

researchcub.info **ABSTRACT**

The capital market is one the compartment of financial system that promote savings and investment in an economy, by providing the means of gathering saving and making them available to borrower.

The aim of this research work is to examine the effective market capitalization and the Nigeria stock market growth between the periods of 1983-2010. The data used for the research work were both secondary and primary data. Secondary data was gathered from Nigeria stock market between on various issues between the periods of 1983-2010 while the primary data was source through questionnaire given to some selected staff of stock exchange market.

The analysis of data collected was base on the Ordinary Least Square the method which was used to test hypothesis one (effective capitalization and Nigeria stock market growth). Chi- square was used to test hypothesis two (registered small and medium scale is better than unregistered ones base on the questionnaire administered. The empirical results revealed that effective market capitalization enhanced the Nigeria stock market growth and registered small and medium scale enterprises is better off than unregistered one in term in an effective market environment.

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### **CHAPTER ONE**

#### **INTRODUCTION**

##### **1.1 BACKGROUND TO THE STUDY**

The capital market is one of the compartments financial system that promotes savings and investment in an economy, by providing the means of gathering savings and making them available to borrowers. The other compartment of the financial system is the money market, which is being controlled by the Central Bank of Nigeria (CBN).

The stock Exchange is one of the key institutions of the capital market, it is a network of individuals, institutions and instruments involved in the efficient channeling or funds from the surplus to the deficit economic units (Alile, 1999).

Stock Exchange is any things at the same time. It is a place where securities such as bonds, stocks and shares of different shades and types are traded openly, and where one can purchase or sell any of such securities relatively easily.

As Alile (1986), aptly puts securities as paper evidence of ownership or entitlement to a claim upon the assets of the issuing organization, which may be a business firm, Government or quasi-government organization. It is sufficient to note that some documentary or paper evidence has no fixed value attached to them but they are tested on the stock exchange market at rates or value, which are subjective and determined by the buyers and sellers of such securities.

Anao (1970) described stock exchange as an economic institution, which sees to the diverse uses in economy. In fact, to an ordinary investor, it is a place where quick money can be made or loss occurred. It presents an idea setting for the smart and daring speculator to make a fortune with relatively little effort, in terms of contributing anything of substance to national output, and the unwary can lose a fortune through false judgment.

The stock exchange plays a central and indispensable role for which it has been variously described as the HALLMARK or HEART of the capital market. This is because, even though, in its definition, the stock exchange is a market for trading on outstanding issues (shares/stocks). Alile (1999) observed that the opportunity which it offers for subsequent trading in existing securities, has made it a decisive factor in the success or otherwise of many corporate issues and extension, the efficiency of capital information in an economy.

Under a free enterprises system, which we operate in Nigeria, the stock exchange is an important art in the economics life of the nation. Through its functions, it enables government and industries to raise long-term capital to finance developmental projects, for expansion and modernization of industrial/commercial concerns. An efficient stock market mobilizes savings and allocates a greater proportion to those companies with the highest prospective rates of returns after giving allowance for risk. Thus, this study is aimed at evaluating the effect of the Nigerian stock market on the economic growth (Alile 1999).

## **1.2 STATEMENT OF PROBLEM**

The question whether a market is precisely efficient or not, cannot be adequately answered because there are some issues to be addressed. Given the roles the capital market has played during the privatization or public owned enterprises, recent recapitalization or stock exchange market and avenue of long term funds to various government and corporations in Nigeria. To some scholar and researchers have argued that market recapitalization has not really contributed to the growth of the Nigeria stock exchange while other hold contrary view and that registered small and medium scale enterprise on the Nigeria Stock Exchange market are better off than unregistered ones in term of performance in an effective market environment. The objective of this research work is to find out whether the effective market capitalization contributed to the growth of the Nigeria stock exchange between the period of 1983 and 2009.

## **1.3 RESEARCH QUESTIONS**

To achieve a reliable result that can be used to solved the problem under investigation.

- i. Does effective capitalization really contributed to the growth of the Nigeria stock exchange?
- ii. What are the challenges of facing effective capitalization in Nigeria stock market exchange?
- iii. To what extent capitalization of Nigeria stock exchange market contributed in the business performance?
- iv. Does registered small and medium scale enterprises better than unregistered small and medium enterprises?

## **1.4 OBJECTIVES OF THE STUDY**

The main objectives of this study effective market capitalization and the growth of the Nigeria stock exchange.

The specific objectives are:

- i. To determine the efficient and effective of market capitalization.
- ii. To examine to what extent market capitalization contributed to Nigeria stock exchange.
- iii. To examine the challenges of Nigeria stock exchange and market capitalization.
- iv. To investigate the performance of registered and unregistered small and medium scale enterprises in and effective market environment.

### **1.5 RESEARCH HYPOTHESES**

The following hypotheses will be formed in the basis of

#### **Hypothesis one**

Ho: There is no significant relationship between effective market capitalization and the growth of the Nigeria stock exchange.

Hi: There is a significant relationship between effective market capitalization and the growth of the Nigeria stock exchange.

#### **Hypothesis two**

Ho: Registered small and medium scale enterprises on the Nigerian Stock Exchange market are not better off than the unregistered small and medium scale enterprises in terms of performance in an effect market environment.

Hi: Registered small and medium scale enterprises on the Nigerian Stock Exchange market are better off than the unregistered small and medium scale enterprises in terms or performance in an effect market environment.

### **1.6 SIGNIFICANCE OF STUDY**

The stock exchange plays a relevant role in the economy by mobilizing funds from those, who have surplus to those, who need these funds for development of project (Ndi Okercke 2000). She observed that enhancement, assistance and development of the stock exchange activities would go a long way to provide overall improvement of the Nigerian economy.

It is hoped therefore that the findings of this study serve as a useful guide to parishioners and to anyone else associated directly or indirectly with the securities market.

Furthermore, the study is deemed significant because it will provide insight into how investors can be attracted and stimulate the growth of the nation's economy.

Finally, it is hoped that findings from this study will contribute to the body of knowledge and stimulate more research interest.

### **1.7 SCOPE OF THE STUDY**

The study is about the stock market and how effective it is in setting prices, which reflect the worth of the securities, traded in the market. The relevance of the Nigerian Stock Exchange to Nigeria's economic growth and development will also be viewed. It also covers the performance evaluation criteria; the general issues and involved that can be relevant to any organized security market, both locally and internationally. Also the research work only examined a time series data for a period of twenty eighty years covering 1983 to 2010 for all relevant variables being studied.

### **1.8 LIMITATION OF THE STUDY**

It would be fallacious to claim that the research was constrained free. The research project was limited due to several constraint; chief amongst which are:

- i. Time Factor: The time duration was not enough to collect and collate more studies on the topic for evaluation so as to give more information on the topic.
- ii. Financial Constraint: The high cost of materials restrained the researcher from testing more models which will further enhanced the result to be derived from the study.
- iii. Information: Another limitation faced by the researcher is the sensitivity of certain data required for the purpose of this research. As such, this led to the dearth of relevant statistical information.

## **1.9 ORGANIZATION OF THE STUDY**

This research work is divided into five chapters. Chapter one, this is the introductory part which encompasses the introduction ,research problems, research questions, Objectives of the study statement of hypothesis .significance of the study, scope and limitation of the study, organization of the study. Chapter two, this chapter focuses on the literature review on the subject matter .Chapter three, this chapter shall give to the structural composition on the historical background of the petroleum industry in Nigeria. Chapter four examines the data analysis and interpretation. Chapter five shall give to the summary, recommendation and conclusion.

## **1.10 DEFINITION OF TERM**

For the simplicity of the study to a layman, the following will be defined in the context in which they are used this research project.

**Share:** Each of the equal parts into which company's capital is divided, entitling its owners to a proportion in this research project.

**Value:** An estimate of worth.

**Worth:** The best valuation of share in relation to available information.

**Direct evidence:** Evidence relating to the market efficiency with focuses on the market's speed and quality of response to specific information items.

**Security market line:** A line indicating the trade off of risk and return for individual assets.

**Technical analysis:** The analysis of past security price movement as a method of predicting future price movement.

**Intrinsic worth:** The best estimate or a security's value in relation to the total set of information available.

**Market portfolio:** The portfolio of all marketable risky assets in the world in their value-related proportion.

**Systematic risk:** Risk that cannot be diversified away.

**Financial sector:** This is a segment of the economy, which comprises of financial intermediaries, financial instruments, and laws regulating the activities of the segment.

**Second hand securities:** These are instruments traded on the stock market but which had originally been purchased from issuer i.e. companies.

**Semi-Strong Efficiency:** The market is efficient at the semi-strong level or security price adjust rapidly and without bias to all public information.

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