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The Effects of the Global Financial Crisis on the Nigerian Stock Exchange

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Abstract: *Financial Crises is a global phenomenon, a situation in which the values of financial institutions or assets drop rapidly. It applied broadly to a variety of situations in which some financial institutions or assets suddenly lose a large part of their values. This topic 'The Effects of Global Financial Crises on the Nigerian Stock Exchange tend to bring limelight the historical background, theories, causes and effects of financial crises mostly in the country's stock exchange. It aims of equipping the Readers, Economics and other Stakeholders in the economics and financial sector with the right knowledge to face the challenges brought about by this ugly phenomenon with the view of controlling and reducing its effects to the barest minimum.*
Keywords: *Effects, Global, Financial Crisis, Nigeria, Stock, Exchange.*

I. Introduction

This seminar work is "the effects of the Global financial crisis on the Nigerian stock exchange. Anoruo (2005) defined financial crisis as unstable or crucial time or state of affairs in which a decisive change is impending which affects finance or finances. Hence finance is a body of principles and theories that deal with the sourcing and deployment of funds by both individuals and organizations. Also it is the science of managing money

Money comprising: Three decision areas, that is investment, financing and dividend.

A financier is one who deals with finance and investment on a large scale. Egungwo (2004) defined Nigerian stock exchange as a Nigerian organized physical market for buying and selling existing securities. Being incorporated in 1960 as Lagos stock exchange, change to Nigerian stock exchange in 1977. It was incorporated as a non-profit making organization through the combined efforts of the central Bank of Nigeria (CBN), some development Banks, the federal government. The Nigerian Business Community etc.

It has different branches like Kaduna, Kano, Onitsha, Ibadan, Abeokuta, Port Harcourt, Yola, Owerri etc. It may also be called as the stock market. Eguagwo (2004) define the following words:

A Share or Common Stock: This is an instrument that measures the amount of interest or rights that the holder has in a company.

A Common Stock Holder: This is one of the owners of an organization, hence the number of shares he has, determines the extent to which he can exercise certain rights in the company.

The Global Financial Crisis: This started in USA, hence the dwindling economy of United States affected the rest of the world economy because most of the companies in America have relations with the rest of the world.

The United States president George Bush embarked on an uncontrollable budget deficit which the major objective of this budget deficit was to prosecute the war in Iraq and Afghanistan. No sooner than this the Tsumami on wall street that spread to London and Hong Kong occurred and there was a slide in oil process in the international market as oil prices started a steep dive to the bottom. This is from \$145 of the price to \$60 and looked like it was going to fall below that. This led to the failure of large financial institutions in the United States and has crossed the Atlantic into Europe equally resulting in the failure of a number of banks.

The institutions have been saved by a quick combination of government bail outs and guarantee of depositions funds. As the crisis led to a liquidity problem and a sharp drop in the value of equities and commodities worldwide.

In Nigeria the crisis bounced in the stock exchange where the market has lost over six (6) trillion naira in few months, there is a daily slide and loss of value of assets, the questions that local investor are worried about is what do the global and local crises portend for real estate and real estate value in Nigeria.

Summarily, oil prices are crashing and made nonsense of the budgeting preparation process. The government undue dependence on oil revenue become embarrassingly glaring as it could most prepare its 2009 budget in good time. The crude oil benchmark was changed at least three times yet the country could not know the estimated oil revenue.

As the Nigerian capital market rate as the fourth best performing in the world in 2007 could not maintain this status in 200.

The Nigerian Stock Exchange

Egungwu (2004:47) define the Nigerian stock exchange is a Nigerian organized physical market meant for buying and selling existing securities, it was known as Lagos stock exchange presently has its Head office in Lagos and branches in Abuja, Kaduna, Port Harcourt, Kano, Onitsha, Ibadan, Owerri, Abeokuta and Yola with each having a trading floor.

It started its operation with nine (9) securities (3 equities and 6 govt. stocks). The number of securities traded on the stock exchange is about three hundred (300).

The Nigerian stock exchange (NSE) was established in 1960 as the Lagos stock exchange as of December 31, 2013. It was about 200 listed companies with a total market capitalization of about N12.88 trillion ($ 80.8 billion). All listing are included in the Nigerian stock exchange all shares index. Being regulated by the securities and exchange commission which has the mandate of surveillance over the exchange to forestall breaches of market rules and to defer and detect unfair manipulations and trading practice. The exchange has an automated trading system. Data on listed companies performance and published daily, weekly, monthly, quarterly and annually. This has been since April 27, 1999 with dealers trading through a network of computers connected to a server. The ATS has facility for remote trading and surveillance. Consequence many of the dealing member trade on line from their offices in Lagos and from all the thirteen branches across the country. In order to encourage foreign investment into Nigeria, the govt has abolished legislation preventing the flow of foreign capital into the country. This has allowed foreign brokers to enlist as dealers on the Nigerian stock exchange and investor if any nationality are free to invest Nigerian companies are also allowed multiple and cross border listings on foreign markets.

Pricing: The Nigerian capital market was deregulated in 1999 consequently prices of new issues are determined by issuing houses and stockbrokers, while on the secondary market prices are made by stock brokers only. The market/quot prices, along with the All-share index plux NSE 30 and sector indices are published daily in the stock exchange daily official list.

Regulation: Being regulated by the Securities and Exchange Commission, which has the mandate for surveillance over the exchange to forestall breaches of market rules and to defer and detect unfair manipulation and trading practices.

Association: NSE is an affiliate member of the World Federation of Exchange. Also a foundation member of the African Stock Exchange Association. It is also an observer at meeting of international organization of securities commission . Being away the foundation member of Africa Stock Exchange Association on 31 Oct, 2013.

The duties of the NSE council includes

- Policy making.
- Enforcing discipline among members.
- Making rules and regulations for dealing members.
- Giving approvals to quotations and listing of securities.
- Protecting interest of the investing public.
- Investigating and setting disputes and complaints against and among members.

Membership: Nigeria Stock Exchange has two types of membership – Ordinary and Dealing. The ordinary member is the registered members of the exchange. The dealing members are typically the stockholders and the issuing houses.

Shares and stocks can only be bought and sold on the Nigeria Stock Exchange dealing members have two roles (dual capacity)

- As market makers or dealers they can be licenced to a trader in the street market and
- As stock brokers – they act as agents of the public who wish to buy or sell through the Stock Exchange.

Functions of the Nigerian Stock Exchange

The roles/functions of any recognized Stock Exchange Market include the following:

- The existence of any recognized stock exchange gives liquidity to investors who may want to sell their shares for cash as and when needed.
- Investors would have opportunities to diversity their portfolios of securities, if they want.

- Existence of the exchange is vital to firms that wish to raise long-term finance. It enhances the success of the new issue.
- The absence of secondary market facilities tends to make the raising of long-term funds very expensive in terms of return demanded by investors.
- Economic development of the a nation may be hindered by lack of established secondary capital market which may result in lack of long-term investment finance.
- Existence of an officially recognized stock market will ensure that securities traded in such market will ensure that securities traded in such markets do not only have established prices but are also efficiently priced.
- Existence of accountability and transparency can be guaranteed as there are rules and regulations which dealing members must abide within the conduct of their affairs.
- Investors are adequately protected as securities are normally, properly screened before they are listed on the stock exchange.
- Stock exchange transactions can now take place through computer, internet, telephone, tax and are no longer limited to the trading floors of an exchange building.

Acquisition/Disposed, Settlement And Transfer Procedures

With the introduction of the ATS (The horizon) and the fight coupling in February 2000 of the horizon with the CSCS (the equator), this procedure from one look at the certificate process for quoted security only.

- The investor approaches his stockbrokers, and obtains the appropriate forms.
- Share transfer forms and
- The shareholders particulars form CSCS 2005 (Later de-emphasized).
- He/she complete the forms in the block capital type either hand written or typed.
- He submits the certificate and the completed forms to his stockbrokers.
- He submits his certificate deposit form, signs the relevant portion of the completed certificate, documents them and sends them to the appropriate registrar for verification.
- After verification and within 48 hours, the registrar sends the documents directly to CSCS for further processing.
- The CSCS assigns a clearing House number (CHN) to the # shareholder generated account number to the shareholder.
- It also assigns a CSCS computer-generated account number to the shareholder.

We should know that when the shareholder has only one clearing House Number (CHN) regardless of the number of shareholders through which he carries out his investment activities he would have one account number for stockholder.

- In lieu of the certificate, the shareholder would now have a statement of stock position as evidence of his stock position the computer securities clearing system. He gets this statement free every quarter and can also obtain it on special request on payment of ₦100.
- The computer securities clearing system processes the document for trading within 24 hours.
- He can use the statement as a collateral for a loan from the bank.

The horizon is the ATS software, a tested securities trading solution which has been based in mature and emerging stock markets.

Trading, Clearing And Settlements Processes Of The Nigerian Stock Exchange

- The investor initiates the buy or sell order, going through his stockholder.
- He deposits his money with this stockholder when he is buying, or deposits his certificate for verification when he is selling. When his certificate has been dematerialized, he gives instruction to his stockholders to sell from his shareholding account in the computer securities clearing system.
- He completes the necessary documentation including transfer form.
- In respect of partial sale, he gives instruction to his stockbroker to sell from the stocks.
- The stockbroker receives instructions from his client and fill the certificate of deposit form and sends them with the share certificate, if any, for verification to the registrar.
- Stockbrokers verifies clients signatures with the registrar.
- Completes a contract note and gives it to his client as evidence of the contract.
- The registrar authenticates investors claims certificates and transfer form as presented through the stockbroker.
- He sends verified certificates and signed transfer form and certified documents (CD) to the computer securities clearing system within 48 hours.
- CSCS certifies that the shares are in its system and that stockbrokers can trade in the shares.

- Transaction takes place on the exchange and transmitted to CSCS on real time basis via the ATS.
- Transaction obtained from the exchange are processed.
- Stockbrokers communicate their daily financial commitment to each other to the settlement banks via diskettes supported by hard copies.

Note: We are expected that all the transactions are expected to be completed within four days that is the transaction plus other three working days.

Transaction Costs

In secondary market transaction include graduated brokers commission, VAT on the commission, stamp duty, stock exchange certificate fe) and NSE/CSCS for (setter only) brokers charges can however be negotiated within a range approved by I.

Currently these are:

Sell side NSE Fees	0.50	CSCS	0.45
Stamp Duties	0.08	VAT on commissions	5%
Buy Side			
Stock brokers Income	0.75 X 1.50	SEC fees	0.60
CSCS	0.10	Stamp Duties	0.075
VAT on commission	5%		

These changes overtime depending on the directives from the NSE or SEC.

- Pricing, market capitalization and price index pricing
- Market capitalization: This is the aggregate of the market values of the securities are listed on the exchange as at a point in time. It is usually given/ (one) at the close of business each trading day.
- Stock market index (NSE ALL SHARE INDEX)

The NSE Index is given by the formular

Based market value that is E (PaQ)T

I = I x 100 E (Pri Qn)T I = I

Note Pa = Current market price of an ordinary

Qa = Current market price – base date

Qn = No. of listed shares – based date

T = 1, 2, 3 ----n N = NO of constituents in the index

The Effect Of The Global Of The Financial Crises On The Nigeria Stock Exchange

The effects of the global financial crises can be enumerated as follows:

- Withdrawal of Share Loans, Called Margin Facility: Emekekwue (2005) said margin facility implies leveraging your fund in order to obtain higher amount otherwise known as margin purchase. Here securities are purchased on credit. A client customer might deposit some amount with his broker, if a broker purchases security over and above the amount deposited, the client would have enjoyed some margin. For instance if the margin requirement is 60% it pre supposes that a client must have to deposit 60% of the values of the stocks required with the broker. It is a way of allowing credit chances to customers. If the margin increases the amount of credit allowed to clients will drop and vice versa. Margin facilities is the percentage of the total consideration which must be deposited with the broker for the purchase of securities. It can boost the return on investment if securities are ultimately sold above their purchase prices.

  Brown (2008) said the Nigerian stock market is the place where global financial crises has wrecked the most damage. The current step fall in the stock market estimated to have cost investors about N 3 trillion since March 2008 which has generated rumors of suicide attempts by investors and even stockbrokers most of whom have seen their fortunes melt into the air.

  Kweku (2008) said the sleep fall in the Nigerian Stock market said to have been sparked off by the withdrawal of international hedge funds of about N 1.2 trillion, this was done when the banks started withdrawing their margin facilities from the system.
- Regulatory Inconsistencies: Regulatory inconsistencies are one of the effect of the global financial crisis in the Nigerian stock Exchange. Tialobi (2008) said that the bickering and policy inconsistencies that characterized much of the year 2008 must be stopped and regulators must seek ways to in harmony if investors must be reassured to come back to the market.

  Anufe (2008) said that market operations have identified that the suspended N 1 billion minimum capitalization of stockholders as a regulatory inconsistency, have those factors that influences share prices is Govt. policy and if it is inconsistent share prices may fall.

Illiquidity In The Nigerian Stock Exchange Prof. Soludo said the reason for the down turn is simple given the credit crunch in the advances industrial world, several of the institutional investors in those market began to pull out our own markets. This find to be the origin of Nigerian financial crisis.
Excessive domination of the market by the Banking sector. Tialobi (2008) said this accounts for over 60% of total market capitalization. Any hiccup in the banking sector tends to affect the market. Orji (2008) said that the leadership of the chartered institute of stock brokers has alerted the financial legislature on the dive extent but bankers refused to accept.
Non-restoration investors confidence**.** Umar (2008) said that the statement made by the Director-General of the securities and Exchange Commission and Musa who said that the market was being manipulated informed the mass exit by foreign investors in the Nigerian capital market. Hence the general fear that the market might collapse is partly responsible for the apathy of investors.
Over Dependence on Short term Investment. Tialobi (2008) pin pointed that over dependence on short term investment contributed to the lapses experienced in the market instead of investing as long term investors.

Reference For Low Priced Equities:
Equity market crash in Nigeria

Udom (2009) highlighted the consequences and remarks of Equity market crash in Nigeria as follows: Consequences, Inadequate corporate finances. The crash in equity prices, the chances of raising sufficient funds for listed firms from the market became bleak. Firms that were for listed firms from the market for additional funds had to suspend their plans. This was because the prospect of raising the anticipated funds in a market that was persistently bearish was beak.

Reduced capitalization of companies**:** With the free fall in equity prices, the total market values of these firms sank to unprecedented lows. For instance, the market value of international bank fell by 215.1% from N 8434 trillion in March 2008 to N 267.7 trillion by over 100% from N 503.6 trillion in March 2008 to N 205.3 trillion by December, 2008 including the dumping of shares into the market, the firms stood the risk of takeover by foreign or local competitors.

Lower Profitability of banks: Continuing market crises, the bank with huge exposure to the market were required to make provisions for them in their balance sheets provision of non-performing assets led to shrinking size of the balance sheets and lower proof.

II. Methodology

The data for this study is exclusively secondary data. The major data for this research work are the actual data for Nigeria as published by the CBN for the various years. Although we utilized quarterly series covering 2005 to 2012. Using E-views econometric package we x-rayed the following tests; unit root test, granger causality test, co-integration test and vector error correction model for estimation.

Data Collection Method
We used quarterly time series data generated over the period under review on the following variables:

- MKCP = Market capitalization
- FORX = foreign exchange
- NETX = Net export
- CAPN = capital inflow
    - GRDP = gross domestic product

Model Specification

The mathematical form of the equation used multiple regression models exploring the VAR approach. The model is built based on a production function of the form.

$y = f(k, L)$……………………………………1

$y = bo + b1k + b2L$…………………………..2

In line with our variables, we have that

MKCP = f(FORX, NETX, CAPN,GRDP)………..3
Econometrically equation 3 is written as;

$MKCP_t$=bo+b1 $FORX_t$+b2 $NETX_t$+b3 $CAPN_t$ b4 $GRDP_t$ +E_t…………(4)
In order to carryout data smoothening, we transformed all variables in the log linear form, thus equation 4 is transformed thus ;

$LOGMKCP_t$=bo + b1$LOGFORX_t$ + b2 $LOGNETX_t$ + b3 $LOGCAPN_t$ + b4 $LOGGRDP_t$ + E_t …(5)

Where:
MKCP,FORX, NETX, CAPN and GRDP are as defined originally.
LOG is logarithm transformation
$_t$ = Denotes Time(quarterly series)
E_t = Stochastic Variable

Restatement of Hypothesis
The following hypotheses are formulated for the study:
1. H0: There is no significant relationship between MKCP and FORX.
   HA: There is significant relationship between MKCP and FORX.
2. H0: There is no significant relationship between MKCP and NETX.
   HA: There is significant relationship MKCP and NETX.
3. H0: There is no significant relationship between MKCP and CAPN.
   HA: There is significant relationship between MKCP and CAPN.
4. H0: There is no significant relationship between MKCP and GRDP.
   HA: There is significant relationship between MKCP and GRDP.

Apriori Expectation
FORX > 0, NETX > 0, CAPN > 0 and GRDP > 0

On the apriori note all the variables of interest are expected to have positive relationship with the dependent variable which is market capitalization proxy for capturing the dynamics in the Nigeria stock market in the face of global economic crisis.

Data Presentation, Analysis And Discussion Of Result: In chapter three, we outlined some of the techniques to be employed for the research work. It focuses on the data for research analyses and discussions of results. Appendix 1 contains the dependent variables MKCP and the independent variables FORX, NETX, CAPN and GRDP. However, the time series data for analysis are drawn for the period 2005 – 2012. They are quarterly series.

Presentation and Analysis of Results: In an attempt to establish linear relationship between the dependent variables and the independent variables we employed and adopted the log – log model to reduce possible multicolinearity problems. In line with our initial task set, we performed a pretest to check the time series properties of our variables.

Unit Root Test

Table 1 Unit Root Test Result

Variable	Order of Integration	Test Statistic	Remarks
MKCP	I(1)	ADF	Stationary at 1^{ST} differencing
FORX	I(1)	ADF	Stationary at 1^{ST} differencing
NETEX	I(1)	ADF	Stationary at 1^{ST} differencing
CAPIN	I(1)	ADF	Stationary at 1^{ST} differencing
GRDPR	I(1)	ADF	Stationary at 1^{ST} differencing

Source: Computed from Econometric Results of the Study.

As contained in the appendix and summarized in table 1, all the variables achieved stationary after the first differencing {meaning that they are I(1)}. They are integrated of order 1. This means that all the variables can be combined for meaningful analysis. All tests were conducted at 5 percent level of significance.

Granger Causality Test

Table 2 Granger Causality Test Result.

Pairwise Granger Causality Tests			
Date: 12/05/14 Time: 04:57			
Sample: 2005Q1 2012Q4			
Lags: 2			
Null Hypothesis:	Obs	F-Statistic	Prob.
LOGFORX does not Granger Cause LOGMKCP	30	0.46379	0.6342
LOGMKCP does not Granger Cause LOGFORX		3.16023	0.0598
LOGNETX does not Granger Cause LOGMKCP	30	0.43365	0.6529
LOGMKCP does not Granger Cause LOGNETX		0.13644	0.8731
LOGCAPN does not Granger Cause LOGMKCP	30	0.98312	0.3881
LOGMKCP does not Granger Cause LOGCAPN		0.80853	0.4568
LOGGRDP does not Granger Cause LOGMKCP	30	2.60844	0.0936
LOGMKCP does not Granger Cause LOGGRDP		0.06494	0.9373

LOGNETX does not Granger Cause LOGFORX	30	0.25999	0.7731
LOGFORX does not Granger Cause LOGNETX		1.39755	0.2659
LOGCAPN does not Granger Cause LOGFORX	30	8.81502	0.0013
LOGFORX does not Granger Cause LOGCAPN		1.58292	0.2253
LOGGRDP does not Granger Cause LOGFORX	30	0.92903	0.4081
LOGFORX does not Granger Cause LOGGRDP		3.09170	0.0631
LOGCAPN does not Granger Cause LOGNETX	30	3.83972	0.0351
LOGNETX does not Granger Cause LOGCAPN		1.48059	0.2468
LOGGRDP does not Granger Cause LOGNETX	30	0.03190	0.9686
LOGNETX does not Granger Cause LOGGRDP		1.51321	0.2397
LOGGRDP does not Granger Cause LOGCAPN	30	10.0547	0.0006
LOGCAPN does not Granger Cause LOGGRDP		1.15809	0.3304

Source: E-view Econometric Result of the Study.

Careful investigation of table 2 showed the causality between variables of interest. Judging from F-statistic and using 2 (two) lag length, the result showed that CAPN Granger causes both FORX and NETX (unidirectional causality). Similarly, GRDP Granger causes CAPN (also unidirectional causality). There were many cases of no causality between variables.no cases of bidirectional causality was recorded.

Cointegration Test

Table 3 Cointegration Test Result

Date: 12/05/14 Time: 04:56					
Sample (adjusted): 2005Q3 2012Q4					
Included observations: 30 after adjustments					
Trend assumption: Linear deterministic trend					
Series: LOGMKCP LOGFORX LOGNETX LOGCAPN LOGGRDP					
Lags interval (in first differences): 1 to 1					
Unrestricted Cointegration Rank Test (Trace)					
Hypothesized		Trace	0.05		
No. of CE(s)	Eigenvalue	Statistic	Critical Value	Prob.**	
None *	0.869588	98.80983	69.81889	0.0001	
At most 1	0.499262	37.69813	47.85613	0.3153	
At most 2	0.264338	16.94794	29.79707	0.6439	
At most 3	0.218540	7.738410	15.49471	0.4938	
At most 4	0.011291	0.340668	3.841466	0.5594	
Trace test indicates 1 cointegrating eqn(s) at the 0.05 level					
* denotes rejection of the hypothesis at the 0.05 level					
**MacKinnon-Haug-Michelis (1999) p-values					
Unrestricted Cointegration Rank Test (Maximum Eigenvalue)					
Hypothesized		Max-Eigen	0.05		
No. of CE(s)	Eigenvalue	Statistic	Critical Value	Prob.**	
None *	0.869588	61.11170	33.87687	0.0000	
At most 1	0.499262	20.75019	27.58434	0.2916	
At most 2	0.264338	9.209528	21.13162	0.8152	
At most 3	0.218540	7.397742	14.26460	0.4432	
At most 4	0.011291	0.340668	3.841466	0.5594	
Max-eigenvalue test indicates 1 cointegrating eqn(s) at the 0.05level					
* denotes rejection of the hypothesis at the 0.05 level					
**MacKinnon-Haug-Michelis (1999) p-values					

Source: E-views Econometric Result of the Study

The result of the co-integration test reveals that, Trace test indicate 1 cointegrating equations at 5 percent levels. Similarly, the Max-eigenvalue indicate 1 cointegrating equations at the 5 percent levels also. The implication of this result is that all the variables are cointegrated and can be used for sound economic analysis since they have long run equilibrium relationship. Although, they exhibit random walk, there seems to be a stable long run relationship between and among them.

Vector Error Correction (VEC) Model

Our choice of VEC is due to the fact that we want to know how long it will take the system to come back to equilibrium incase of shock. Consequently, our error correction coefficient (-0.187056) is statistically significant. The implication of this result is that any time the system is destabilized equilibrium will be reestablished to the tune of 18 percent in every quarter.

Unfortunately,GRDP and NETX violated our apriori expectation of positive relationship with the dependent variable MKCAP. They turned negative although GRDP is statistically significant in explaining the variation in MKCP ,NETX is not. However FORX and CAPN conformed with our apriori expectation of positive relationship with MKCP. They are also significant in explaining the variations in market capitalization .

R-squared value of 0.543319 shows that the combination of the variables in our model account for 54 percent of changes in economic growth of Nigeria while 46 percent of the changes is connected to the variables not captured by our model.

Hypothesis Testing (t statistic)
The hypothesis formulated will be tested in this section.

Hypothesis One
$H0_1$: There is no significant relationship between MKCP and FORX.
HA_1: There is significant relationship between MKCP and FORX.
Since t-calculated (2.92404) is greater than t-tabulated (1.96) we reject the null hypothesis and conclude that FORX have significant growth on the Nigeria stock market.

Hypothesis Two
$H0_2$: There is no significant relationship between MKCP and NETX.
HA_2: There is significant relationship MKCP and NETX.
Since t-calculated (-0.28158) is less than t-tabulated (1.96) we accept the null hypothesis and conclude that NETX does not have significant impact on the growth of the Nigerian stock market.

Hypothesis Three
$H0_3$: There is no significant relationship between MKCP and CAPN.
HA_3: There is significant relationship between MKCP and CAPN .
Since t-calculated (3.51778) is greater than t-tabulated (1.96) we reject the null hypothesis and conclude that CAPN is significantly related to Nigeria stock market.

Hypothesis Four
$H0_4$: There is no significant relationship between MKCP and GRDP.
HA_4: There is significant relationship between MKCP and GRDP.
Since t-calculated (-4.89009) is greater than t-tabulated (1.96) we reject the null hypothesis and conclude that GRDP is significantly related on the growth of the Nigerian stock market.

III. Discussion Of Results

In the face of global economic crisis, it however became more expedient to weigh the performance of the Nigeria stock exchange. From the foregoing the study reveals that FORX and CAPN are positive functions of growth in Nigeria stock exchange. They are both significant in explaining the variation in the nigeria stock exchange during the global economic crisis. . Similarly NETEX and GRDPR turn negative but only GRDPR has significant relationship with the dependent variable, performance of the Nigerian Stock Exchange.

NETX has insignificant relationship with the dependent variable. Our result corroborates the finding of Ewah et al (2009) from the period 1963 – 2004 which posits that the capital market in Nigeria has the potential of growth inducing but has not contributed meaningfully to the economic growth of Nigeria because of low market capitalization. Our findings is also in line with the findings of Akpan (2013) that there is strong relationship between stock market capitalization and performance of the Nigeria economy.

The Granger causality result shows that CAPIN granger causes FOREX and NETEX. Similarly GRDPR granger causes CAPIN. The implication is that none of the variable of interest granger causes the growth dynamics of the Nigerian Stock Exchange. From the cointegration perceptive, there is long run equilibrium relationship amongst the variables of interest as trace test and Max Eigen value supports this fact. Judging from the ECM, we observed that once the system is shocked it reestablishes equilibrium to the tune of 25 percent every quarter.

Remedies

The meeting of the federal government with other commission they reached up with the following solutions: The CBN introduced measures to ensure adequate liquidity within the capital market in September 2008 as follows:

- 50 base points cut in the monetary policy rate form 10.25 to 6%.
- 200 base points cut in the cash reserve ratio 4.0 to 2.0
- Reduction in the liquidity ratio from 4.0 to 3.0.
- The injection of N 150 billion into markets.
- Permitting transactions against eligible securities for 90 days, 180 days and 360 days.
- The CBN pledging to now buy and sell securities through two-way quotes.

The SEC, the NSE and all capital market operators agreed jointly to reduce the burden on investors by cutting fees significantly.

The office of the Attorney General of the federation was to issue on exemption to the provision of the relevant sections of the companies and allied matter act 1990, to permit quoted companies to buy back up to 20% of their shares. This will create demand for stocks and would prevent excessive supply that lead to fall in prices.The NSE decided to review its trading rules and regulations. It allows 1.0% maximum downward limit on daily price movement while the current 5% limit on upward movement was retained with the hope that it will reduce the free fall of prices of value stocks. The objectives of the above measures were (1) to create liquidity in the system (2) to make the capital market more competitive in terms of cost reduction.

(3) to strengthen the process of policy formulation and implementation in order to reverse the declining fortunes of the equity market. However over the years those policies show very limited success hence more fundamental and term measures are required to tackle the problem.

Suggestions

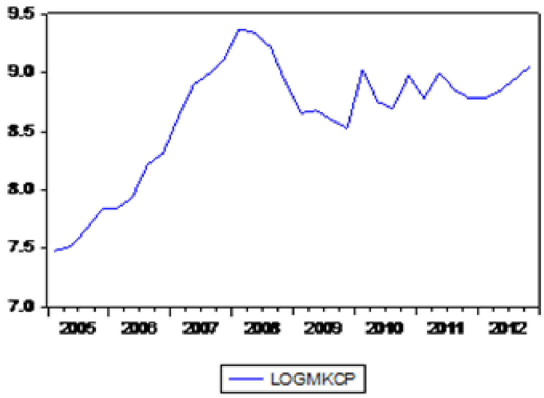
- **Application Of Financial Sector Regulation And Supervision:** This is to strengthen regulatory and supervisor frame work of the regulatory authorities through the financial services, regulation should be placed on the enforcement of code of corporate convenience and risk management.

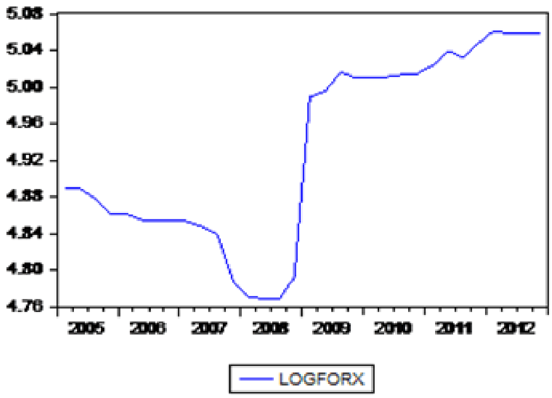
- **Injection of billions of naira to reflate the economy**
- According to Lamido Sanusi, a truly bail-out the overwhelming of Nigerians, the banks should be taken over in the interest of the people and the real economy. Living wages should be paid to Nigerian workers, sound, free and qualitative Health and Education at all levels would make Nigerian workers better off and set them on the path of a real financial ball-out.
- The capitalist system in Nigeria must be looked into hence as long as capitalism survives in Nigeria, economic development is a mere mirage.
- The minister of finance, Dr. Mrs Ngozi Okonjo Iwuala said the continuance fall of the oil price will have a negative effect on the nation's economy, it may force the government to merge some agencies looking hard at recurrent expenditure and identify overlaying agencies. Hence Nigeria formally have about $4 billion in the Excos Crude Account (ECA) but now dropped to $2 billion as recommended by the international monetary fund.
- Government should be consistent in their policy which causes share prices to fall.
- Tackling the infrastructure Deficit: Basic infrastructures are needed hence regular supply of electricity and good roads will go along way to reduce the cost of doing business in the private enterprises, the success of these firms will reflect the real economic fundamentals which will show up in their equity prices.

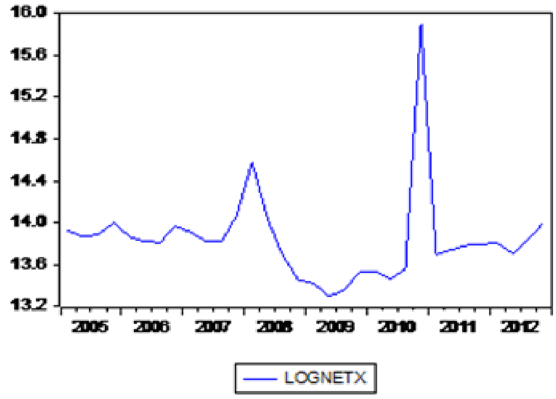
- **Alignment Of Fundamental Sector Policies:** The policies of the regulatory authorities within the sector need to be realigned. The presidential sheering committee on the Global financial crises and capital market should ensure that policies in the money market are complimentary and in the capital market.

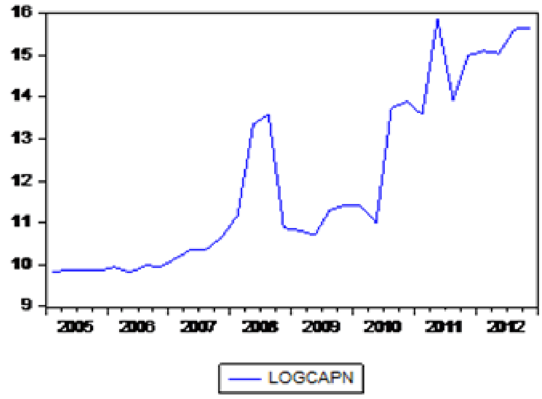
IV. Conclusion

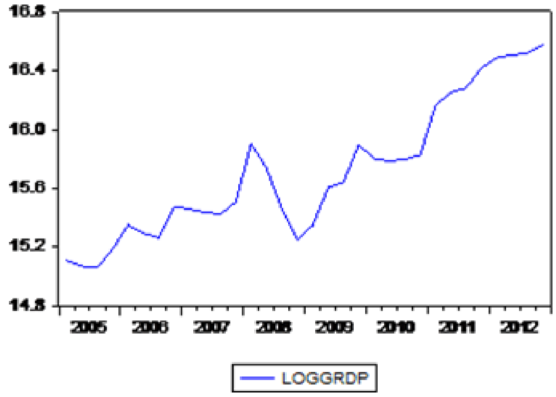
It was observed that beginning from the second quarter of 2008, the market has been on steady downward slide; the crash has been attributed the current global economic meltdown, reckless financial practices and a lax regulatory require to militate the crash and prevent a reoccurrence, the paper some suggestions. These suggestions and other way-out including the strengthen of the financial sector supervisory framework, tackling of the infrastructure deficit in Nigeria and the realignment of financial sector polices. The data used was tested and run with Econometric E-view programe.

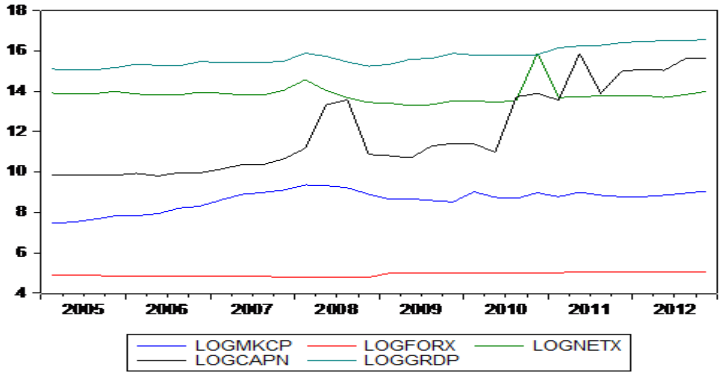












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