UNIVERSITY OF PORT HARCOURT

HAS TAE NIGERIAN STOCK MARKET TANKED: WHAT PROSPECTS FOR PROFIT MAKING?

An Inaugural Lecture

By

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DEDICATION

Dedicated to all Nigerian patriots.

ACKNOWLEDGEMENTS

I owe many people an immense debt of gratitude for their roles in making my life's journey worthwhile. I wish I could mention all of them individually but for time constraints and limited space, only a few of them will be specifically recognised here and in this regard I sincerely plead with anyone who I might have inadvertently omitted to kindly forgive my inadequacy. First, is my father of blessed memory, Rev. Dr John N. Nwakanma who hath unflinching faith in the power of God and instructed me to live by faith and that has served as my golden rule in life for which I am grateful to him. Second, the space my mother also of blessed memory, Mrs Rose O. Nwakanma occupies in my life remains evergreen several years after her "translation", using notable bible characters she entrenched in my consciousness the need to fear God as *the beginning of wisdom,* her labour of love will never be forgotten. Third, it is difficult to discount the memorable years I shared with my lovely wife also of blessed memory, Mrs Patience U. Nwakanma (Nee Echefu) who was my friend and confidant and a pillar of support throughout our union until death separated us, I remain grateful to her and to the Almighty who brought us together.

True to my name, God in his infinite mercies prepared for me a virtuous woman as my wife and helpmate, Mrs Caroline N Nwakanma, she has been a great confidant and continuous pillar of support. I love and appreciate her for filling the vacuum in a manner that amazes me on a daily basis. I will be remiss not to say that the success of this lecture is entirely due to her unceasing prodding's and reminders. She kept droming it to my ears that I should hit this ground running with, my preparations as procreation preparations as they say: “is a thief of time” . She shorts this indeed is in my co-lecturer as without her enforcing motivation I would not be standing before you today. I deeply appreciate her love and unalloyed support. My love for you shall never cease. My elder brother and mentor, Professor Hudson C. Nwakanma who is the living patriarch of my father’s dynasty has been very dependable in all situations, I appreciate him and pray the Almighty will continue to keep him for us. I sincerely appreciate my eldest sister and the first daughter and child of my father’s house, Mrs Blessing C. Obasi and all my numerous siblings for making my sojourn with them while under our parents’ custody and even till now quite wonderful and enriching. I also thank our Children, Engr. & Dr Mrs John C. Nwakanma, Chukwuka Nwakanma, Mr. & Mrs Onyinyechi Prince Nkoro, Ikechukwu Nwakanma and our most recent bundle of comfort Amarachi Nwakanma. You are all great people and your presence on this occasion will remain unforgettable.

I must not fail to appreciate our 8th Vice-Chancellor Professor N. E. S. Lale, and his immediate predecessor Professor Joseph A. Ajienka for helping to make my career fulfilled in this University.

My gratitude also goes to Professors Peter N. Umoh, Don M. Baridam, S. E. KaluSamuel M. Nzotta, Nworu, Chigbu Ezeji and Patrick Osiegbu for their roles in preparing me intellectually.

I have been a member of a very friendly and cooperative academic family: The Department of Finance and Banking and the Faculty of Management Sciences. I am proud to be associated with you and thank you all. I also appreciate our able Dean, Professor Barisua F. Nwinee for his continuous effort at “re-branding” the faculty. I salute you immensely.

The contribution of my numerous students, past and present especially at the graduate level who by asking critical questions in and outside the classroom helped in no small measure to shape my thoughts and inspired me for this intellectual outing of today. I fully appreciate all of them.

I want to specially thank Mr. Omotayo Akinpelumi, a very dependable academic support whose untiring efforts in gathering and processing my numerous data were in no small measure contributory to the success of what is being done today. Others who deserve my sincere commendation include Ikechukwu Nwakanma, Dr Ifeanyi Mgbataogu, Kelechi Nnamdi and Gloria Odoerema for their valuable support.

I need to thank members of my spiritual family, especially the Ministers, Church Officials and entire members of the Assemblies of God, Silver Valley Port Harcourt whose prayers and encouragement have been very refreshing.

I will not forget to thank my in-laws, the Echefu’s and the Ekeocha’s who have continued to support me throughout this journey.

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ORDER OF PROCEEDING

2.45P.M. GUESTS ARE SEATED

3.00P.M. ACADEMIC PROCESSION BEGINS

The procession shall enter the Ebitimi Banigo Auditorium, University Park, and the Congregation shall stand as the procession enters the hall in the following order:

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PROFESSORS
DEANS OF FACULTIES/SCHOOLS
DEAN, SCHOOL OF GRADUATE STUDIES
PROVOST, COLLEGE OF HEALTH SCIENCES
LECTURER
REGISTRAR
DEPUTY VICE-CHANCELLOR [ACADEMIC]
DEPUTY VICE-CHANCELLOR [ADMINISTRATION]
VICE CHANCELLOR

After the Vice-Chancellor has ascended the dais, the congregation shall remain standing for the University of Port Harcourt Anthem.
The congregation shall thereafter resume their seats.

THE VICE CHANCELLOR‘S OPENING REMARKS.

The Registrar shall rise, cap and invite the Vice-Chancellor to make the opening Remarks.

THE VICE CHANCELLOR SHALL THEN RISE, CAP AND MAKE HIS OPENING REMARKS AND RESUME HIS SEAT.

THE INAUGURAL LECTURE

The Registrar shall rise, cap, invite the Vice-Chancellor to make his opening remarks and introduce the Lecturer.

The Lecturer shall remain standing during the Introduction. The Lecturer shall step on the rostrum, cap and deliver his Inaugural Lecture. After the lectures, he shall step towards the Vice-Chancellor, cap and deliver a copy of the Inaugural Lecture to the Vice-Chancellor and resume his seat. The Vice-Chancellor shall present the document to the Registrar.

CLOSING

The Registrar shall rise, cap and invite the Vice-Chancellor to make his Closing Remarks.

THE VICE-CHANCELLOR'S CLOSING REMARKS.
The Vice-Chancellor shall then rise, cap and make his Closing Remarks. The Congregation shall rise for the University of Port Harcourt Anthem and remain standing as the Academic [Honour] Procession retreats in the following order:

VICE CHANCELLOR
DEPUTY VICE-CHANCELLOR [ADMINISTRATION]
DEPUTY VICE-CHANCELLOR [ACADEMIC]
REGISTRAR
LECTURER
PROVOST, COLLEGE OF HEALTH SCIENCES
DEAN, SCHOOL OF GRADUATE STUDIES
DEANS OF FACULTIES/SCHOOL
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- Distinguished Professors
- Directors of Institutes and Centres
- Heads/Coordinators of Departments
- The Chief Medical Director, University of Port Harcourt Teaching Hospital and the Administration
- Other Distinguished Scholars and Administrative Staff
- Members of the Hospital and University Community
- Royal Fathers and Mothers here present
- My Distinguished Friends and Guests
- Unique Students of Unique Uniport
- Members of the Press
- Ladies and Gentlemen.

1.0 INTRODUCTION

According to the dictum usually mentioned in the academic circle, “publish or perish,” pointing to the crucial as well as challenging task of scholarly publications and attesting to its imperative, as it is a prerequisite for advancing in the academic profession, for without it, one who has chosen this noble profession and seeks to progress in it finds that the goal of ultimate achievement is destined to be stymied. Ordinarily, if the art of writing is difficult, one could then imagine how demanding it would be for a person in the academia to rise through the ranks to attain the enviable rank of a university professor. Achieving this status in any reputable university, such as the University of Port Harcourt is something worthy of celebration. It is not surprising therefore, that an Inaugural Lecture is seen as an occasion which gives the newly promoted Professor the opportunity to be celebrated for having attained the zenith of the academic career. It is a platform for one to showcase the outcome of one’s intellectual pursuit in the past, present and the ongoing effort in the search for solution to certain social issues. In this regard, Mr. Vice Chancellor, it is my wish *to align myself with* this time-honoured tradition of this University, for which, I am indeed grateful to you and this Institution for granting me the rare privilege and honour to deliver this Inaugural Lecture, being the 147th in the series and the 4th to be delivered by a professor from the Faculty of Management Sciences and of course, the second from the Department of Finance and Banking.

By convention, a newly elevated professor is expected to give an inaugural lecture within twelve months of the event(Sunshine-Nigeria, 2018).So, shortly after I received notification of my elevation to the rank of a Professor of

Finance and Banking in February, 2017, I was very zealous to deliver my inaugural lecture so as to meet the popular expectation. In the course, I consulted the Academic Office three months after the announcement of my promotion and discovered that the culture of presenting inaugural lecture is keenly in demand by professors in this University, and so, poses the challenge of limited slots for inaugural lecture presentation as slots are booked far in advance by my colleagues especially those trying to catch-up. Hence, this presentation comes within fifteen months after the announcement of my promotion. This Inaugural Lecture is entitled "Has the Nigerian Stock Market Tanked: What Prospects for Profit Making?" My decision to address this puzzle has its bearing on three pillars. First, stock markets provide the key mechanism for maximising the utility of money or wealth in most modern economies especially where the institution is fully developed. Second, it constitutes the epitome of market efficiency as the most organised form of market in any economy, for this reason stock markets are usually referred to as organised exchanges with rules and regulations governing the conduct of business and information being freely disseminated. Finally, it could serve as a barometer for gauging the performance of any economy where there is a well-functioning stock market.

I will be taking you through my study of the Nigerian stock market and how its performance has been influenced by political and socio-economic factors. The purpose is to address the task I have set for myself, and in doing so, I will draw heavily from the book I intend to publish before the end of this year on the question: ‘Corporate Nigeria and Nigeria’s economic performance.

2.0 MONEY AS FOUNDATION

I should start by saying that the extent any country can fully achieve its economic potentials depends on the extent to which the leaders of its private and public sectors realise that money is not *an end in itself but a means to an end* - the reward for solving and not for compounding social problems. I therefore argue that, Money is the foundation of all markets including the stock market. It is conventional to describe any and every economy where money is predominantly used as the medium of exchange as a market economy.

The origin of market economy can be traced to the point in time when money gradually substituted barter as the medium of exchange. This became necessary, the moment it was realised that barter was incapable of sustaining commercial activities in a burgeoning economy. Thus, it can be argued that the evolution of money has generally followed the course of human progress and civilisation. While investment, as an act of committing money into productive assets so as to increase the investor's future income, can be viewed as a lesson from nature. It can also be deduced from history that the prehistoric man might have discovered the practice of agriculture by chance. In the course of wandering, he saw that some of the fruits once eaten and discarded had sprouted and reproduced themselves, which reflects an important stage of intellectual and cognitive development in man. I therefore submit that, agriculture became the pivot on which the fulcrum of early human civilisation revolved and gave rise to early social formation. In the course of time, my conjecture is that the surplus from agricultural production fuelled the formation of early cities in which the concentration of people was encouraged by the supply of food from surrounding communities. This resulted to development of infrastructure such as buildings, roads, power supply etc., and furthered the evolution of social order on a greater scale (Davies, 2010).

The role of money in human development stems from its expanded function of supporting specialisation, which in turn enhances productivity. By eliminating the deadweight of double coincidence of wants in barter exchange, money became a great labour and time saving device that makes it possible for trade to expand in leaps and bounds. I am convinced that even the development of transportation and communication, which are the other means for promoting trade are in concert with the unfolding role of money. This is because it encourages specialisation which depends on the salutary effect of money as individuals devote their time and intellect to envision how people and physical goods can move about within and across territorial boundaries and also communicate with each other without necessarily having physical contact.

I maintain that, the expanding reach of money caused its transformation from acting as a mere medium of exchange to an institution of unimaginable significance-spawning banks, insurance, brokerages, mortgages, unit trusts or mutual funds and myriads of other financial institutions in as much as individuals seek innovative and more efficient and effective means of managing funds (Nwakanma, 2000).Its growing importance can also be felt in government business because the use of fiscal and monetary policy by government is directly or indirectly linked to finding the most appropriate use of money in macro-economic management. For example, the Nigerian government in 1962, commenced the use of development plans shortly after political independence for managing the national economy involving prioritisation of the country's developmental needs and by so doing allocated financial resources for procuring the resources for the accomplishment of the set goal to achieve rapid socio-economic development. The emergence of Finance as a discipline with various areas of specialisation was in response to the growing power of money in solving social problems as distinct from Economics and other areas of Management Disciplines – Management, Accounting, Marketing etc. I strongly believe that the rallying point of managing money is investment management, which is primarily concerned with maximising the value of available wealth.

I hypothesise that investment management is the heart of finance because it tends to coalesce the various branches of finance for the purpose of making optimal financial decisions. For example, the years one spends studying to acquire a skill or qualify as a professional may payoff in higher future income stream, just as the discipline of a pension plan assures the person of enjoying the golden age later in life. In a similar vein, insurance is primarily a risk management tool which indemnifies the insured against a contingent event. Its role in investment therefore, is the comfort it gives the insured based on the assurance that should the insured peril occur, the insured would not be faced with a total loss (Nwakanma, 2000).

Money and Investment:

Money can be thought of as the progenitor of modern investment. To be sure, there are two broad areas of investment; real assets investment and financial assets investment. I have earlier said that money is known for promoting the culture of specialisation, and this Adam Smith acknowledged in his ‘Wealth of Nations’ is a necessary condition for wealth creation by Sovereign states. On this, I have to assert that investment in real assets and in financial assets can be thought of as the opposite sides of a coin because of their interdependence. To buttress this position, let me make it clear that the value of any financial asset is dependent on the productivity of the underlying real assets, and at the same time, investment in real assets can be facilitated or hindered by the availability of funds which stems from investment in financial assets. This brings me to the Saving- Investment nexus.

Saving involves an element of sacrifice, because the individual refrains from consuming his income as it is earned, it is therefore seen as deferred consumption. Investment on the other hand, entails the assumption of risk because the investor commits a certain amount of money or other resources in expectation of an uncertain and perhaps higher future income stream. In this regard, some anonymous individual that ‘when the primitive man decided to use bone as a club rather than consume its marrow that it was investment.’ That decision has embedded in it-the concept of saving and investment; the reflecting a denial of instant gratification former while the latter connotes the desire to increase productivity by using the bone as a hunting instrument. It is pertinent to note that the use to which saving is put determines its utility. What distinguishes the modern society from the ancient is that those who save are not necessarily the same as those who invest. This stems from the intervention of financial markets which provide the mechanism by which funds from surplus spending units (SSUs) are channelled to deficit spending units(DSUs).Thus, there is a reordering of time preference whereby those who lack immediate need for the consumption of all their income exchange their surplus funds with those who have need for more spending than their current income will permit. In that way there is a separation of saving decision from investment decision, this is possible because financial markets direct the allocation of funds by economic units through the mechanism of interest rate, which is the price that users of funds pay to suppliers of capital, in a sense, the reward of delayed consumption.

It is interesting to say that financial markets usually have two major segments – money market (where short-term funds can be obtained) and capital market (for procuring long-term funds). Let me further add that the two markets function in mutually reinforcing manner. That is because short-term funds are required by business to meet their operational needs, thereby making sure that the installed production facilities remain in use but long-term funds at the other end, are required for the long-term investment needs of business and therefore used to fund their capital expenditure needs. Thus, the money market is dominated by short-dated debt instruments, mainly in the form of short tenured financial assets such as bank savings account or federal government treasury bills. While the capital market on the other hand is characterised by long-term instruments in the form of debt and equity stocks. Most debt stocks have pre-determined maturities and are subject to redemption when they mature, but equity stocks are never tenured and so remain irredeemable throughout the life of the company that issued it to raise capital. Consequently, equity stocks are prone to illiquidity of a greater magnitude than debt instruments. The creation of stock market was to provide liquidity for long-term financial assets, including debt instruments, and so enhance their viability as source of long-term capital to reputable business organisations. Globally, the capital market started with the creation of long-term debt instruments mainly by Sovereigns, who needed such funds to prosecute wars with rival kingdoms. However, with the launching of joint-stock companies in Europe, large scale equity financing became entrenched as a source of long-term funds to eligible companies (Moore, 1984). This introduces the dichotomy or rather continuum between the primary market and the secondary market for both debt stocks and equity stocks. The primary capital market enables companies to source funds directly from investors or indirectly through financial intermediaries. The secondary market on the other hand, injects liquidity into existing securities by providing a platform for trading on second hand securities.

The stock market plays a vital role in any modern economy not just because of its liquidity enhancing attribute but because it seems to be the most visible and transparent segment of the capital market and in that respect helps in determining the price of marketable securities. This is important because it enables companies that are not in the market to compare with their peer competitors in order to ascertain their level of competitiveness. It must be said that even though opinions are largely divided among economists regarding the role of stock markets in economic growth and development, there is no doubt that developments on the stock market can affect the overall health of the economy. For example, the stock market crash which occurred in the U.S. in 1929, snowballed into the great depression that happened between 1935 and 1945 and caused the massive failure of banks and other financial institutions which accompanied it. Recently, the great financial meltdown of 2007 and 2008 has been traced to the bubble burst in the U.S. stock market which cascaded to the global markets leaving in its trail a lot of causalities. Since the stock market cannot be ignored as a vital organ for harnessing a country's economic potentials, the necessity of a stock market in Nigeria was considered a prelude to the country's independence, and culminated in the establishment of the Nigerian Stock Market, which started as the Lagos Stock Exchange in 1961(Nwankwo,1980, P.132).

Nigerian Investment Environment:

I posit that the Nigerian investment environment is the result of its historical antecedents and unfolding innovation in the economy. I am sure, there is no one here who does not know that the Nigerian state is a fusion of a one-time disparate and perhaps isolated ethnic nationalities or ancient kingdoms on the West African coast brought together by the invading British forces to be a British colony. This was the outcome of the Berlin Conference of 1885 where Europe partitioned Africa and ceded those territories to Britain (Appiah, 2010).

I hypothesise that in virtually all the communities and kingdoms survival was at the subsistence level, lending credence to the theory that any form of trade then must have been by barter, and the further conjecture that some form of communal aid was given to the less privileged who could not produce enough to exchange based on the primordial form of communalism that existed at the time, premised on the old adage '*being my brother's keeper.*' Thus, rightly observed by one writer about the African people: "If the motto of Europe is individualism' "I think therefore I am', 'Africa's would be communalism' 'I relate therefore I am. '(Dowden, 2009, P.21).

I believe that this attribute seems to be most pronounced in our assimilation of the two popular foreign religions: Islam and Christianity. Unfortunately, it seems that they are operationally, opposites of each other, one believes in transmuting to a state religion with all its implications, while the other succumbed to the ideological influence of democratic principles of the West that believes in secularism and freedom of choice ***. Of course, every student of investment knows that religion has a lot of roles to play in investment decisions. However, I am convinced that those “primitive” enclaves must have lacked any of the known means of modern transportation, which made intercourse between them impossible or quite restrictive.

Hence, it is my submission that the vital ingredients that promote trade on a large scale: money, banking, transportation, and communication were hardly available in the communities to spur trade on a large scale. The resultant effect of this I suppose, is largely the peasant-lifestyle that is still prevalent in the society as well as the dependency syndrome that tends to intensify rather than abate in our communities and the attendant high poverty rate. As aforementioned that at independence in 1960, the Nigerian government initiated development policies that would launch the country on the trajectory of becoming a developed nation. In concert with the developmental paradigm, the country commenced the practice of development planning with the aim to allocate resources to the various sectors of the economy on a scale of priority determined by the federal government. A key concern of the emerging national government was the establishment of a fitting financial system that would harness the financial resources so crucial to finance the developmental programmes.

Historical Antecedents of Nigeria's Financial Markets:

Financial markets are the core of the financial system because they provide the framework for mobilising financial resources and their subsequent allocation to the productive sectors of the economy. Any attempt therefore, to trace the evolution of the global financial system and indeed its major component, the financial markets, should begin with the invention of money. This is so because, starting from the era of commodity money, to its coinage and the development of banking through the ingenuity of the goldsmith turned banker, money has continued to assume increasing importance and significance on socio-economic development. I like to say that most Nigerians have the penchant to discuss Nigeria's history in relation to its colonial past, in the words of one writer, from the perspective of: "history as apologia: the use of history to disguise or legitimise your aims" (Halliday,2008, P.40). Thus, I have noticed that most Nigerian writers on the Nigerian monetary and financial systems create the impression of an indigenous monetary and financial systems, which they allege was subdued by foreign traders who superimposed their financial model on us to suit their business interest (Ndekwu, 1994). I certainly extend my sincere sympathy to the apologists for our country's underdevelopment or less than desired development, who attach the blame to colonialism, such sentiments are in my view like *shying away from the truth*. However, the Christian faith teaches that the truth cannot be compromised, asserting that: "you will know the truth, and the truth will set you free."I am not inclined in any measure to be a polemicist for British colonialism, but I make bold to ask: if indeed, as many of us suppose that our burden of underdevelopment or less than desired development is consequent upon British colonialism or imperialism, why should we then in our wildest imagination and after nearly 58 years of independence still entertain the idea of another less than desirable form of colonialism in the 21st Century? I consider that rather appalling. I therefore submit that development in whatever form cannot be divorced from intellectual progress, and I consider money a key manifestation of this attribute.

I have always refrained from agreeing with those who in their tirade castigate the British for the undeserving colonialistic or imperialistic past of Nigeria, not because I am afraid that I see it as a welcome experience but because I am led to question the potency of our civilisation then and even now that succumbed to their imperialistic exploits. I recall a conversation I had with one Stephen Ekpenyong, a Professor of Sociology many years ago in the course of researching on ‘Corruption in Nigeria,’ I asked him, ‘what makes Nigerians highly prone to corrupt practices,’ and he immediately blamed it on ‘colonialism.’ I then asked him ‘if there was a clash of two forces and one yields to the other does that not suggest that it is the weaker one that will capitulate to the superior power,’ he was frank to answer ‘yes.’ For me, it is germane to argue that imperialism seems to have prevailed outside Europe not because the Europeans did not try it on themselves but because I see the wars that were fought between the European kingdoms in recorded history as failed attempts to subdue and possibly colonise each other. Their failure to achieve that on a sustained basis, I suppose can be explained in my own words as the theory of near equality of contending forces. The erstwhile European kingdoms fought themselves for supremacy but when they realised the inherent difficulty in large scale annexation within the European axis, they looked outwards and were highly successful (Offiong, 1980).To be sure, the struggle amongst most of the kingdoms of old Europe were designed to conquer neighbouring territories so as to make spoil of their resources including gold mines from which gold bullions were produced for currency (Howard, 2009). I am afraid China was not colonised because they successfully rebuffed the invading explorers, just as their recent economic performance which is threatening the West today attests to the innate ability of the Chinese, and is compatible with developmental strides. My further concern is with the wisdom of our founding fathers, especially those of the southern extraction in acquiescing to a union from available evidence they should have known would be a difficult thing to manage and nearly fifty-eight years after our hushed independence most Nigerians are still calling for an equitable relationship. My submission is that, it is either they lacked proper understanding of the enormous challenges in building a UNITED nation or they were swayed by some other consideration other than the passion and patriotism required in crafting a UNITED ONE Nigeria that made them accept independence on the ‘imperialists’ or British terms, when they ought to have known that the obstacles which awaited the independent Nigerian state was quite formidable to easily surmount, as the land mine of disunity, even before independence had been carefully laid waiting for detonation. Should selfish ambition and self-aggrandisement to blame for the apparent lack of foresight and discernment of the actions or inactions of those our foremost leaders, judging from hindsight? A glimpse at the motives of the two prominent southern champions for Nigeria’s political independence speaks a lot as captured by (Brooth in Achebe ,1983, P.11) in the case of Nnamdi Azikiwe as quoted in his ‘solemn vow and pledge’ in 1937:

> “That henceforth I shall utilise my earned income to secure my enjoyment of a high standard of living and also to give a helping hand to the needy.”

Also Obafemi Awolowo had this to say about his ambition:

> “I was going to make myself formidable intellectually, morally invulnerable, to make all the money that is possible for a man with my brains and brawn to make in Nigeria.”

It need not surprise any one to imagine that the independence these founding fathers dissipated so much energy and showed such desperation to secure lasted for only five years and one hundred and six days because of what I would rather call ‘lack of patriotism and the consequent incurable political incompetence,’ as Major Chukwuma Nzeogwu who led the first but foiled January 15, 1966 coup d’état lucidly declared in his address to the nation, reproduced in ‘Fellow Countrymen and Women ,2004 P.7’:

> “Our enemies are the political profiteers, the swindlers, the men in high and low places that seek bribes and demand 10 percent; those that seek to keep the country divided permanently so that they can remain in office as Ministers or VIPs at least, the tribalists, the nepotistic, those that make the country look big for nothing before international circles, those that have corrupted our society and put the Nigerian political calendar back by their words and deeds.”

I therefore, hypothesise that the founding fathers failed to lay the solid foundation needed to design and build a UNITED

NGERIA because they lacked mastery of the role money plays in nation building but were motivated by how much money they could make for themselves using state apparatus as a smokescreen.

This brings me to the issue of the origin and development of money in Nigeria, which I doubt has any credible history, I stand to be faulted. If indeed we had a modicum of monetary system, however, rudimentary before the incursion of those foreigners on trade expedition, why then was trade not so well developed? No matter how the origin of money is traced, the fact still remains that money was borne out of the need to encourage trade beyond the scope that barter could sustain. It can therefore, be inferred that the evolution of money was propelled, largely by the expanding range and sophistication of human wants which rendered barter and its numerous successors described as commodity money unfit for large-scale production and distribution of goods and services. Until 1890, trade between European Merchants and the various ethnic nationalities was largely consummated by barter, which had serious drawbacks in that it lacked the capacity to satisfy large scale growth in commerce (Ndekwu, 1994, P. 9). Following the pattern in Europe and other regions where money had early development, commodity money in the form of cowries, copper wires, brass rods, iron bars, salt, goats, and many others commodities featured, like barter was still inconvenient due largely to its bulky nature and its characteristic complicated units of accounts and so there was need for a substitute. The substitute came as the British silver coin gradually displaced the commodity monies and the coins of other countries which had been in circulation alongside the British silver coins (Ndekwu, 1994, P.25), culminated in the establishment of the first banking institution, the African Banking Corporation in 1892, succeeded by the Bank of British West Africa (BBWA) in 1894, the current First Bank of Nigeria Limited in Lagos that later became the erstwhile capital of Nigeria. The trend which led to the establishment of a capital market in Nigeria clearly followed the global pattern with innovation in money as an exchange mechanism, the establishment of banking and other vital financial institutions that make up our financial markets.

Stock Market Not an All-Comers Affair

Certainly, the stock market is not an all-comers affair because both the issuer of financial instruments with which funds are raised and those who patronise the instruments by acquiring them as an asset must have a knack for taking risk. On the part of the firm, its shares are traded on the exchange where there is an implicit commitment that it will maximise returns for investors. The prospectus issued during initial public offer will provide details of what the firm intends to do with the money and its promise to investors regarding their future expectations. Where the firm fails to meet the expectations of investors, that could trigger reactions from them leading to dumping of the shares in a spate of mass divestment. To prevent or minimise the tendency for companies to make false or misleading statements, every listed security must undergo the scrutiny of the regulatory organ –The Nigerian Securities and Exchange Commission(SEC) before it can be admitted by the Nigerian Stock Exchange. This responsibility is borne by the government as a necessary step to shield the stock market from abuse and protect unsuspecting investors from being swindled by fraudulent business promoters and dealing members of the NSE by regulating access to the stock market and ensuring ethical conduct of the dealing members. Thus, the companies wishing to raise money from the public through the stock market must meet certain stipulated minimum guidelines to obtain listing on the stock market, these are the listing requirements. Apart from satisfying the requirements of the Nigerian Stock Exchange (NSE) for admission to its official list, the company should in addition meet the conditions set forth in the relevant provisions of the Companies and Allied Matters Act, Cap. C20, LFN 2004, the Investment and Securities Act, 2007, Rules and Regulations made there under and other relevant statutory requirements, (NSE Fact Book, 2016).Therefore, the firm by opting to participate in the stock market submits itself to the discipline of the market place, which rewards it for good performance and penalises it for weak or lacklustre performance. These possibilities underlie the risk faced by the firm its shares are traded on the stock market.

I can categorically say that risk is the primary consideration any potential investor in the stock market has to contend. Returns, expressed as the rate of return per unit of investment over a defined time period, commonly taken as one-year is something that every investor desires, but the fact that investment is made today in expectation of some positive and perhaps increased return sometime in future, which is uncertain makes risk a factor to be reckoned with. Simply put, risk is the likelihood or probability that your actual return will deviate from the expected, which might be either positive or negative. If it turns out to be positive, it becomes an upside risk, that is, favourable, otherwise it is downside risk and unfavourable. Hence Keynes in his General Theory sees professional investment as a game that is prone to enormous risk which in a sense is unavoidable, (www.marxists.org, 2017). The import of Keynes proposition is that professional investors are indeed speculators who play the stock market game because of the high return they hope to make, but in doing so they must be prepared to pay the price in the form of high risk. I need not gloss over the passive investors who buy stocks to hold depending on dividend income, this does not in any way suggest they should ignore market trends for to do so may be detrimental, since stock prices are susceptible to volatility, which in some cases may be quite high. The story of stock prices is found in the signal they provide to investors about the performance of the companies that issued them and are guided by it in their decision to retain or divest from the stock. Thus, as an informed passive investor you should know when to adjust your portfolio by exiting lacklustre stocks in favour of brilliant performers. This implies following market developments in the economy and the information that is generated by the firm. Consequently, firms are required by regulation to always keep the market abreast of impending changes in their fortunes. Following any stock of interest and developments in the economy, industries and firms are essential to avoid dismal investment performance.

The stock market is a specialised type of market, it therefore requires that only persons and institutions with requisite knowledge in dealing on securities are admitted as members of the Exchange. Investors wishing to buy and sell shares and other securities on the Exchange must do so through authorised dealers, in common parlance these are known as stockbrokers.

Investment Is a Matter of Attitude:

Investment is an attitude which defines the way people manage their wealth or income. In ‘Just A Penny CNN,’ Richard Quest graphically describes what should be the right attitude to money, in summary he observes:” We know that every penny has power, and it is not how many you have but what you do with them that counts; that’s the moral of money.” The lesson that should be learnt from the forgoing assertion is that money, however small an amount of it you may have, should be well managed. As a matter of fact, cultivating the right attitude to money must begin with how you acquire it; there are four possible ways to get money, there could be more, but let me limit myself to these: first, you earn it, for example, from employment or entrepreneurship, second, you receive it as investment income, third you receive it as a gift including inheritance or transfer payment, lastly you steal it or otherwise obtain it through corrupt enrichment. Naturally, the most respectable way to get money is either to earn it or receive it as income from investment, provided the source of funds was legitimate. As for gifts and transfer payments those are mainly aid provided to the recipient to deal with certain situations. The fourth is inherently anti-social and in most countries considered criminal acts which are evil modes of acquiring money or wealth. As a matter of fact, anti - money laundering and the fight against financial crimes were made to deal with the menace they posed to the society.

Granted that money is essentially an economic resource and an asset, people are ordinarily concerned about how it can be acquired, which is largely influenced by the prevalent values in the society. This agrees with what is said about the Protestant ethic which gained popularity among the early U. S. Immigrants which became a kind of mantra, it rests on the belief, “that money is a very serious business, that stewardship of capital is holy, and that the handler of money must conduct himself as a Prudent Man,” (‘Adam Smith’ 1976 p. 15). This view of money underscores the importance of entrepreneurship which is the heart of capitalism. By definition, entrepreneurs are adept at identifying investment opportunities and taking action to organise the money, material and human resources required to exploit profitable ventures. Initial Public Offer (IPO) is normally made by entrepreneurs who have made success of their entrepreneurship, and do so for the main purpose of sharing risk and reducing the cost of investment, and at the same time ensure they retain control (Nwakanma, 2000).On economy wide basis, a society is said to be entrepreneurial if ‘the young people take to entrepreneurship not because they cannot find a suitable employment but as a deliberate career choice.’ What makes entrepreneurship the symbol of a progressive society is, so to speak, the motivation for investment, entrepreneurs as core investors are mainly innovators or early adopters of innovation in business development. The drive for achievement and a sharp appetite for solving perceived social problems or meeting human needs and wants rather than the quest for money seem to be the overriding consideration for investment by entrepreneurs.

By the way, the influence entrepreneurs have on the society should be dependent on the extent of its entrepreneurial endowment and the calibre of those entrepreneurs. One is apt to add that the nature and type of entrepreneurs varies from society to society, and is a function of the category of entrepreneurs dominating the economic space. On this score, Baumol (1990) persuasively argues that the supply of entrepreneurs is hardly the challenge faced by most societies, as there seem to be an abundant supply of all kinds of entrepreneurs, but rather society's ability to harness the productive contribution of entrepreneurial activities, as there is always the tendency for this allocation to vary between productive and unproductive forces, as he puts it, based on: "their allocation between productive activities such as innovation and largely unproductive activities such as rent seeking and organised crime." Consequently, he asserts that "policy can influence the allocation of entrepreneurship more effectively than it can influence its supply." Where government policy is seen to support unproductive entrepreneurial activities or as Baumol puts it that," at times the entrepreneur may even lead a parasitical existence that is actually damaging to the economy," the growth of the economy will most likely wobble, as in our case in which the economy is driven more by trends in commodity prices than innovative and competitive imperatives, largely propelled by government action or inaction.

One area where government policy is seen in a questionable light was the indigenisation policy promulgated by the military government, which sought to transfer the commanding heights of the Nigerian economy into the hands of Nigerians, by the Nigerian Enterprises Promotion Decrees of 1972 and 1977.This necessarily involved foreign investors relinquishing all or a substantial part of their business interest in Nigeria to Nigerians. The wisdom of that policy is still a subject of unending debate, but like most government policies, the policy was not only ill-timed but poorly executed because anecdotal evidence strongly suggests that Nigerians were not equipped to make the most of the opportunity since there was a dearth of managerial capacity and technical skills. Aside from the timing of the decree, close on the heels of end of the Nigerian civil war, when majority of the people from the war torn areas were still counting their losses and were financially handicapped to effectively benefit from the policy, the relatively low enlightenment of most other sections of the country about share ownership in companies, which ensured the concentration of corporate Nigeria in a section of the country. It also scared foreign investors from our soil to other climes which foreign investors found more favourable. Moreover, most of the deals were a sham, especially those involving direct sales of equity interest to Nigerians as the foreigners owning enterprises that were not liable to public offer devised crafty means of subverting the policy with the active connivance of their Nigerian employees and cronies.

Economic Development and Investment

Economic development is something that should be of concern to any modern and people oriented government since it influences the wellbeing of its citizens. Even though economic development is a desirable objective, its definition and measurement has remained a subject of intense debate and conception by development economists. The idea that economic development can be expressed in terms of economic growth was held for a long time by development economists until its suitability as a measure of peoples' welfare attracted dissention from scholars who see it as inadequate. As a device for expressing economic development, economic growth or growth in per capita income, which is the rate of increase in output of goods and services in the economy over a given period of time, is usually flawed on the grounds that it is incapable of showing how such increases can affect people's life. Consequently, new perspectives have arisen and is geared towards relating economic growth to improvement in status and living condition of people. Hence, factors such as literacy rate, mortality rate, poverty and unemployment rates including freedom of choice and leisure have appeared in the lexicon of economics as indicators to explain economic development. To this end, a strand of development economists has advanced various measures for economic development mainly the Human Development Index(HDI) and Social Progress Index(SPI). Their objective is to expose the limitations of economic growth by introducing measures that approximate more to the quality of life of the masses in any economy.

Porter(HBS.com,2018) developed the Social Progress Index (SPI) as a way of calibrating:

> the capacity of a society to meet the basic needs of its citizens, establish the building blocks that allow citizens and communities to enhance and sustain the quality of their lives and create the conditions for all individuals to reach their full potentials.

Interestingly, countries are grouped in peers according to their income status and Nigeria happens to fall within the lower middle income as shown on table 1 below. You can see from table 2 the social progress score for Nigeria and the mean scores for the peer countries, a third column shows the difference between Nigeria’s scores and the mean scores of the peer countries for each of the reported period, 2015 to 2016. It shows that Nigeria performed below average in two of the three years. Figure 1 is the pictorial view of the comparison. Earlier, Ul Hag (1995) initiated the Human Development Index (HDI), which the United Nations Development Programme(UNDP) uses for the evaluation of human development efforts of nations around the world and by implication the effect of the development assistance of multilateral agencies such as the World Bank and the International Monetary Fund(IMF) to developing nations, as he puts it the index was designed categorically for the purpose: "to shift the focus of development economics from national accounting to people-centred policies." A look at table 3 and figure 2 shows that Nigeria performed marginally below the peer country average for all the available periods of time from 2010 to 2015.

How economic development can be achieved depends on different economic paradigms, development planning which confers on the government the lever over the allocation of resources along desired path held sway during the era of the cold war between socialism and capitalism. But there has been a shift orchestrated by the advent of widespread economic turmoil that festered towards the end of the 20th century as nations battling with balance of payment difficulties and other structural imbalances in their economy opened up to the use of the market model, with the private sector playing increasing role in the allocation of resources. This has made private sector investment an important factor in the development of market oriented economies. Investment expenditure, therefore can be undertaken by both the private sector and the public sector, but it is widely acclaimed that the private sector tends to be more efficient in the use of resources than the public sector. In recognition of these differences, pundits are prone to assign to the government the role of providing enabling environment that will provide the fertile ground on which private sector investment can thrive. By channelling resources to the most productive uses the private sector is able to provide the necessary impetus for growing the economy. However, the effect of economic growth on development will depend not only on the production and distribution of goods and services, which in most cases is skewed in favour of the rich and powerful but also on the re-distribution of income, which may involve taxation and transfer payments. Here is another source of controversy between welfare economists and the free market economists. From the look of things, economic development in any society should result from the synergistic combination of public sector and private sector efforts. Unfortunately, a parasitic private sector and a self-serving government lack the capacity to create the necessary growth potentials that can lift the nation high up the ladder of real economic development.

Table 1: Nigeria’s Peer Country Classification: Lower Middle Income Countries as at April 2018.

List of Lower Middle Income Countries			
Angola	Ghana	Moldova	Swaziland
Armenia	Guatemala	Mongolia	Syrian Arab Republic
Bangladesh	Honduras	Morocco	Tajikistan
Bhutan	India	Myanmar	Timor-Leste
Bolivia	Indonesia	Nicaragua	Tunisia
Cabo Verde	Jordan	Nigeria	Ukraine
Cambodia	Kenya	Pakistan	Uzbekistan
Cameroon	Kiribati	Papua New Guinea	Vanuatu
Congo, Rep.	Kosovo	Philippines	Vietnam
Cote d'Ivoire	Kyrgyz Republic	Sao Tome and Principe	West Bank and Gaza
Djibouti	Lao PDR	Solomon Islands	Yemen, Rep.
Egypt, Arab Rep.	Lesotho	Sri Lanka	Zambia
El Salvador	Mauritania	Sudan	
Georgia	Micronesia, Fed. Sts.		

Source: World Bank Classification (2018) as at 1st of May 2018.

Table 2: Peer Country Comparison of Social Progress Index Comparison 2015 to 2017.

Year	Peer Average Social Progress Index (Lower Middle Income Countries)	Nigeria Social Progress Index	Differential
2015	57.69205	50.99	-6.70
2016	58.4641	59.58	1.12
2017	59.04026	50.01	-9.03

Source: Social Progress Initiative (2018), culled from https://www.socialprogressindex.com/?tab=3 on 3rd of May, 2018.

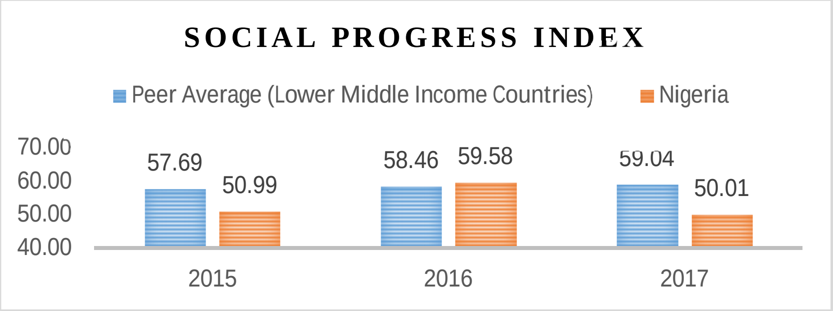

Figure 1: Pictorial View of Social Progress Index Trend Comparison between Nigeria and Peer Lower Income countries from 2015 to 2017.

Source: Constructed with data from the Social Progress Initiative (2018). culled from https://www.socialprogressindex.com/?tab=3 on 3rd of May, 2018.

Table 3: Human Development Index (HDI) comparison between Nigeria and Peer Lower Middle Income Countries from 2010 to 2015.

Year	Peer Human Development Index	Nigeria Human Development Index	Difference
2010	0.589	0.5	**-0.08921**
2011	0.596	0.507	**-0.08882**
2012	0.602	0.514	**-0.08833**
2013	0.608	0.521	**-0.08681**
2014	0.613	0.525	**-0.08763**
2015	0.615	0.527	**-0.08806**

Source: Human Development Report (2018) culled from http://hdr.undp.org/en/composite/trends on the 3rd of May 3, 2018.

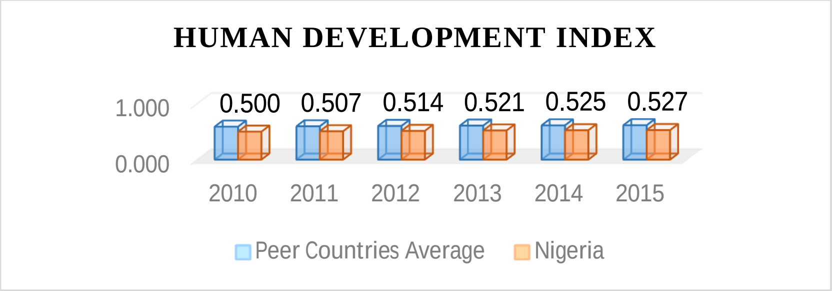

Figure 2: Pictorial View of Human Development Index, Peer Country Comparison from 2010 to 2015.

Source: Human Development Report (2018) culled from http://hdr.undp.org/en/composite/trends on the 3rd of May 3, 2018.

Investment Has Gone Global

Globalisation, which entails relatively free flow of trade and capital across national boundaries has been greatly boosted by improvements in information and communications technology and substantial removal of regulatory impediments with the result that investment flows are now less restrictive than ever before. This has made the financial markets more competitive and exerting for countries to attract capital. The Nigerian stock market is one segment of the capital market that is now more open to foreign participation as the regulatory regime has been made considerably more liberal to allow foreign portfolio investment. Two factors impeded the free participation of foreign investors in the Nigerian economy, these were the Indigenisation Decrees of 1972 and 1977 as well as the Exchange Control Act of 1962. As a result of the Indigenisation policy many foreign owned companies including the subsidiaries of multinational corporations (MNC’s) were - constrained to either sell off their entire business to Nigerians or shed a substantial part of their business through equity participation to Nigerian investors. This policy rapidly increased the number of listed securities. Available evidence shows that at inception of business in 1961, there were nineteen listed on the then Lagos Stock Exchange, although the breakdown of these into equities and debt securities including federal government development loan stock seem to be lacking. However, by 1980 the number of equity securities on the exchange had grown to ninety plausibly because of the indigenisation policy of the 1970s (The Nigerian Stock Exchange Fact Book, 1980 P.5). It can thus be inferred that the meteoric increase in the number of listed equities on the exchange was largely inspired by the impelling influence of government policy which guaranteed increasing offer of equity securities by foreign companies to Nigerian investors in their attempt to comply.

However, the indigenisation policy also affected activities on the stock market negatively as most Nigerian investors lacked the necessary “attitudinal and cultural orientation” that are crucial for an active stock market (Nwakanma, 1983, P.36). This can be attributed to the fact that Nigerians do not seem good at speculation as they are more inclined to adopt the ‘buy and hold’ strategy in their approach to investment, (Alile, 1981, PP40-44). Another factor that retarded transactions on the market was the perceived rigidity in the pricing of securities and the low responsiveness of the market to information, but dividends and scrip issues resulting from a dearth of knowledgeable stockbrokers (Onosode, 1982, PP10-19). Realising the importance of foreign capital and expertise for the development of our capital market the federal government took measures to clear the path for foreign participation by abrogating the decrees that had discouraged them, involving the repeal of the Exchange Control Act of 1962 and the Nigerian Enterprise Promotion Decree 1989. As part of the liberalisation policy of the federal government the capital market was deregulated in 1993 and by 1995 it was internationalised, thereby making foreign participation possible as they were free to operate in the market in any capacity, as operators and investors (The Nigeria Stock Exchange Fact Book, 2000, P25).

I do not want us to forget in a hurry the hasty implementation of the indigenisation policy and the toll it has taken on our economy: First, it sent shock waves to the international community and altered its political risk assessment of the country, in investment policy it presupposes that they will expect to earn a higher return on their investment in Nigeria and for this to happen the value of quoted securities and portfolios will decline. Second, transferring the commanding heights of the economy to Nigerians at a time they were not fully prepared for it was a disservice to the economy, it means the country was not in a position to maximise value from the businesses. Third, the technical and operational skills of Nigerians were at the budding stage, with most workers not possessing the level of education needed for certain positions and the foreigners who were relegated to the background unwilling to transfer the skills, even as Nigerian were a proud lot and might not have been humble enough to learn from the expatriates. Finally, the public sector was riddled with corruption and with a parasitic private sector competition would be slack causing underperformance. I have employed the parameter of foreign portfolio investment to see how Nigeria has fared in attracting investment. I used the world Bank data for Net Foreign Portfolio Investment (NFPI) to compare net flows of FPI of Nigeria with the mean of a set of peer countries classified by the World Bank as Lower Middle Income Countries to which Nigeria belongs. The results for the period 2005 to 2016 show that Nigeria underperformed in ten out of the twelve years, see tables 4 and figure 3. This merely confirms that Nigeria does not seem to be on the average as an attractive destination for foreign portfolio investments.

Table 4: Net foreign portfolio equity investment between Lower Middle Income versus Nigeria over the period of 2005 to 2016.

Year	**Portfolio Equity, Net Inflows(‘$billions) $’B**	**Nigeria $’B**	**Differential $’B**
2005	14.699	0.7508	**-13.9482**
2006	17.537	1.7690	**-15.7680**
2007	44.066	1.4470	**-42.6190**
2008	-16.849	-0.9536	15.8954
2009	26.975	0.4873	**-26.4877**
2010	40.317	2.1530	**-38.1640**
2011	0.32465	2.5710	2.2464
2012	37.922	9.9590	**-27.9630**
2013	26.831	5.5320	**-21.2990**
2014	20.773	1.0370	**-19.7360**
2015	0.87766	-0.4866	**-1.3643**
2016	4.731	0.3241	**-4.4069**
Average	**18.18**	**2.05**	**-16.13**

Source: World Bank (2018); https://data.worldbank.org/indicator/BX.PEF.TOTL.CD.WD retrieved on the 3/05/2018

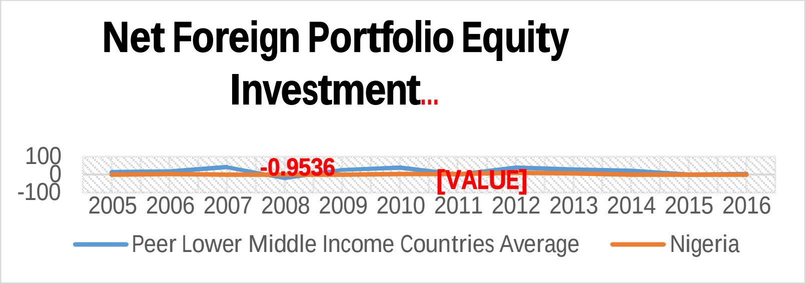

Figure 3: Graphical presentation of Net Foreign Portfolio Equity Investment Trends between Nigeria and Peer Lower Middle Income Countries between 2005 to 2016.

Source: World Bank (2018). Retreived from https://data.worldbank.org/indicator/BX.PEF.TOTL.CD.WD on 3rd of May, 2018.

3.0 VALUATION OF SECURITIES

Companies that are quoted on the stock exchange and whose shares are widely traded represent what I call 'the cream of corporate Nigeria'. To be sure, corporate Nigeria is the segment of the private sector that has corporate identity, with well-established structure which facilitates efficient use of resources. In their most developed state, the management of such companies are professionals in various disciplines and are endowed with requisite knowledge, skills and competences for managing the various functions of the enterprise, encompassing human resources, product marketing, accounting, financing, manufacturing, engineering and general operations: in addition, there also exist the separation of ownership and management. Their contribution to the economy could have far-reaching effect on the performance of the economy. They are a varied lot and range in size and significance; the most proliferate are the small and medium enterprises that have the reputation of being creators of employment in the society but their survival and growth may be hampered by the inability to raise much needed additional capital. In this group you will find venture companies which are formed to promote innovative ideas of their founders and also big enterprises including multi-national corporations (MNCs) which are leaders of their industry and could have over bearing influence on competition and in some cases facilitate or retard the survival of the less known businesses. In developed economies, there is always a transition from being small and medium to a large and dominant company, which tends to present a viable evidence of success. One of the challenges that confronts a growing enterprise is the rising demand for capital to expand operations so as to gain sizeable share of the market. Dealing with the capital problem would mean looking beyond the resources of the founders of the business including its internally generated funds, as the inherent risk and cost of raising additional finance can threaten the continuing expansion of the business. At this stage, the company may have recourse to the capital market through IPO, involving the sale of shares to the public.

By regulation only companies that are adjudged credit- worthy can be allowed to raise money from the public through the capital market and in doing so may reduce the risk and cost of raising capital. At the point of entering the market, the company is required to submit itself to market scrutiny involving an appraisal of its prospects and agreeing on the amount and value of the shares it may issue. In this regard, it is worthwhile restating that a company has two main sources of raising capital – debt and equity, the third form, which is less frequently employed is hybrid in nature - preference shares. Given the nature of these financial instruments, which are assets to the investors (buyers) and a liability to their issuers (borrowers or fund raisers), some elements of valuation is imperative because their value invariably depends on the cash flow streams of the issuing entity. Security valuation is a specialist function performed by investment bankers and security analysts who possess the requisite knowledge and skills. You will recall that the indigenisation policy was instrumental to the listing of many securities on the market in the 1970s and 1980s which necessitated the valuation of the affected securities. A number of valuation methods were used to value those shares including price/earnings ratio, net book value, maintainable profits, and so on. At the same time, the transactions were essentially of two kinds: offer for sale, which involves the sale of shares by existing shareholders as such the proceeds of the transactions are channelled to the selling party, as in the case of the foreigners who relinquished their shares. The other is, offer for subscription, whereby the company offers its shares to the public for subscription, the proceeds are therefore channelled to the company to enable it achieve the purpose of the issue, in this regard the company may need the funds to beef up its working capital or facility expansion. However, the issue of dividends payment, which influences valuation in the Gordon's model, during the era of indigenisation generated controversy among scholars following the assessment of Uzoaga and Alozieuwa (1974) that dividend policy of companies was characterised by 'fear and resentment,' because of the observed upsurge in dividends payment by the companies. It was suspected that the foreign investors who had interest in the companies endeavoured to recoup their investment through accelerated pay-out policy. On the whole, the era of indigenisation from anecdotal evidence witnessed massive capital flight and the only remedy, I suspect was the oil boom that beclouded its effect on the companies and the economy. The pricing of securities is determined in the primary market by the issuing house although it is subject to the approval of the erstwhile Capital Issues Committee that metamorphosed into the Securities and Exchange Commission. In the secondary market prices of securities are determined by demand and supply, which in turn is influenced by the activities of the numerous highly qualified and knowledgeable security analyst who are continuously scouring the market for mispriced securities.

My interest in the valuation of securities dates back to my Master of Business Administration programme (MBA) in this university in 1983 when I investigated the determinants of securities' prices in the Nigerian capital market. This was motivated by widespread distrust of the methods of pricing equity stocks on the Nigerian stock exchange. A number of factors were advanced to explain the poor pricing practices of the exchange, ranging from extreme price regulations as prices were supposed to be 'arbitrarily' fixed and not allowed to oscillate outside rigidly pre-determined boundaries to charges of 'favouritism' (Atenaga, 1981, P.9). However, in defence of its pricing system, the exchange asserted that due to the absence of speculation, since investors were not willing to sell and reap capital gains, it resorted to the use of proxies such as corporate performance to determine market prices (Alile, 1981). I therefore decided to employ the tenets of the fundamental analysis, using corporate performance indicators as determinants of common stock prices of manufacturing companies in Nigeria. My findings show no statistically significant relationship between the corporate indicators – company size, return on sales, leverage, earnings per share (eps), dividends per share (dps), earnings and dividends growth, as measures of risk, return and growth and stock prices (Nwakanma, 1983).This finding was understandable then since the market was still evolving and many of the stockbrokers who combined the roles of dealers and brokers lacked in-depth understanding of security pricing. I decided to update the study in 2002 for my Master of Science (M.Sc.) programme at Federal University of Technology Owerri (FUTO), this was after nine years of the previous study to see if the pricing mechanism had improved. This time I used a combination of corporate performance indicators and macroeconomic indicators to explain share price determination, and discovered that share prices of the manufacturing companies' securities studied had statistically significant relationship with corporate performance indicators of total assets, earnings per share (eps), growth in earnings, sales, leverage, and dividends growth. For the macroeconomic variables of inflation, interest rates and exchange rates, these were similarly found to have statistically significant relationship with market share prices (Nwakanma, 2002). The brings me to the conclusion that the pricing mechanism seems to be improving reflecting enhancement in the pricing skills of the market operators.

During my Doctoral programme at FUTO I directed my attention towards the financial sector, and I amiable to construct a model for evaluating financial institutions, focussing on the banking sub-sector, because of the crucial role they play in financing corporate Nigeria, including the public sector (all layers of government); I realised that the financial backing banks give to the economy depends on its long term financial stability. Following the work of Rapp port and Mauboussin (2001) I developed the Bank Stability Infrastructure as shown in figure4 leaning on historical financial ratios analysis of the performance of a bank to evaluate prospective bank stability (Nwakanma, 2005, P.164). If the market is a good assessor of financial performance of public companies, then it is possible to use relevant financial ratios to estimate the financial stability of any bank on the grounds of publicly available information. I am aware that bank regulatory agencies such as the Central Bank of Nigeria(CBN) with privileged insider information uses CAMELS (Capital adequacy, Assets quality, Management, Earnings, Liquidity and sensitivity to market risk) in calibrating ratings for banks.

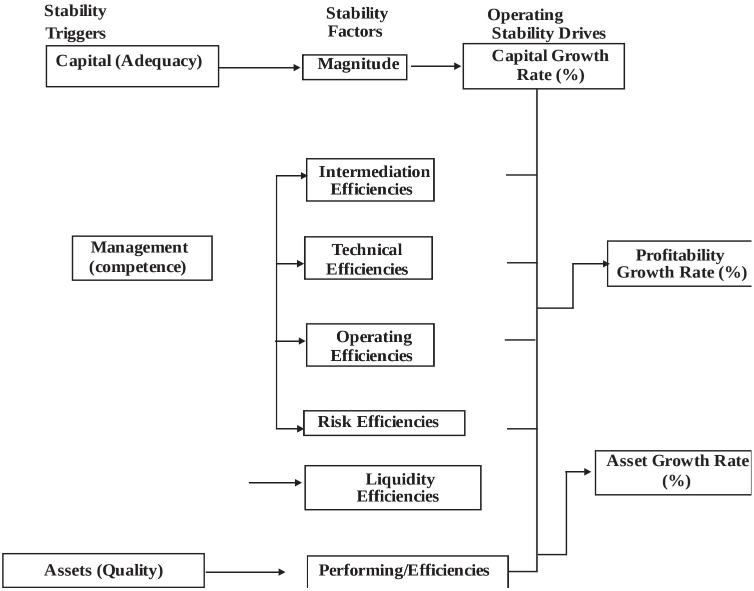
Stability Triggers
Stability Factors
Operating Stability Drives
Capital (Adequacy)
Magnitude
Capital Growth Rate (%)
Intermediation Efficiencies
Management (competence)
Technical Efficiencies
Profitability Growth Rate (%)
Operating Efficiencies
Risk Efficiencies
Asset Growth Rate (%)
Liquidity Efficiencies
Assets (Quality)
Performing/Efficiencies

Figure 4: The Bank Stability Infrastructure

Source: Nwakanma (2005), the stability Rating Paradigm, Adapted from Expectations Infrastructure.

The Concept of shareholder value maximisation:

The normative objective of a firm is the maximisation of shareholder value. This is because shareholders are the residual owners of the firm and rank last in the distribution of corporate earnings and assets, in the event of business failure. Thus, as residual risk bearers finance theory asserts that they should be fully compensated for the risk they bear, which also translates to value maximisation. I say that quoted and actively traded public companies are the vanguards of the corporate world not only because of their visibility but their amenability to greater surveillance, and by implication transparency and accountability; corporate governance became an issue in public companies, consequent upon the corporate scandals that led to the failure of some companies such as Enron and WorldCom in the U. S., with similar cases in Europe and Asia and perhaps, Nigeria. Owing to the perceived shortcomings of shareholder value maximisation, scholars have been occupied with a better mode of formulating corporate objective. This brings us to the stakeholder theory- an attempt to create a broader perspective for management and employees in their task of creating market value for the business, which is more concerned with long term business survival and preferably prosperity than short term maximisation of shareholder value. This is explicitly defined in the lexicon of financial times (lexicon.ft.com/Term):

“Stakeholder theory suggests that the purpose of a business is to create as much value as possible for stakeholders in order to succeed and be sustainable overtime, executives must keep the interests of customers, suppliers, employees, communities and shareholders aligned and going in the same direction. Innovation to keep these interests aligned is more important than easy strategy trading off the interests of stakeholders against each other. Hence, by managing stakeholders, executives will also create as much value as possible for shareholders and other financiers."

I argue that for business to operate in the best interest of the society there is need for it to view shareholder value maximisation in a wider context by incorporating stakeholder theory as an operating philosophy. However, the sang with a corporation opting for stakeholder theory is twofold: first, if other publicly traded companies are less mindful of stakeholder imperatives in its business policy, the market shares of the company will be penalised by the market and its return negatively affected. Second, Jensen (https://hbswk.hbs.edu/) argues against the stakeholder theory on the grounds that it is unable to act as a better alternative to shareholder value maximisation since according to him " to create value we need not know exactly where and what maximum value is, but only how to seek it, that is how to institute changes and strategies that cause value to rise." Thus, a preferred alternative to stakeholder theory is what Jensen proposes as enlightened stakeholder theory in which the objective function is enlightened value maximisation, this implies "to maximise total long term firm market value."

I have gone at length to demonstrate the imperative of shareholder value maximisation, which when defined narrowly is short term oriented and will not augur well for the achievement of the long term firm market value. Simply put shareholder value maximisation means maximising the share price or price/ earnings ratio of the company in the short run. Most companies' try to achieve shareholder value maximisation by applying policies and strategies that are at variance with long term value maximisation and in so doing encourage practices that are unethical and tend to pay top corporate executives outsized salaries and over bloating executive expenses. For example, I was told by an anonymous source close to FBN ‘that the immediate past group Managing Director/CEO of FBN Holdings retired with the private jet bought for him for official use, and purchased a new one for the incumbent group Managing Director/CEO’. One is forced to wonder how this could add value to the shareholders? Cases of share value manipulation and fraudulent annual financial and corporate statements are not strange to the Nigerian corporate sector, the most notorious seem to be Lever Brothers Nigeria Plc in 1997 involving stock manipulation, consequently its name was changed to Unilever Nigeria Plc with the foreign partners taking over key positions. In 2006, that of Cadbury Nigeria Limited was exposed by the Nigerian Securities and Exchange Commission involving fraudulent use of stock buyback, cost deferrals, trade loading and false suppliers stock certificate which lasted between 2001 – 2005 amounting to N13billion. It is unlikely that similar sleaze could not be found in other publicly quoted companies, this raises doubt about corporate governance efficacy in Nigeria. In my sincere assessment, corporate Nigeria like the public sector appears to be reeling in corruption and there is need for greater surveillance by the Nigerian Securities and Exchange Commission in order to continue retaining investors’ confidence. With the liberal foreign investment regime in Nigeria, some of the foreign companies that were ‘forcefully diluted’ with Nigerian participation are beginning to reclaim their companies, I suspect to acquire complete control. Those that have completely exited include, Nigerian Bottling Company reacquired by its foreign parent company Coca – cola Hellenic Bottling Company S.A. and 7-UP Bottling

Company fully acquired by Affelka, a Lebanese investor. In the same vein, plans are afoot by many other publicly traded companies with foreign affiliation to seek the total takeover of the companies, those that are currently working on this include; GSK, Incar Nigeria Plc, Cappa & D'Alberto and many more.

Corporate Nigeria and the Economy:

I have a few comments to make about the role of corporate Nigeria in influencing the performance of the Nigerian economy. There is a common understanding among economists that the private sector is the engine of economic growth in a free market economy, which is based on the efficiency theory which confers greater efficiency on the private sector than the public sector. That being the case and as I have argued earlier that publicly quoted companies represent the cream of corporate Nigeria, it is therefore, logical to say that if the quoted companies are making significant progress in creating shareholder value, this is likely to have favourable effect on certain macroeconomic indicators such as output, inflation, exchange rate, gross capital formation as a percentage of GDP, and market capitalisation as a percentage of GDP which are key in determining the contribution of the corporate sector to the Nigerian economy. It is on record that Nigeria commenced fundamental economic reforms from 1986 when it implemented the Structural Adjustment Programme (SAP), which started the process of reducing administrative control and replacing it with free market system in where the market plays increasing role in the allocation of resources. I maintain that If the Nigerian economy is allocationally efficient, which to a large extent depends on government policy, and if the stock market is informational and operationally efficient, a function of the transactions fees the exchange charges and the extent pricing is professionally determined, publicly traded companies that are delivering good performance will attract funds on more favourable terms than their non-publicly traded counterparts. With increased access to resources they will easily mobilise financial resources to acquire plant and machinery and other assets for the expansion of their operations thereby contributing significantly to the growth of the economy.

During the oil glut of the 1980s resulting in decline of foreign exchange inflows, worsening balance of payment position and ballooning of the external debt, the government applied exchange rationing by means of import licensing. It also used counter trade to manage the economy, measures that failed to deliver the expected results. Thus, in the face of supply and demand gap, price control and commodity rationing became handy tools in the attempt to deal with the exasperating situation. These also failed with the result that the government of Ibrahim Babangida in 1986 opted for a market -led economic model prescribed by the International Monetary Fund (IMF) as a condition to bail Nigeria out of its economic doldrums. However, it was thought that corporate Nigeria, where Nigerians have taken over the commanding heights of the economy with the indigenisation policy of the 1970s and 1980s would rise up to the challenge and take innovative policies and strategies that will support government policy of diversifying away from a mono-cultural economy. A critical sector of the economy that affects the performance of the corporates is raw materials supply because of its sensitivity to exchange rate volatility. However, various surveys to determine the potential sources of raw materials in the country show that it has abundant capacity to produce much of its industrial raw material needs but they have remained import dependent for what I suspect is managerial ineptitude and its parasitic tendencies, especially the lure of siphoning scarce foreign exchange through dubious means as revealed in the Cadbury scandals involving questionable foreign exchange transactions. A plausible inference that can be drawn from the continuing and substantial devaluation of the naira over the years is an unholy marriage between the Nigerian corporates and the government that has undermined government policies aimed to restructure and reposition the economy on the path of real and sustainable economic growth.

I have devised some indicators as anecdotal evidence in support of the above assertion; namely; Gross Domestic Product(GDP), Inflation, Exchange Rate, Gross Capital Formation as Percentage of GDP and Market Capitalisation as Percentage of GDP. You can see from table 5 that Nigeria performed below average for seven out of the total period of seven years on GDP growth rate. Generally, GDP is a measure of productivity and if Nigeria ranks below the peer country average for those years it should be an indictment on the private sector as the presumed engine of economic growth, and evidence that government policy to achieve sustainable growth seems not to be working. The same goes for inflation, one of the parameters investors tend to factor into their investment decision, table 6 shows the comparison of annual inflation rates of Nigeria with the peer countries’ mean rates, indicating that Nigeria performed worse than the average for the group. It is also understood that exchange rate influences investment decisions but since the nominal exchange rate is often subject to political manipulation, I preferred the use of growth rate of

GDP PPP per capita, since it reflects the effect of purchasing power parity of domestic currency in dollars on output per capita. Similar to most of the other indicators, Nigeria fared worse than the peer average turning positive in only four out of the sixteen years, see table 7. I also looked at gross capital formation(GCF) as percentage of GDP to see how Nigeria compares with peer countries, since that tells us about a country’s disposition to increase its productive capacity. On that factor Nigeria underperformed in comparison with the peer countries in fourteen out of sixteen years of the period of analysis. Market capitalisation measures the market value of quoted companies as percentage of GDP and tells us the size of quoted companies relative to GDP, you can clearly see from table 9 that Nigeria recorded below average performance in all the years in the study period in comparison with the peer countries, demonstrating that Nigerian quoted companies are not as capitalised as their counterparts in the peer countries.

Table 5: Comparison of Gross Domestic Product Growth Rate for Nigeria and Peer Lower Middle Income Countries Average and Nigeria over the period of 2002 to 2017.

Year	Peer GDPGR Lower Middle Income (WB) %	Nigeria GDPGR World Bank (WB) %	Difference (WB to WB) %
2002	3.73	3.79	0.06
2003	6.35	10.35	4.00
2004	8.48	33.74	25.25
2005	6.78	3.45	-3.34
2006	7.60	8.21	0.61
2007	7.95	6.83	-1.12
2008	4.99	6.27	1.29
2009	4.93	6.93	2.01
2010	7.34	7.84	0.50
2011	5.36	4.89	-0.47
2012	5.09	4.28	-0.81
2013	5.53	5.39	-0.14
2014	5.65	6.31	0.66
2015	5.43	2.65	-2.77
2016	5.09	-1.62	-6.70
2017	5.04	0.82	-4.22

Source: World Bank: Retrieved online from https://data.worldbank.org/indicator/NY.GDP.DEFL.KD.ZG?locations=XNas at 2nd May 2018.

Table 6: Comparison of Inflation Rates Difference between Nigeria and Peer Lower Middle Income Nations over the period of 2002 to 2017.

Year	Inflation Rate %	Inflation peer (Lower Middle Income Countries) %	Difference %
2002	**12.17**	**3.86**	**8.31**
2003	13.93	5.17	**8.77**
2004	15.38	5.95	**9.43**
2005	17.85	7.07	**10.78**
2006	8.38	6.40	**1.98**
2007	5.42	7.63	**-2.22**
2008	11.53	11.77	**-0.24**
2009	12.59	4.31	**8.29**
2010	13.76	6.00	**7.76**
2011	10.85	7.33	**3.52**
2012	12.24	5.17	**7.07**
2013	8.52	5.72	**2.80**
2014	8.06	5.21	**2.85**
2015	9.01	4.00	**5.01**
2016	15.63	3.58	**12.05**
2017	16.55	3.86	**12.69**

Source: World Bank (2018). Retrieved online from https://data.worldbank.org/indicator/NY.GDP.DEFL.KD.ZG as at 2nd May 2018.

Table 7: Comparison of growth rate of PPP GDP Per Capita between Nigeria and Peer Lower Middle Income Nations 2002 to 2017.

Year	Peer: Lower Middle Income Countries GDP PC GR %	Nigeria GDP PC %	Difference %
2002	1.965	1.201	**-0.764**
2003	4.566	7.590	**3.024**
2004	6.688	30.357	**23.669**
2005	5.039	0.805	**-4.234**
2006	5.867	5.423	**-0.444**
2007	6.226	4.054	**-2.172**
2008	3.331	3.492	**0.161**
2009	3.295	4.126	**0.831**
2010	5.677	5.000	**-0.677**
2011	3.747	2.119	**-1.628**
2012	3.520	1.524	**-1.996**
2013	3.967	2.615	**-1.352**
2014	4.113	3.520	**-0.593**
2015	3.906	-0.022	**-3.928**
2016	3.591	-4.160	**-7.751**
2017	3.452	0.082	**-3.370**

Source: World Bank (2018). Retrieved online from https://data.worldbank.org/indicator/NY.GDP.DEFL.KD.ZG as at 2nd May 2018.

Table 8: Comparison of Gross Fixed Capital Formation as percentage of GDP between Nigeria and the Peer Countries from 2002 to 2017.

Year	Gross Fixed Capital Formation/GDP %	GFCF Lower Middle Income %	Difference %
2002	22.741	**21.175**	**1.566**
2003	23.062	**21.803**	**1.259**
2004	23.574	**23.895**	**-0.321**
2005	24.005	**24.793**	**-0.788**
2006	24.356	**25.667**	**-1.311**
2007	24.498	**26.831**	**-2.333**
2008	24.448	**26.953**	**-2.505**
2009	23.459	**26.691**	**-3.232**
2010	23.116	**26.872**	**-3.756**
2011	23.261	**26.874**	**-3.613**
2012	23.485	**26.841**	**-3.356**
2013	23.457	**25.791**	**-2.334**
2014	23.592	**25.529**	**-1.937**
2015	23.484	**25.123**	**-1.639**
2016	23.194	**24.96**	**-1.766**
2017	23.501	**25.121**	**-1.62**

Source: World Bank: Retrieved online from https://data.worldbank.org/indicator/NY.GDP.DEFL.KD.ZG?locations =XN 2nd May 2018.

Table 9: Comparison of Market Capitalization as percentage of Gross Domestic Product between Nigeria and the Peer Countries from 2002 to 2017.

Year	Peer Countries %	Nigeria %	Difference %
2002	33.782	**4.016**	**-29.766**
2003	39.210	**11.385**	**-27.825**
2004	42.267	**18.061**	**-24.206**
2005	47.849	**19.817**	**-28.032**
2006	60.943	**22.575**	**-38.368**
2007	100.699	**51.003**	**-49.696**
2008	37.141	**23.100**	**-14.041**
2009	63.296	**19.013**	**-44.283**
2010	63.909	**13.696**	**-50.213**
2011	41.836	**9.479**	**-32.357**
2012	50.815	**12.193**	**-38.622**
2013	45.408	**15.653**	**-29.755**
2014	54.334	**11.041**	**-43.293**
2015	50.781	**10.388**	**-40.393**
2016	51.308	**7.362**	**-43.946**
2017	51.723	**8.311**	**-43.412**

Source: World Bank (2018), retrieved online from https://data.worldbank.org/indicator/NY.GDP.PCAP.PP.CD?locations =XN on the 4th May 2018.

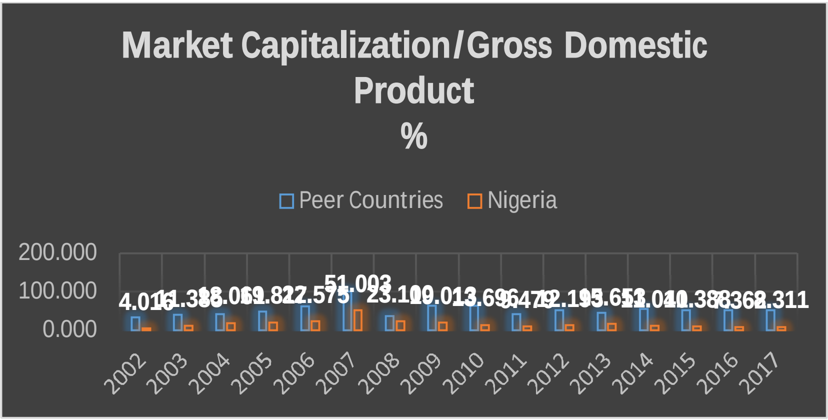

Figure 5: Graphical presentation of Market Capitalization as a ratio of Gross Domestic prodct Trend Differences between Nigeria and Peer Lower middle Income Countries over the period of 2002 to 2017.

Source: Authors Presentation as predicated on World bank (2018).

Stocks as Mechanism for Utility Maximisation:

Utility is the satisfaction a person derives from consuming a good or service. In investment the product we seek to maximise its utility is income or wealth since our spending power, and hence welfare or satisfaction depends on it. Individuals strive to earn income which they spend in a way that would maximise their utility; because one's spending ability depends on how much wealth is available for one, maximising available wealth is the desire of every rational being. Personal financial plan can be useful in determining the investment goal of an individual and the choice between spending all your income now and/ or in the future, with a middle of the road choice of consuming some now and saving the remaining for investment in order to possibly earn a higher return that will increase your future wealth and spending power. Prudence demands that we make provision for the rainy day by saving a part of our income for future use. Meanwhile, an important decision you must make is what to do with the money saved, it can either be kept under the pillow, in a piggy bank or other medium that bears no interest, in the alternative the money can be placed in a savings account or invested. If utility of money must be maximised, the choice of investment is a factor to reckon with since the extent your income can grow depends on the yield achievable from it. High yielding assets will maximise the utility of money, just as low bearing investments will minimise your wealth, and by extension utility. Granted that increase in income, which is conventionally expressed in terms of the rate of return on the invested amount, is the desire of every investor, there is the possibility that depending on choice of instrument rather than your wealth increasing it may actually reduce if your expectations cannot be met. This likelihood of your actual return deviating from the expected introduces the element of risk in investment, and consequently the trade-off between risk –and- return. Bye and large, investment decisions are made against the maxim of risk- and- return trade-off, implying that the higher the risk the greater the expected return and conversely the lower the risk the lower the expected return. Investors' appetite for return and resentment for risk is known as investor risk aversion, and is key to investment decisions.

An important guide to potential investors is for them to appreciate the distinction between three easily misunderstood terms, that is, investment, speculation and gambling. Investment is seen as taking a long term position in an asset because of the expectation of periodic income in the form of dividends or interest and capital gain, resulting from price gain. Invariably, it involves moderate risk taking since the long term position could smoothen vagaries in return that are likely to arise due to price volatility. Speculation involves assumption of considerable risk by taking relatively short term position in expectation of significant price increase that results in considerable gain or return. Considerable return suggests return high enough to compensate for the investor's degree of risk aversion, which is a function of the risk premium. Gambling is typically a risky game of chance undertaken for the fun or entertainment it gives the gambler. An example of gamble is a fair game of betting on the toss of a fair coin, if a head turns up you win otherwise you lose, on the average you are likely to have as many heads as tails, thereby ending in a no win or loss. Technically speaking, gambling has zero risk premium. Unlike bond investment, which has predictable income stream and inbuilt risk premium, and as such not of so much speculative fervour, common stock or ordinary shares is the domain of speculative investment and is therefore highly risky. Hence, the opportunity to make huge fortunes or be highly impoverished derives from speculating in common stock, this makes speculation an exciting game in common stock and one in which the player must be ready to pay the "appropriate toll"(Keynes, 1936). Dominance principle, a criterion for ranking investment opportunities is predicated on the risk- return maxim, it asserts that securities that possess the same level of return but differ in risk, will have the one with the lowest risk dominating the rest. This principle has been challenged because of a situation where an investor is faced with a choice in which the competing assets do not have any obvious dominance, and risk premium is not appropriate in differentiating them. As a remedy, the finance profession has developed a metric for ranking assets based on the investor's degree of risk aversion. One thing that is true about individuals is that we all differ in our emotional attributes - some are more emotional than others, thus the investment professional has devised the parameter of risk tolerance to assist potential investors to appreciate their individual attitude to risk. This can be achieved by guiding the individual to discover his or her risk tolerance level, and on that premise assign an index of risk aversion, with this instrument it makes it easier to determine an investor's utility score in accordance with the appropriate model (U = E(r) - $1/2\ A\sigma^2$), a unique score that can then be used to rank investment opportunities as a function of the investor's idiosyncratic risk complexion.

Portfolio Theory:

I am indeed fascinated by the concept of diversification as a risk minimising strategy. Initially anchored on the premise of spreading the risk or not putting all of one's eggs in a basket, the whole idea has witnessed a revolution following the seminal paper by Harry Markowitz on "Portfolio selection", in 1958 formulated the portfolio theory, as a theoretical framework for selecting and diversifying assets to achieve efficient risk reduction, based on the mean –variance model. That marked the transition from naïve diversification, which simply means not investing all available wealth in a single asset but in combination with other assets, to Markowitz or informed diversification, as an innovation in diversifying risk. It postulates that it is not just enough for an investor to have one's wealth spread among a bunch of assets but that in combining the assets attention should be given to the characteristics of the individual assets regarding their risk and return profiles, and in addition the relationship of the combining assets with each other and with the market portfolio. In his formulation, Markowitz defines the market portfolio as comprising all risky assets in the market in the proportion in which they occur. He therefore, proposed that an ideal portfolio risk management strategy seeks to combine assets that are less than perfectly positively correlated. Building on Markowitz foundation William Sharpe (1964) thought of a single asset model that would reduce the laborious calculations entailed in the Markowitz model, and postulated the Capital Assets Pricing Model (CAPM) based on the concept of a combing risk free asset with risky asset in a framework of lending and leveraged portfolios or assets. The effect of all this is to enhance the practice of investment by determining an appropriate rate of return or discount rate for evaluating capital projects. If you will recall, I introduced earlier in this work the interdependency between real assets investment and financial assets investment; in point of fact, rate of return on financial assets is determined in the financial cum capital markets but used for the appraisal of real assets based on opportunity cost of capital theory.

Having said that, I will quickly take us through the investment process, a five-step procedure that normally starts with the formulating investment policy, this will be worked out between you and the fund manager depending on the size of your wealth, for small investors you can join any of the established investment companies whose policy may fit into your risk- temperament and ethical preferences. Thereafter, is security analysis involving a look at the risk – return attributes of the assets, followed by portfolio analysis whereby the securities are analysed based on their relationship with each other and the market portfolio, then comes portfolio construction entailing the selection of assets for inclusion in the portfolio, and lastly portfolio revision and attribution calling for the periodic evaluation of the portfolios to see how it is performing. A part of this process is to re-examine the individual securities to determine their contribution to the portfolio, if need be portfolio adjustment is undertaken involving the rebalancing of your portfolio. I need not remind you that the essence of portfolio revision is to ascertain how well it is performing, the fundamental objective is always to earn superior return, otherwise outperform the market. There are indices for evaluating portfolios including Sharpe Index, Jack Treynor's measure, and Michael Jensen's measure.

Empirically, we studied two portfolio selection strategies; Talmund strategy representing naïve diversification and Markowitz strategy as a more sophisticated model to see the one that will post a superior return and risk values. Talmund diversifications is a variant of naïve diversification based on a simple rule known as 1/N rule in which an investor allocates his wealth evenly among different asset classes – Bonds, equities, risk – free securities. Evidence from comparison of the two strategies based on statistical test of difference between independent sample means did not suggest any statistically significant difference on the three criteria of return, risk, Sharpe index value. Thus, the Nigerian stock market seem not to provide any justification for the use of the more rigorous Markowitz diversification since the simple Talmund approach yielded similar results (Nwakanma and Aberite, 2014, P.152). It is logical to say that for the unsophisticated investor, Talmund diversification is preferable while those with the time and skill may consider the use of the more rigorous Markowitz model.

4.0 STOCK MARKET AND INFORMATION FLOW:

Stock prices are symbolic of stock values because they represent the consensus estimate of analysts' judgement of the stock's intrinsic or economic value. How stock prices are determined can be fascinating since by definition a share of common stock is an intangible asset, its value is dependent on the cash flows of the company that issued it. Searching and disseminating corporate information is the major concern of financial analysts, and for this reason stock markets provide information about the performance of a company on the strength of which the market assigns value to its shares. The price determined by the process of supply and demand is known as the market value and is often different from the intrinsic value estimated from the company's fundamentals. However, stock price prediction is carried out by two groups of analysts which tend to differ in their approach, these are the fundamentalists and the technicians. The fundamentalists believe that shares have intrinsic value and make their trade on that premise, the goal of every investor is to outguess the market so as to realise superior or supernormal return. On their own part, the technicians, also known as chartists rely on past price and volume movement to estimate the future price of a stock. Both the fundamentalists and technicians have been destabilised by the onslaught of efficient market theorists who argue that if the market is efficient then no investor should make abnormal gain by trading with publicly available information. A market is said to be informationally efficient if security prices fully and instantaneously impound any new information. Fama (1970) proposes three levels of market efficiency, namely, weak-form, semi-strong-form, and strong-form reflecting the extent market prices can rapidly and fully reflect publicly and even 'not so publicly' available information. In a weak-form efficient market. security prices fully reflect past prices and other trading information so that no one trading with that strategy could make supernormal profit. For a market that is semi-strong form efficient, security prices embody all publicly available information like corporate earnings, dividends, expansion programme which can be gleaned from its annual financial statements and accounts and annual reports. In the case of strong – form market efficiency security prices should reflect all publicly available information, this is possible because the law criminalises use of insider or privileged information to trade by those in possession of it. You may ask, ‘who are the insiders,’ they include executive management, directors, their friends and family members, business associates and so on. Several studies have been done to test the degree of efficiency of the Nigerian stock market, the results have been mixed showing conflicting findings at different times, however it seems the consensus is overwhelmingly in support of weak– form market efficiency (Nwakanma, Ajibola and Nwakanma, 2014)

Relevant Information:

In theory every investor should be concerned about three things – return, risk, and growth. Generally speaking, you can determine the value of a security based on three alternative assumptions about the growth prospects - no growth, constant growth rate, and temporary supernormal growth, falling back to normal growth. It is appropriate to say that for the risk-averse investor what determines the rate of return demanded by investors is the inherent risk, hence it is also known as the required rate of return, discount rate or capitalisation rate. A security with a low risk will normally have low required rate of return since the commensurate risk premium should be relatively low. However, such a security will command a high value because of low capitalisation rate. On the other hand, if the risk content is high the required rate of return will also be high, the middle of the road position is moderate risk with moderate return. Other classes of investors include the risk-lovers and the risk-neutral. The risk lovers like to engage in the fair games and will adjust their expected return upwards to factor in the “fun” in playing such a game. The risk – neutral is solely concerned with the expected return and will accept any investment with high risk so long as the expected return is high. The risk tolerance factor, A, can be used to depict the attitude of the three types of investors (if A< 0, risk lover, A = 0, risk neutral, A> 0, risk- averse), Bodie, Kane & Marcus(2008, P168-170).

How Risk Affects Value:

I said earlier that risk affects value because it determines the capitalisation rate, however, this is normally adjusted by the growth rate. A variety of models are available for valuing securities, the most commonly used for common stock is the Dividend Discount Model(DDM), Gordon (1962), for short Gordon’s model ($P_O = d_1/k_e$-g), where g is less than k_e. Three variables are required to calculate price or value, P_O based on the Gordon’s model are; next period dividend($d_{1)}$, required rate of return on equity or capitalisation rate ($k_{e\ )}$ and growth rate(g).You can also use a variety of Discounted Cash Flow(DCF) or Discounted Earnings Model(DEM) depending on your interest and analytical rigour.

What Information is Relevant:

I have chosen to quickly review the salient pieces of information investors must consider in valuing securities and will discuss it under the risk – return framework. However, since growth is a function of a firm's ability to conceive and implement innovative strategies that will translate to sustainable earnings growth, only the factors that can affect earnings prospects are examined. Risk is usually classified into systematic or unavoidable sources of risk and idiosyncratic or avoidable sources of risk. The normal approach is to group them under macro-economic factors and industry/firm specific factors. Regarding macro-economic factors, they include market risk, interest rate risk, political risk, exchange rate risk, purchasing power risk and many others. Industry and company sources of risk are; management risk, labour risk, raw materials risk, business risk, and financial risk among others. Knowing about these risk factors and how they can affect the fortunes of an enterprise is of crucial interest to the financial analyst. Although the systematic portion of the risk are not avoidable, however, an investor manages this risk by relating individual asset return with the market portfolio and selecting assets or constructing portfolios hinged on the person's risk tolerance level. For this purpose, stocks can be grouped into normal or equilibrium stocks, aggressive stocks and defensive stocks based on their beta values. Beta is a measure of systematic risk and displays the relationship between return on an individual asset and the market return, normal securities have a beta of one, aggressive securities have a beta in excess of one, while defensive securities have beta less than one. Combining assets which have diametrically opposite beta values can theoretically reduce the risk of your portfolio to zero.

Idiosyncratic risk or unsystematic risk is firm or industry related risk and can be eliminated through skilful portfolio management. A well-diversified portfolio will have a zero error term because the positive and negative estimates will cancel out so that return of the portfolio will be solely determined by the systematic portion of risk. Mispriced securities or portfolios lie above or below the Security Market Line (SMA) or Capital Market Line(CML). Securities or portfolios that lie above the SML or CML are overvalued because they post higher expected return for lower risk, and will trigger increased demand which will drive up the price and reduce the return. Conversely, those that lie below the equilibrium line are under-priced and will trigger a selloff that will reduce prices and enhance returns restoring their risk-return profiles to equilibrium. I talked about the single index model and those who independently developed it, however, it is generally referred to as the Sharpe model because he first published his work on it for which he was rewarded with a Nobel prize in financial economics.

Some Empirical Results:

I supervised the Master's work of Nsanam (2012), he conducted a test of the validity of CAPM on the Nigerian stock market, his findings are instructive in three respects, namely; the evidence did not establish any direct relationship between portfolio excess return and portfolio beta indicating that the stock market is not efficient in pricing portfolios because of the high tendency to encounter mispriced assets. Second, the evidence shows that the relationship between portfolio excess return and systematic risk is linear indicating that the model can be used to predict excess return, with caution that its coefficient of determination is weak. Third, evidence showed that non-systematic risk is relevant in determining the risk of a portfolio, suggesting the difficulty in diversifying away from unsystematic risk. The import of these results is that the stocks on the Nigerian stock market seem to have high degree of correlation and may not present good opportunities for risk reduction in a portfolio framework. Dissatisfied with the single index model Ross (1976) developed Arbitrage Pricing Model (APT), a multifactor model because of the highly restricted nature of the single index model. This model is based on the theoretical foundation that since the fortunes of a firm are affected by a multiplicity of macro-economic factors that base asset selection strictly on the relationship between an asset's return and the market portfolio may be too simplistic for any meaningful valuation of securities in a complex and dynamic economy in which several forces can affect assets return. The Ross model unlike the Sharpe model allows the analyst freedom of choice of relevant factors, after screen several macro-economic variables to identify the likely influential factors, based on theoretical postulations about their relationship with asset return.

I also supervised the Doctoral research study by Temisa (2011), he studied the relationship between certain macroeconomic variables comprising consumer price index, risk free rate of return, crude oil price, foreign exchange rate and credit to the private sector, because of their influence on investor return and behaviour. Findings from the empirical test of the APT on Nigerian stocks revealed the following: First, the relationship between consumer price index and the returns of thirty-six stocks was found to be positive but statistically insignificant, indicating that consumer price index is not a good explanatory variable for stock returns. Second, it also found the relationship between risk-free rate of return and stock prices statistically insignificant though with mixed signs, this implies that risk-free rate of return may not be a good predictor of stock returns. Third, it was found that the relationship between crude oil prices and stock returns is considerably weak and statistically insignificant. Fourth, the relationship between stock returns and foreign exchange rate was found to be statistically insignificant. Finally, the relationship between stock return and credit to the private sector was found to be statistically insignificant.

5.0 STOCK MARKET ANDBUSINESS CYCLE:

Most of us are familiar with the concept of business cycle, the natural tendency for economic growth to rise and fall over time, reflecting changes in the level of economic activity. This phenomenon is important because it affects inflation, interest rate and unemployment, which are vital indices for gauging the health of any economy. Investors focus on them for their investment decisions, and because investment decisions are predicated on future prospects of the firm, they tend to be guided by the rational expectations theory, which anticipates short-term and long-term changes in the economy so as to make investment decision on those expectations. Stock prices are influenced by business cycle since future-oriented investors try to anticipate the likely direction of the economy, and on the strength of that make their buy or sell decisions. In practical terms business cycle passes through five phases; namely, expansion, peak, recession, depression, and recovery. However, any responsible and people-oriented government makes earnest effort to avoid depression as that is marked by large scale unemployment. Hence, in most economic literature only the four phases of expansion, peak, recession and recovery are the focus of economic analysis. Information driven investors are likely to buy stocks during the recovery/trough phase because as the momentum of recovery accelerates and the economy gets into the prosperity or boom phase, towards the peak phase the market becomes very bullish and may result in investors’ irrational exuberance, ultimately leading to bubble burst. Unfortunately, most uninformed or noise traders/investors tend to approach the market during the era of irrational exuberance, like it happened in Nigeria just before the global financial meltdown touched base in Nigeria in 2007 when the All Share Index reached a peak of 57,990.2 before cascading to 31,450.8 in 2008 and further declining to 20,827 in 2009. On the contrary, information traders/investors seek to adjust and re-balance their portfolios during the bullish season in what is described as profit taking by divesting from stock and temporarily holding their wealth in bonds and cash balances in anticipation of the economy entering the recession phase before seeking to re-enter the stock market. Figure 6 below shows the phases of the worst form of business cycle, which has implications for making buy and sell decisions. Thus, stock prices can be seen as leading indicators for the various phases of the business cycle.

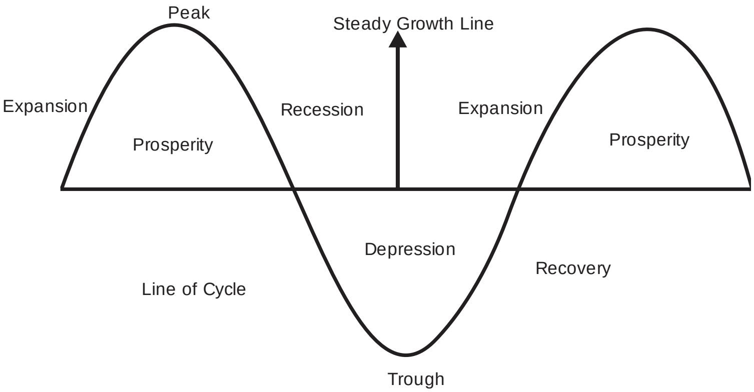

Figure 6: Graphical Representation of the Business Cycle.

Source: Nitasha (2017), retrieved online from http://www.economicsdiscussion.net/business-cycles/5-phases-of-a-business-cycle-with-diagram/4121 on the 5th of May 2018.

6.0 HOW HAS THE NIGERIAN STOCK MARKET PERFORMED?

For the avoidance of doubt, the word *tanked* in this context means ‘underperformance’. To the question: “Has the Nigerian stock market tanked: what prospects for profit making?” The champions of our independence I suppose had lofty vision for the country and so demanded for the institutions that would drive their vision. Having heard about the importance of finance to an economy they did not hesitate to influence the establishment of the Central Bank of Nigeria(CBN) - the apex financial institution- followed by the Lagos Stock Exchange(LSE)- crucial for long-term capital mobilisation - that later became the Nigerian Stock Exchange. However, the stock market as the records show did not record many transactions at inception, at least not in equities since government securities seem to have dominated early business on the exchange. In 1961 when the market opened for business only 19, mainly government securities were listed but by 1995 the indigenisation programme of the 1970s and 1980s had stimulated much activities to the extent that by 1995 when the market was re-opened to the international investment communities listed equities had reached 196 (Fact Book,2000). However, my recent survey showed that about 172 equities are currently listed on the exchange (Nigerian Stock Exchange, 3/05/2018) and a good number of them not actively traded. I wanted to study the listed equities from 2002 to date but discovered that only about 60 of the listed companies have accessible data for the period.

The performance of the Nigerian stock market can be examined from two dimensions: First, from the angle of the performance of selected equity securities and the market portfolio, and more importantly as an engine of economic growth. With respect to the performance of the equity securities, its assessment should be based on the extent it can be seen as a hedge against inflation, because in theory, equities have variable income and if their return keeps pace with the general economic performance should provide rising income during inflation. Looking at the nominal and real or inflation adjusted return of the All Nigeria Shares Index (ASI), it can be seen that between 2002 and 2017, the net market return in nominal value was 11.51% and its real return was -.88%. The import of this is that the market returns on the equities on the average did not provide the needed hedge against inflation. At the same time, the net return of 11.51% over the sixteen-year period is suggestive of high variability of market return, which in fact had a standard deviation as a measure of risk of 33.28%.The values of the nominal and real returns are shown in table 10, with the pictorial view shown as figure 7.

I selected sixty equity securities from the market which I analysed based on their risk-return profiles, employing their risk premium as measured by the Sharpe index segregated them into top ten best performers shown on table 11and the bottom ten worse performers shown on table 12. You can notice that the two sets of securities seem to have a high level of idiosyncratic risk or diversifiable risk an indication that a skilful investor should be able to achieve meaningful risk reduction through diversification.

Table 10: Nominal and Real Market Returns in Nigeria from 2002 to 2017.

Year	CPI	Inflation	Nominal Market Returns (%)	Real Market Returns (%) $\frac{R-i}{1+i}$
2002	41.070	12.150	10.714	-1.280
2003	50.850	23.810	65.838	33.946
2004	55.940	10.010	18.459	7.680
2005	62.410	11.570	1.012	-9.463
2006	67.760	8.570	37.796	26.919
2007	72.200	6.550	74.726	63.985
2008	83.070	15.060	-45.765	-52.864
2009	93.830	12.950	-33.779	-41.371
2010	104.840	11.730	18.934	6.448
2011	115.680	10.340	-16.309	-24.152
2012	129.540	11.980	35.446	20.956
2013	139.820	7.940	47.190	36.363
2014	150.930	7.950	-16.144	-22.320
2015	165.390	9.580	-17.355	-24.580
2016	196.070	18.550	-6.171	-20.853
2017	248.400	26.690	9.628	-13.468
			11.514	**-0.878**

Source: Authors Computation.

Real Market Return Formula= $\frac{R-i}{1+i}$ as culled from Investments 7th edition by Boddie, Kane and Marcus (2008).

CPI – World bank as presented in Federal Reserve Bank (2018). Retrieved from https://fred.stlouisfed.org/series/DDOE01NGA086NWDB on the 5th of May 2018.

Inflation – Computed by Author.

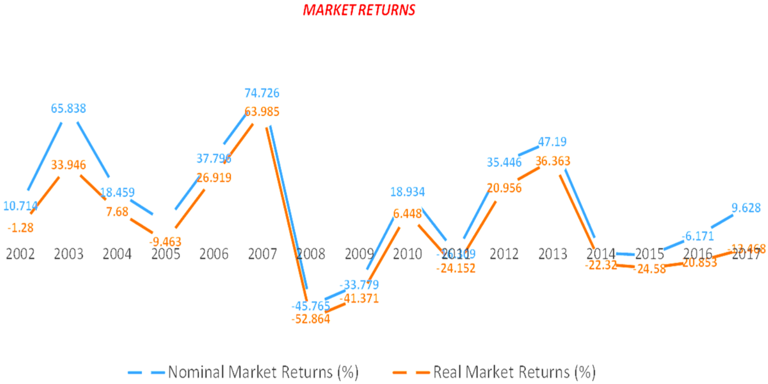

Figure 7: Graphical Representation of the Comparative Trend Between Nominal and Real market price in Nigeria from 2002 to 2016.

Table 11: Cross Tabulation of the Average Nominal and Real Market Returns for the Top 10 Best Performing Stock (Predicated on the Sharpe Index) with the Market Nominal and Real Return over the period of 2002 to 2017.

Best Performing Firms			Market	Difference
INTERNATIONAL BREWERIES PLC.	Nominal	55.4563	11.51	43.94
	Real	37.0704	-0.88	37.95
	Risk	0.9287	33.28	-32.35
CEMENT CO. OF NORTH.NIG. PLC	Nominal	25.375	11.51	13.86
	Real	11.6975	-0.88	12.58
	Risk	1.1740	33.28	-32.11
ACCESS BANK PLC.	Nominal	37.125	11.51	25.61
	Real	21.8945	-0.88	22.77
	Risk	0.7424	33.28	-32.54
NIGERIAN BREW. PLC.	Nominal	28.1813	11.51	16.67
	Real	13.6904	-0.88	14.57
	Risk	0.4974	33.28	-32.78
NESTLE NIGERIA PLC.	Nominal	95.1063	11.51	83.59
	Real	74.9956	-0.88	75.87
	Risk	2.6240	33.28	-30.66
CHAMPION BREW.	Nominal	71.1625	11.51	59.65

PLC.	Real	53.3599	-0.88	54.24
	Risk	1.1131	33.28	-32.17
BETA GLASS PLC.	Nominal	37.5688	11.51	26.05
	Real	23.3608	-0.88	24.24
	Risk	1.0835	33.28	-32.20
FIDELITY BANK PLC	Nominal	50.975	11.51	39.46
	Real	34.3945	-0.88	35.27
	Risk	1.4022	33.28	-31.88
GUARANTY TRUST BANK PLC.	Nominal	22.9938	11.51	11.48
	Real	8.4383	-0.88	9.32
	Risk	0.4599	33.28	-32.82
CAP PLC	Nominal	73.175	11.51	61.66
	Real	56.096	-0.88	56.97
	Risk	2.1870	33.28	-31.09

Source: *Authors computation based on Real Return formula by Boddie, Kane and Marcus (2008).*

Table 12: Cross Tabulation of the Average Nominal and Real Market Returns for the Bottom 10 Worst performing Stocks (Predicated on the Sharpe Index) with the Market Nominal and Real Return over the period of 2002 to 2017.

Worst Performing Firms			**Market**	**Difference**
UNILEVER NIGERIA PLC.	Nominal	10.3875	11.51	-1.13
	Real	-1.9145	-0.88	-1.04
	Risk	0.4163	33.28	-32.86
UACN PROPERTY DEVELOPMENT CO. LIMITED	Nominal	9.9938	11.51	-1.52
	Real	-2.4516	-0.88	-1.57
	Risk	0.4337	33.28	-32.85
VITAFOAM NIG PLC.	Nominal	9.7875	11.51	-1.73
	Real	-1.8199	-0.88	-0.94
	Risk	0.4808	33.28	-32.80
LEARN AFRICA PLC	Nominal	7.3063	11.51	-4.21
	Real	-4.3194	-0.88	-3.44
	Risk	0.6622	33.28	-32.62
LAW UNION AND ROCK INS. PLC.	Nominal	6.4375	11.51	-5.08
	Real	-4.8873	-0.88	-4.01
	Risk	0.5454	33.28	-32.72
NIGER INSURANCE CO. PLC.	Nominal	4.575	11.51	-6.94

	Real	-7.127	-0.88	-6.25
	Risk	**0.5080**	**33.28**	**-32.77**
OANDO PLC	Nominal	1.325	11.51	-10.19
	Real	-10.1821	-0.88	-9.30
	Risk	0.4831	33.28	-32.80
NEIMETH INTERNATIONAL PHARMACEUTICALS PLC	Nominal	-8.625	11.51	-20.14
	Real	-18.3991	-0.88	-17.52
	Risk	0.2857	33.28	-32.99
DN TYRE & RUBBER PLC[DIP]	Nominal	-8.0125	11.51	-19.53
	Real	-18.1096	-0.88	-17.23
	Risk	0.2640	33.28	-33.02
AFRIK PHARMACUETICAL PLC	Nominal	-0.625	11.51	-12.14
	Real	-11.6845	-0.88	-10.81
	Risk	0.0250	33.28	-33.26

Source: ***Authors computation based on Real Return formula by Boddie, Kane and Marcus (2008).***

On the stock market as engine of growth, I recall that in deciding to indigenise the economy the Nigerian military government then must have been propelled by the goal of creating an environment for Nigerians to actively participate in controlling the "commanding heights of the economy", and by so doing reap the economic benefits that come with it. This presupposes that Nigerians are capable of providing effective corporate leadership that will result in sustainable profitable performance of the companies. If they had risen to the occasion one would expect the economy to compare favourably with the peer countries on certain indicators such as Gross Capital Formation as percentage of GDP, and Stock Market Capitalisation as percentage of GDP. The importance of gross capital formation is that it is a measure of the productive capacity of a country, and therefore can be a proxy for the productivity of capital. I therefore, argue that in a competitive global capital market the country with the highest potentials for maximising productivity of capital will attract the greatest amount of capital, all things equal. The productivity of capital is dependent, not only on the volume of capital per se but on some other factors as the quality of management (this is predicated more on integrity than competence), the commitment and dexterity of the labour force, and a conducive or better still enabling economic environment. It stands to reason that the flow of capital, inter- and- intra national boundaries should be predicated on the complements of the productive resources possessed by a country. How much of these virtues can be found in corporate Nigeria is a matter of anybody's conjecture but the damning verdict by Ajayi (2012) is that Nigeria's private sector typified by the publicly quoted and traded companies is that it is heavily riddled with "juggling of books and corruption." Hence, the shocking revelation that Nigeria underperformed in comparison with its peer countries on Gross Capital Formation as percentage of GDP for fourteen out of a sixteen – year period 2002 to 2017. This strongly suggests that private sector and public sector leadership seem motivated more by the acquisitive instinct than values that define real achievement. The Market Capitalisation as percentage of GDP, can be viewed as a proxy for determining the size of shareholders' wealth relative to GDP. If the companies are delivering good value, then their market value on the average should constitute a sizeable portion of the nation's GDP. Nigeria woefully underperformed in relation to the peer countries for the entire period of analysis.

The incontrovertible verdict therefore, is that, in my opinion judging from the antecedents of Nigeria's capital market especially its creation by government fiat and the activities of its captains, is the seemly moral deformity and deliberate insensitive to its stakeholders whose interests it takes for granted. This is not surprising because of the reign of corruption, cronyism and nepotism that characterises the public and private sectors of the economy. Most of the majority stockholders of corporate Nigeria are past and serving public servants and rent seeking business people who lack the sacrifice, discipline and rigour inevitably expected of a productive entrepreneurial class. It is therefore, not surprising that in spite of its endowment with the abundance of natural resources, Nigeria has remained import dependent, unable to produce and export enough to steer it away from the ignoble appellation of a mono-cultural economy. Anytime the oil market is threatened Nigeria's economy jitters and catches instant fever, for how long will this continue, the time to act is now!

7.0 RECOMMENDATIONS:

Mr. Vice Chancellor, Sir, I find it difficult pretending being in possession of the solution to the problems of corporate Nigeria as symbolised by the publicly quoted companies, however as tradition demands, I like to share some thoughts on what I consider appropriate chest of remedies. Before advancing it, let me say that I have noticed a common tendency among academics and practitioners to see the government as a black box, thus neglecting the activities of the human elements who handle government business. Having said that, let me propose as follows:

1. *Enlightened stakeholder wealth maximisation* should be the objective of corporate Nigeria for the companies and indeed the economy to deliver good performance, and Nigerian stakeholders should hold corporate directors more accountable for their actions and inactions.

2. Corporate governance should be respected and made to guide the affairs of public companies with a good enforcement mechanism.
3. Integrity should be accorded the pride of place in corporate management so that corporate value can be maximised.
4. Accountability in government should be beefed up so that its institutions can be trusted to honestly carry out its oversight functions which is necessary for the proper functioning of business, this I am afraid may not be possible until there can be credible elections in the country.
5. Speculation should be encouraged while those who wish to take a long-term position $A = \pi r^2$ advised to keep a close watch on the performance of the companyso as to know the appropriate time to exist and adjust their portfolios.
6. Because of the susceptibility of Nigerian companies to unpredictability, diversification should be done rationally to avoid picking stocks that may not minimise portfolio risk.
7. More efforts should be devoted to the study of corporate Nigeria, and the University of Port Harcourt should encourage more research in this direction.

8.0 CONCLUSION:

Nigeria is a country in need of economic development and the private sector as the engine of economic growth should be positioned to deliver maximum value to its stakeholders and by so doing contribute maximally to the country’s economy. In the final analysis, good human resources make the most contribution to corporate performance and indeed the national economy. But to harness the potentials in a people demands honest and sincere leadership, which is expected from the private and public sector, and without it, most people are likely to engage in what I may term the “Ostrich game” where by they seem to be doing the wrong thing but at the same seeking for who may responsible.

Thank you for your time.

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Dr Prince Chinaecherem Nwakanma was promoted to the rank Professor of Finance and Banking in the Department of Finance and Banking, Faculty of Management Sciences in February 2017 with effect from September 2014. He is the immediate past president of the Chartered Institute of Financial and Investment Analysts Nigeria, a member of the Chartered Institute of Bankers Nigeria and the Nigerian Academy of Management. Professor Nwakanma has authored numerous articles in finance and banking. He earned a doctorate in Financial Management in 2006 from The Graduate School of the Federal University of Technology Owerri. He has served the University of Port Harcourt in various capacities including Principal Accountant at the Bursary Department, Managing Director at the Uniport Investments Limited, Acting Head at the Department of Finance and Banking, Acting Director at the University of Port Harcourt Entrepreneurial Centre and Associate Dean at the Faculty of Management Sciences. He has served on several committees in this university and on the board of several organisations and consults for businesses. He has served as external examiner to several universities. He is happily married to Mrs Caroline Ngozi Nwakanma and they are blessed with five children.

In my capacity as the Vice Chancellor of this university, it is my singular honour to present to you a consummate scholar and a patriot, the 147th inaugural lecturer of the University of Port Harcourt who has chosen to take us through an incisive appraisal of the performance of corporate Nigeria as symbolised by the publicly quoted companies whose equities are actively traded on the Nigerian Stock Exchange.

Professor N. E. S. Lale
Vice Chancellor.