms (Vickers and Yarrow, 1988). A firm is a network of contract between the firm and various interest groups such as employee, customer, supplier and managements. In line with agency cost theory, managements are agents and the more motivated they are the more they adjust their interests to that of the organizations.

Empirical Review

Mahmoud (2003) noted that privatization in Nigeria is an integral parts of Structural Adjustment Programme the aim being to enhance the efficiency of resource allocation of government. The core objectives are reducing fiscal deficits, building a broader tax base, attracting more investment and growing the private sector. He concluded that privatization exercise in Nigeria has placed more emphasis on the transactional aspect at the expense of sector re-organization and wider social objective. Privatization in Nigeria is evidenced by the disappearance of government monopolies in many industries especially mining, education, health, agriculture, transportation and telecommunication and more recently the downstream sector. Kalejaiye et al (2013) stressed that the exercise has both positive and adverse effect and that labour unions' involvement, increased socioeconomic stability and the establishment of more efficient regulatory agencies would deliver the desired outcome. While the aim of privatization is to promote economic growth, Adnan (2005) concludes that privatization alone will not be the magical solution to the elusive quest for growth. Ifionu and Ogbuagu (2013) using error correction model (ECM) discovered that privatization has not impacted positively on economic growth in Nigeria.

Pat and James (2010) using the ordinary least square found that the capital market does not have a significant impact on economic growth. Echekoba et al (2013) examined the impact of capital market on the growth of the Nigerian economy under a democratic rule. Using time series data, result of the multivariate regression analysis shows insignificant influence of capital market on the GDP growth rate. This is supported by the findings of Sunday, Atim and Jude (2009); Pat and James (2010); Josiah, Samson and Akpeti (2012) using regression method and Adeusi, Sulaiman, and Azeez (2013) using cointegration.

Kolapo and Adaramola (2012) examined the impact of the Nigerian capital market economic growth from the period of 1990-2010. Market Capitalization (MCAP), Total New Issues (TNI), Value of Transactions (VLT), and Total Listed Equities and Government Stocks (LEGS). Applying Johansen co-integration and Granger causality tests, results show that the Nigerian capital market (Market Capitalization (MCAP), Total New Issues (TNI), Value of Transactions (VLT), and Total Listed Equities and Government Stocks (LEGS)) and economic growth co-integrate. This implies that a long run relationship exists between capital market and economic growth in Nigeria and concluded that the capital market activities tend to impact positively on the economy.

This result is confirmed by Owolabi and Ajayi (2013). Mustapha and Yusuf (2013) examine the relationship between Nigerian Capital Market and economic growth using time series data from 1986 to 2012 using co-integration and error correction techniques. They found a long-run relationship between capital market indicators and Nigerian economy. Similarly, Udoka and Anyingang (2007) discovered a strong and positive relationship between GDP and privatization. It must be noted that the theoretical relationship between privatization and stock market development is implied.

That is there is no particular theory linking privatization to capital market development but it is established in literature that increased activities in the capital market owing to privatization exercise would have a significant positive impact on capital market. Review of the existing studies revealed that privatization has not impacted significantly on economic growth. Studies on capital market and economic growth however depict mixed results and this may be traceable to differences in method of analysis. Ordinary least square regression and co-integration results seem to show insignificant and significant impacts respectively with few exceptions.

Conceptual Framework

The capital market is a good barometer for measuring the pulse of a country's economy. The trend in the number of listed companies, listed securities occasioned by privatization brought about increased public participation and activities in the Nigerian stock exchange and led to improvement in market capitalization. The concise of this is represented by figure 1.

Figure 1: Relationship between Stock Market Activities and Privatization Exercise

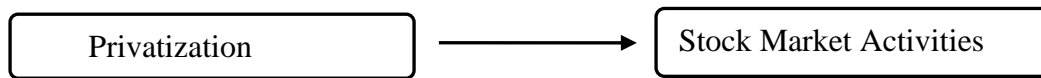
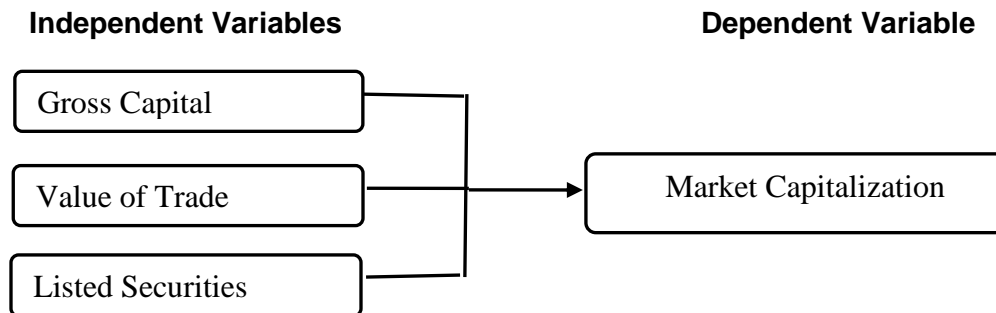


Figure 2: Conceptual Framework of Impact of Privatization on Nigeria Stock Exchange



METHODOLOGY

The Study and Data

This study employs an ex-post facto approach as researcher cannot manipulate the independent variables either because they have been manipulated or cannot be manipulated. In order to realize the objective of the study, the relevant variables include market capitalization, gross capital formation, value of transaction and number of listed securities. The first being the dependent variables while others are explanatory.

The study covers the total observation periods from the commencement of deregulation and privatization in Nigeria. In order words, the data used for analysis are entirely secondary covering the period between 1986 to 2011. They are obtained from the central bank statistical bulletin and Nigerian Stock Exchange Fact book.

Estimation Technique

Since most time series data are non-stationary, Augmented Dickey Fuller (ADF) unit root test and johansen co-integration test shall be employed in determining the stationarity of the variables and the existence of long run relationship respectively. ADF helps to avoid spurious regression results. We shall also apply Error Correction Model (ECM) for the determination of short run dynamics and direction of errors between dependent and explanatory variables. Reliability of the predictors will be determined using standard error test

Model Specification

Ordinary Least Square

$$MCAP = F (GCE, VOT, NOLS).....(1)$$

Presenting the model 1 in equation form:

$$MCAP = \beta_0 + \beta_1 GCF + \beta_2 VOT + \beta_3 NOLS + U.....(2)$$

Where:

- MCAP = Market Capitalization
- GCF = Gross Capital Formation
- VOT = Value of Trade
- NOLS = Number of Listed Securities
- U = stochastic error term
- Bo-b2 = coefficients of independent variables

From equation (2), the model can be specified in a time series form as:

$$MCAP = \beta_0 + \beta_1 GCF_t + \beta_2 VOT_t + \beta_3 NOLS_t + U.....(3)$$

Where: t = time series

Augmented Dickey-Fuller Test

ADF unit root test developed by Dickey and Fuller (1979) is used to determine the time series characteristics and order of integration of the variables. The model is specified thus:

$$\Delta Y_t = \delta_0 + \lambda Y_{t-1} + \beta_j \Delta Y_{t-1} + \epsilon t_1 \text{ (for intercept)}.....(4)$$

$$\Delta Y_t = \delta_0 + \lambda Y_{t-1} + \delta_1 t + \beta_j \Delta Y_{t-1} + \epsilon t_2 \text{ (for trend)}.....(5)$$

Johansen Co-integration Test

It is necessary to determine whether the variables in equation (3) co-integrate. The two test statistics proposed by Johansen are:

$$LR_{trace}(r) = -T \ln(1-\lambda)$$
 the trace statistics and

$$LR_{max}(r, r+1) = -T \ln(1-\lambda_{r+1}) = LR_{trace}(r+1)$$
 the maximum eigen value statistic

Error Correction Mechanism

The error Correction Mechanism is employed to investigate the short-run dynamics in the relationship between market capitalization, gross capital formation, value of transaction and number of listed securities.

From equation (3), the error correction model (ECM) can be specified as:

$$\Delta \text{MCAP} = \beta_0 + \beta_1 \text{GCF}_{t-1} + \beta_2 \text{VOT}_{t-1} + \beta_3 \text{NOLS}_{t-1} + \text{ECM}_{t-1} + \Sigma_t \dots \dots \dots (6)$$

Where:

ECM_{t-1} = Error correction term

t-1 shows the variables were lagged by one period

Σ_t = white noise residual

in any case, a positive relationship is expected from between market capitalization and various explanatory variables. This can be summarized thus;

$B_1 > 0$, $B_2 > 0$ and $B_3 > 0$

ANALYSES AND RESULTS

Descriptive Analysis

Table 1: Descriptive Result

	MCAP	VOT	GCF	NOLS
Mean	4.411199	3.395349	4.696417	2.403818
Median	4.161239	2.694377	4.838201	2.422425
Maximum	5.883037	5.836577	5.674102	2.491362
Minimum	2.790144	2.121888	3.265784	2.267172
Std. Dev.	0.950228	1.205199	0.744839	0.063008
Skewness	0.064970	0.820732	-0.171296	-1.138069
Probability	0.366578	0.169441	0.356754	0.058535
Observations	26	26	26	26

Table 1 shows the descriptive statistics of the data series employed in the study. Market capitalization (MCAP) has a mean of 4.411199 and varies from a minimum of 2.790144 to a maximum of 5.883037 and a standard deviation of 0.950228 with a probability value of 0.366578. Also Value of transaction (VOT) has a mean of 3.395349 and varies from the minimum of 2.121888 to a maximum of 5.836577 with a standard deviation of 1.2121888 and standard deviation of 2.121888. Gross Capital Formation (GCF) has a mean of 4.696417 and varies from the minimum of 3.265784 to a maximum of 5.674102 with a standard deviation of 0.744839 and probability value of 0.356754. Furthermore, Number of listed securities (NOLS) has a mean of 2.403818 and varies from minimum of 2.267172 to a maximum of 2.491362 with a standard deviation of 0.063008 and probability of 0.058535. Consequently, MCAP and VOT are positively skewed while GCF and NOLS have negative skewness.

Table 2: Regression Result (E-View)

Variable	Coefficient	Std. Error	t-statistic	Prob.
C	-14.22101	5.195913	-2.736961	0.0120
VOT	0.003288	0.162362	0.020250	0.9840
GCF	0.595804	0.276587	2.154125	0.0424
NOLS	6.582403	2.325763	2.830212	0.0097

R-squared 0.636796; Adjusted R-squared 0.587268; F-statistic 12.85732; Prob (F-statistic) 0.000046;

Durbin-Watson stat (DW) 1.131094

From the table 2, it can be seen that constant (C) has a significant negative relationship with MCAP. That is putting Value of transaction (VOT), Gross capital formation (GCF) and Number of listed securities (NOLS) aside, a unit rise in other factors other than VOT, GCF and NOLS will bring about 14.22101 fall in MCAP. Conversely VOT, GCF and NOLS all have positive relationship with Market capitalization (MCAP) in the short-run. In other words, if all other variables are held constant, a unit increase in (VOT), (GCF) and (NOLS) will bring about 0.003288, 0.595804 and 6.582403 units in MCAP respectively. It must be noted however that all the variables except VOT are statistically significant in determining MCAP considering the less than 5% probability values. All the explanatory variables explain 58.73% of changes in and the model is statistically fit considering the Probability (F-statistic) of 0.000046. The possible presence of autocorrelation as disclosed by DW statistic (1.131094) leads us to trend analysis and unit root test.

Trend Analysis

The trend of the series can be found in the appendices. Fig. 1.2 and Fig. 1.4 show an upward trend in Gross capital formation and number of listed securities during the period under consideration (i.e. 1986-2011). However, Fig. 1.1 and Fig. 1.3 depict that there exists no true trend in the behavior of Market capitalization and value of transaction in the period under consideration, hence they possess nil trend.

Unit Root Test

Table 3: ADF Unit Root Test Results (E-view)

Variables	Adf Test Statistics	Critical Value	Order of Integration	Remarks
<i>lnMCAP</i>	-4.260155	-3.612199	I(I)**	Stationary
<i>lnVOT</i>	-8.645696	-3.612199	I(I)**	Stationary
<i>lnGCF</i>	-7.241605	-3.612199	I(I)**	stationary
<i>lnNOLS</i>	-3.898958	-3.612199	I(I)**	Stationary

Note: (**)- Significant at 5%(10%) percent level

Table 3 shows the time series properties of the variables using the ADF Unit Root Test Statistics. The table reveals that MCAP, VOT GCF and NOLS are stationary at first difference 5% level of significant.

Johansen Cointegration Test

It has been shown from the unit root test above that most of the time series are non-stationary series that only become stationary after first differencing. Confirmation of the presence of non-stationary series suggests bogus relationship in the short-run because of the stochastic possessed by these non-stationary series. However, they cannot generate an equilibrium relationship in the short-run; they can only do so in the long-run if they co-integrate. Therefore, Johansen Co-integration test is carried out to test for the presence of co-integrating equation of the multivariate series in the long-run. In the Johansen Co-integration test, the Trace Statistics and Max-Eigen Statistics are compared with 5% and 1% critical values in order to determine the number of co-integrating vectors in the model.

Table 4: Trace Statistics Result

Hypothesized No. Of CE(s)	Eigenvalue	Trace Statistic	5% Critical Value	Prob.**
None*	0.684882	69.96166	63.87610	0.0058
At most 1*	0.480171	63.24626	42.91525	0.0242
At most 2	0.393186	17.54414	25.87211	0.3754
At most 3	0.206636	5.555359	12.51798	0.5187

Trace test indicates 2 cointegrating eqn(s) at the 0.05 level

* denotes rejection of the hypothesis at the 0.05 level, **MacKinnon-Haug-Michelis (1999) p-values

Table 5: Max-Eigen Value Statistics Result

Hypothesized No. Of CE(s)	Eigenvalue	Max-Eigen Statistic	5% Critical Value	Prob.**
None*	0.984882	27.71540	32.11832	0.0071
At most 1*	0.480171	15.70212	25.82321	0.0413
At most 2	0.393186	11.98878	19.38704	0.4162
At most 3	0.206636	5.555359	12.51798	0.5187

Max-eigenvalue test indicates 2 cointegrating eqn(s) at the 0.05 level

* denotes rejection of the hypothesis at the 0.05 level, **MacKinnon-Haug-Michelis (1999) p-values

Table 6: Normalized Co-integrating Coefficients

1 Cointegrating Equation(s):		Log likelihood	29.42118
MCAP	VOT	GCF	NOLS
1.0000	-2.747307	-4.329627	-43.89331
Coefficient/2	-1.373654	-2.164814	-21.94667
Standard Error	(0.05059)	(1.59347)	(10.1885)

Table 4 and table 5 show the unrestricted co-integration rank test in which the former table shows the Trace Statistics test while the latter shows the Max-Eigen Statistics test. Trace test and Max-Eigen value test each indicates 2 co-integrating equations at 5% level of significance. Moreover, Table 6 shows the long-run co-integration equation among the variables in the model. From the table, it can be seen that Value of transaction (VOT), Gross capital formation (GCF) and Number of listed securities (NOLS) all have significant but negative impact on the explained variable (i.e. Market capitalization - MCAP) in the long-run. This result does not conform to the economic *a priori* expectation of positive relationship. A unit increase in the VOT and GCF and NOLS brings about a decrease of about 27.47, 4.32 and 43.90 units in the Market capitalization (MCAP) respectively in the long run, keeping all other factors constant.

Error Correction Mechanism (ECM)

Table 7: Over-parameterized Error Correction Model Result

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.141095	0.974105	-0.144846	0.8869
MCAP(-1)	0.039142	0.216713	0.180616	0.8593
D(VOT,2)	-0.059958	0.140140	-0.427846	0.6753
D(VOT(-1),2)	-0.179280	0.161123	-1.112686	0.2846
D(GCF,2)	0.682435	0.354923	1.922768	0.0751
D(GCF(-1),2)	0.169544	0.352503	0.480971	0.6380
D(NOLS,2)	-3.607579	6.722954	-0.536606	0.6000
D(NOLS(-1),2)	0.832772	6.253102	0.133177	0.8959
ECM(-1)	-1.110870	0.427976	-2.595634	0.0212

R-squared 0.598124; Adjusted R-squared 0.368480; F-statistic 2.604572;

Durbin-Watson stat 2.520473; Prob(F-statistic) 0.056170

The over-parameterized error correction mechanism (ECM) was carried out in order to identify the main dynamic of the model and ensure that the model have not been constrained by a too short lag length. The over-parameterized ECM presented in Table 7 shows that there truly exists long-run equilibrium relationship among the variables. This is evidenced by the coefficient of one period lag of ECM which is statistically significant and correctly signed (ECM -1.110870) with a probability value of 0.0212. The lagged GCF, and ECM are statistically significant at 0.05% and 0.1% level of significance, hence the result shows that about 11.10% of the short-run inconsistencies are being corrected and incorporated into the long-run equilibrium relationship annually. In the over-parameterized ECM result, the specific effect of each of the explanatory variables on the dependent variable is shown in the coefficient column of the ECM result as presented in table 7. In this table, VOT, VOT lagged by one period and NOLS have negative

effect on the dependent variable while GCF, GCF lagged by one period and NOLS lagged by one period have positive relationship. The coefficient of multiple determinations (R^2) is 0.598124. This implies that 59.81% of the systematic variations in the dependent variable can be explained by the explanatory variables. Adjusted R^2 is 36.84% implies the existence of room for more variables capable of explaining changes in market capitalization. Moreover, the probability value of the F-Statistic shows the overall goodness of fit of the model.

CONCLUSION

This study is aimed at examining Impact of Privatization on Nigeria Capital Market using time series data spanning from 1986 through 2011. The study employed the Johansen Co-integration technique to ascertain the long run effect of some activity variables (Value of transaction, gross capital formation and number of listed securities) on stock market development proxied by Market Capitalization. The co-integration result reveals that there is a dynamic long-run association between the variables. The over-parameterized error correction model result shows that the variables have short run association which can actually be felt in the long run. However, the result further shows that the short-run inconsistencies have been corrected; giving the correctly signed and statistically significant ECM coefficient of about 11.10%.

From the co-integration equation, it is evident that; GCF has a significant influence on the level of development in Nigerian capital market. In essence, the long run significant but negative impact of number of listing and value of transaction on market capitalization imply that privatization adversely affects stock market development. This negates our *a priori* expectation and supports the findings of Adna (2005) although Adna (2005) focused on economic growth. However the adverse effect of value of transactions and number of listing as it is shown in the cointegration equation throws up a question of the efficiency of the market. Even though privatization has been found to be a crucial determining factor for the development of capital market in Nigeria, desirable effect is far from reality in the face of inefficiency that characterizes the nation's capital market through the activities of market operators. This inefficiency makes it possible for operators to increase their potential gain at the expense of the investors who are not informed.

RECOMMENDATION

The aim of the study is to examine the impact of privatization on the Nigeria Capital Market growth. A study of this nature have significant implications for policymakers, hence the following policy recommendations are made based on the empirical findings: Since the significance of the

number of listed securities and volume of transaction suggests that privatization is a determining factor for the development of the capital market in Nigeria, the legal framework and operating environment of capital market should be reviewed and strengthened to further regulate and facilitate the activities in the capital market. Specifically, Securities and Exchange Commission should be more involved in the determination of the allotment of securities during privatization in order to ensure wider spread. There is also an urgent need for the creation of awareness and continuous sensitization of Nigerian investing public of the benefits attendant to share/stock ownership in order to increase participation. In a developing country like ours, where financial development especially in the formal sector appears to be passive to real development, economic managers must not relent in their efforts to promote the nation to the league of developed economies. Lastly, further empirical investigations are required in this area in order to area to bridge the existing gap in literature.

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APPENDICES

Trend Analyses

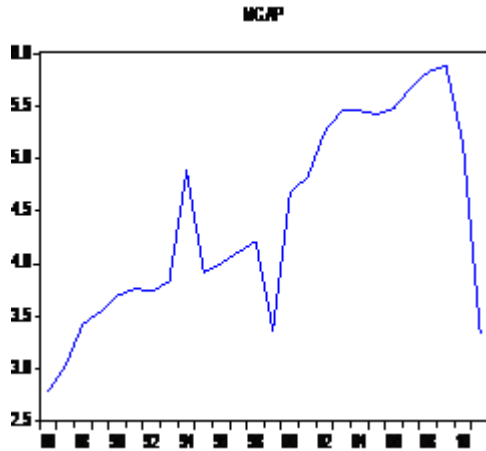


Fig 1.1: Market Capitalization

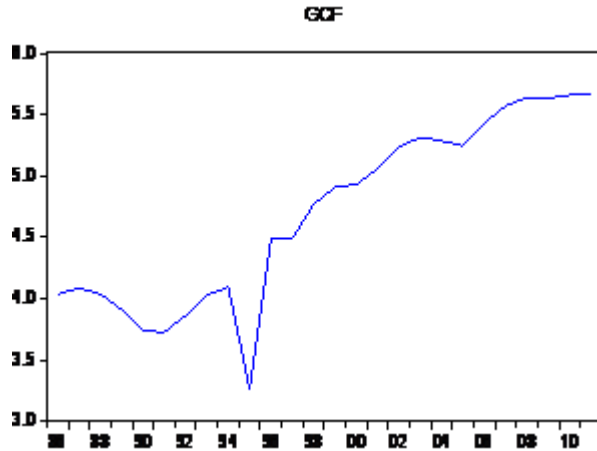


Fig 1.2: Gross Capital Formation

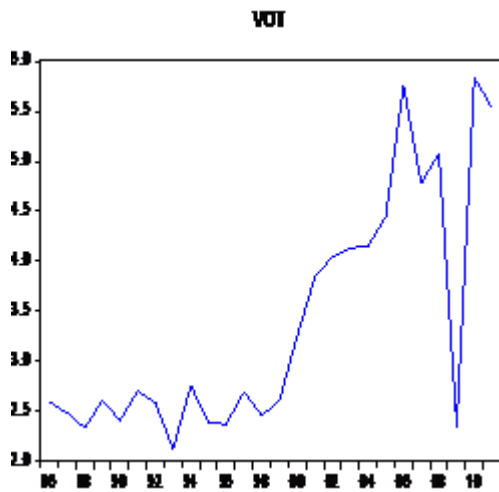


Fig 1.3: Value of Transaction

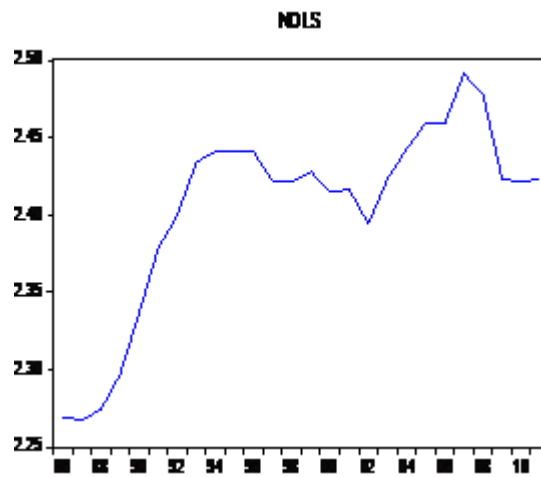


Fig 1.4: No of Listed Securities