

**IMPACT OF CAPITAL MARKET ON THE  
PERFORMANCE OF MANUFACTURING  
COMPANIES IN NIGERIA**

**BY**

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AND FINANCE**

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## **DECLARATION**

I hereby declare that this dissertation is my original work and has not been previously presented wholly or in part for the award of other degrees.

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**Date.....**

## CERTIFICATION

We the undersigned, certify that this research dissertation titled Impact of Capital Market on the Performance of Manufacturing Companies in Nigeria (2005-2014): An Empirical Review. This is the original work of the candidate and has been fully supervised, and found worthy of acceptance in partial fulfillment of the award of Master of Science (M.Sc) Degree in Banking and Finance.

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## **DEDICATION**

This Dissertation is dedicated to Almighty God and His only Son, Jesus Christ; through Him I was able to accomplish this research work.

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## **ABSTRACT**

This research examines the impact of capital market on the performance of manufacturing companies in Nigeria between 2007-2016. Secondary data used for the study were sourced from ten selected manufacturing companies listed in the NSE and contained in the NSE fact book. Also, annual reports and account respectively. The variables used to proxy capital market are ordinary shares, preference shares, bonds and long-term funds and the performance was proxied using Revenue of the manufacturing companies. Four research questions, objectives and hypotheses were formulated respectively. The scope of the study covered ten companies in the manufacturing sector for period of ten years. The research design adopted by the study was the ex-post facto. The statistical tool used was E-view 7.0 version and the estimation statistics applied was Ordinary Least Square (OLS) estimation. The result revealed that as the ordinary shares (OS), preference shares (PS), bonds (BD) and long-term funds (LL) increases the Revenue (REV) of the manufacturing sector increases. It also showed that ordinary shares, preference shares and long-term funds have a positive impact on the Revenue while the bonds have a negative impact on the Revenue (REV). On the other hand; the correlation statistics showed that OS, PS, BD and LL have a direct relationship with Revenue (REV). The research concluded that capital market performance have an impact on the growth of the manufacturing sector in Nigeria. Therefore, the study recommends that manufacturing companies should ensure increased value-efficiency in their capital market performance at the Nigerian Stock Exchange to grow their companies in the industry. The study has added to existing knowledge in the field of Banking because the study modeled capital market and the manufacturing profitability in Nigeria.

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## **CHAPTER ONE INTRODUCTION**

### **1.1 Background to the Study**

Over the years, experts and scholars have viewed the Capital Market as a network of financial institutions and infrastructure that operates within to mobilize and allocate long-term funds among corporate bodies (both privates and public) in the economy. The market affords business firms and governments the opportunity to sell stocks and bonds, to raise long-term funds from the savings of other economic agents. The capital market is a highly specialized and part of organized financial market and indeed an essential agent of economic growth because of its ability to facilitate and mobilize saving and investment. According to Iyola (2014) ascertained that sourcing of long-term funds through the capital market is importance for actualized economic growth, which is consistent with external adjustment and rapid economic growth. There have been various forms of financial instruments have been issued in the capital market by new and existing business to finance product development; new projects or general business expansion. The capital market, no doubt, is pivotal to the level of growth of the economy. Chinwuba and Amos (2011) noted that capital market is one of the major institutions that act in propelling a prostrate economy for growth and development. Ilaboya and Ibrahim, (2014), stress that capital market functions as an economic barometer for galvanizing economic activities. The journey to the present democratic experience in Nigeria commenced on May 29, 1999, when the military government returned power to civilian administration. The agitation for the exit of the military was embarked upon because of the popular belief among the stakeholders in the economy that, democracy, among other things, promotes economic growth. The importance of the capital market as an efficient channel of financial intermediation has been well recognized by

researchers, academicians, and policy makers as a primary determinant of the economic growth of a country, both developed and developing.

The capital market has been identified as an institution that contributes to the socio-economic growth and development of emerging and developed economies. Ekundayo, (2012) argues that a nation requires a lot of local and foreign investments to attain sustainable economic growth and development. The capital market provides a means through which this is made possible. However, the paucity of long-term capital has posed the greatest predicament to economic development in most African countries including Nigeria. Osaze (2010) sees the capital market as the driver of any economy to growth and development because it is essential for the long term growth capital formation. It is crucial in the mobilization of savings and channeling of such savings to profitable self-liquidating investment. This function is critical in determining the overall growth of the economy.

Okereke-Onyiuke (2010) posits that the cheap source of funds from the capital market remains a critical element in the sustainable development of the economy? She enumerated the advantages of capital market financing to include no short repayment period as funds are held for medium and long term period or in perpetuity, funds to state and local government without pressures and ample time to repay loans. Through the 1986 Structural Adjustment Programme (SAP) intervention by the International Monetary Fund (IMF), the Nigerian capital market took a new trading dimension in restructuring its trading regulations that permitted manufacturing companies emerging into the stock exchange to seek for more funds in financing profitable projects and expanding their business environment and restructuring their capital base for improvement in the company's profit for the year and also dividend payout to their shareholders. More also, it was a proposed programmes geared to shaping the activities within the capital

market which in accord expected to improve the Nigerian economy within two years. However, according to Oyefusi and Mogbolu, (2013) until Structural Adjustment Programme (SAP) was abandoned in 1994, the objectives were not achieved due to the inability of government to judiciously implement some of its policy measures. The notable reforms include monetary and fiscal policies, sectoral reforms such as removal of oil subsidy in 1988 to the tune of 80%, interest deregulation from August 1987, financial market reform and public sector reforms which entails the full or partial privatization and commercialization of about 111 public owned enterprises. Oyefusi and Mogbolu (2013) identified The Nigerian Stock Exchange (NSE) a key role player during the offer for sale of the shares of the affected enterprises. Overtime, it also saw that the introduction of Structural Adjustment Programme (SAP) in Nigeria has resulted in a very significant growth of the country's stock market as a result of deregulation of the financial sector and the privatization exercise which exposed investors and companies to the significance of the stock market. Ariyo and Adelegan (2015) contend that the liberalization of capital market led to the growth of the Nigerian capital market yet its impact at the macro-economy was negligible. Again the capital market was valuable to the first twenty-five (25) banks that were able to meet the minimum capital requirement of ₦25billion during the banking sector recapitalization in 2005. Thus, the study seeks to examine the impact of capital structure on the manufacturing company in Nigeria.

## **1.2 Statement of the Problem**

The capital market and manufacturing sector performance have created disturbance trending issues in numerous researches on the effect of capital market indicators to the manufacturing sector. Most studies had laid emphasis on the different capital market reforms in various nations' economies; just few empirical studies envisage between the capital performance and its effect on the manufacturing sector of any given economy but many are yet to find out if these Capital Market Performance variables have a significant impact on the growth of these Manufacturing Companies in Nigeria.

Olawoye, (2011) in his study developed a model using a multiple regression approach line in experimenting the bi-directional relationship among four variables which were Gross Domestic Product Growth Rate (GDPGR), Total Market Capitalization (TMC), All Share Index (ASI) and Total Value of Stock (TVS) as the dependent and independent variables respectively in the “impact of capital market on economic growth of Nigeria”. Ewah, Essang and Bassey (2009) also adopted the same variables in their empirical study in the “Appraisal of Capital Market Efficiency and Economic Growth in Nigeria”. These variables were also adopted in a recent study done by Echekeoba, Ezu and Egbunike (2013) in the “Impact of Capital Market on the Growth of the Nigerian economy under Democratic Rule”. The problem associated with these variables was trend analysis data and empirical result.

Kolapo and Adaramola (2012), used GDP as the dependent variables as against Market Capitalization (MCAP), Total New Issues (TNI), Total Value for Transaction (TVT) and Total Listed Equities and Government Stock (LEGS) which were the independent variables, their studies showed that all their tested variables conformed to the a-priori expectation except the Total Listed Equities and Government Stock (LEGS) which had a negative impact to the

dependent variable. Edame and Okoro (2013) posited a dependent variable in his study as GDP while Market Capitalization (MAKAP), Number of Deals (NDEALS), Value of Transaction (VTRAN) and interest rate (INT) were the independent variables and also collating a 40 years (1970-2010) time series data.

Tentatively, it has been a challenging issue that previous articles, journals and empirical studies that evaluate the manners and approaches of dependent and independent variables employed by authors used in carrying out their studies are yet to provide a solutions in solving the problems affect the Capital Market performance and the growth in the Nigerian Manufacturing Sector. It is known that about 74.5% of the numerous studies accessed had an empirical finding of which less than 56.5% conducted a multiple regression analysis and their result conforming to the a-priori expectation of the theories guiding the capital market performance and its impact on the Nigerian companies in their scope of study. About 15.5% of these studies didn't use measurable variables in accessing the significant impact or relationship between the independent and dependent variables, more also, these studies decided to study the capital market effectiveness towards the whole economy which seems to be on a larger scope for an empirical study. The balance of 10% of authors' studies did not emphasize on empirical findings to investigate deeply on the impact of the capital market to the performance of the growth of manufacturing companies as the case may be.

With all indications of studies geared in propounding a solution in attesting the challenges and issues faced by the Nigerian Capital Market and Manufacturing companies, it is acknowledged that many studies are yet unable to identify the right variables to perform empirical findings facing the Nigerian Capital Market and Manufacturing Companies. This work was taken to solve the identified problems facing the Nigerian capital market and Manufacturing Company.

### **1.3 Research Questions**

In view of the highlighted problems discussed above, an attempt has been made to address the research questions as thus:

1. How has Ordinary Share raised in the capital market impacted the Performance of the Manufacturing Companies in Nigeria?
2. To what extent has Preference Share raised in the capital market impacted the Performance of the Manufacturing Companies in Nigeria?
3. How has Bonds raised in the capital market impacted the Performance of the Manufacturing Companies in Nigeria?
4. To what extent has Long-term Funds raised in the capital market impacted the Performance of the Manufacturing Companies in Nigeria?

### **1.4 Objectives of the Study**

The general objective of the study is to determine the impact of capital market on the growth of the manufacturing companies in Nigeria. The specific objectives of this study are to:

1. To determine the impact of Ordinary Shares raised in the capital market on the Performance of Manufacturing Companies in Nigeria.
2. To examine the impact of Preference Shares raised in the capital market on the Performance of Manufacturing Companies in Nigeria.
3. To evaluate the impact of Bonds raised in the capital market on the Performance of Manufacturing Companies in Nigeria.
4. To examine the impact of Long-term funds raised in the capital market on the Growth of manufacturing companies in Nigeria.



## **1.5 Research Hypotheses**

With inference from the statement of problems, objectives of the study and research questions developed which are the backbones of this dissertation, the following research hypotheses were formulated;

**H<sub>01</sub>:** Ordinary Shares (OS) does not have a significant impact on the Revenue (REV) of manufacturing companies in Nigeria.

**H<sub>02</sub>:** Preference Shares (PS) does not have a significant impact on the Revenue (REV) of manufacturing companies in Nigeria.

**H<sub>03</sub>:** Bonds (BD) does not have a significant impact on the Revenue (REV) of manufacturing companies in Nigeria.

**H<sub>04</sub>:** Long-term Funds (LL) does not have a significant impact on the Revenue (REV) of manufacturing companies in Nigeria.

## **1.6 Scope of the Study**

This study is centered on companies in the Manufacturing Sector in Nigeria. These Companies are located in Lagos State because of the industrialization in the State. The Companies covered in the study are; Nestle Nigeria Plc, Nigeria Bottling Companies Plc, Dangote Cement Company Plc, PZ Nigeria Plc, Unilever Nigeria Plc, Guinness Nigeria Plc, 7UP Bottling Company Plc, Cadbury Nigeria Plc, Nigerian Breweries Plc and Flourmill Nigeria Plc. The number of years covered for this study is a period of ten years, 2007-2016 on a time series data. The content covered in the study is Revenue, Ordinary Shares, Preference Shares, Bonds and Long-term Funds.

## **1.7 Significance of the Study**

The study is carried out with the view to increasing the wealth of knowledge accumulated so far on the subject matter: Capital Market in the Manufacturing sector in Nigeria. Although, most researchers have focused on stock market and economic growth, capital market and economic growth, contribution of capital market, etc. it is also a well known fact that the stock market been a secondary market in the capital market can boost the growth in the manufacturing sector with the aid of a reformed and reliable capital market performance which in turns will stimulate the economic activities in Nigeria. Hence, this study will not just be an extraction of empirical facts but will tend to give further information on how the various variables selected in testing the capital market in the manufacturing sector Gross Domestic Product (GDP) and also in the general Nigerian Economic Growth (NEG). Specifically, the study will be relevant to the following categories; the Services, Manufacturing, Construction and others that go to the Capital Market for fund sourcing. Hence, Patrick (2005) used his study in making recommendation for the Security and Exchange Act of 1934 by criticizing the theories guiding the Act. He studied the Sarbanes-Oxley Act of 2002 by ensuring that his study emerges a new development in the England stock market. Echekeba, Ezu et al (2013) proposed their study that checked the impact of the capital market on the growth of the Nigerian economy under the democratic rule. It was relevant in acknowledging the evidential effect of the capital market indicators such as; All Share Index (ASI), Total Market Capitalization (TMC) and Total Value of Stock (TVS) were the variables used in analyzing the impact of the capital market on the Nigerian economic growth under the democratic rule.

Therefore, the research under this field has shown its significance to the economy and thereby this study will be relevant to the following;

The manufacturing companies in the sector will seize the opportunity in accessing the performance of their capital fund in the capital market which is used for the growth of their companies.

1. Stock brokers will acknowledge the elements of capital being raised at the capital market on behalf of their clients.
2. It will be relevant to investors both indigenous and abroad who are ready to invest their funds on the growth of these manufacturing companies and the economy at large.
3. It will provide students of this professional field the knowledge on how capital market could create an avenue towards the growth of manufacturing companies in the economy.
4. It will provide government, regulatory bodies, Security and Exchange Commission the knowledge on how to manage the capital market operations to be of benefit to investors, stakeholders and industries.
5. It will encourage growing companies to emerge its opportunities in the capital market.

### **1.8 Limitation of Study**

This study was supposed to cover all variables used as indicators of the capital market in Nigeria as in regards to collection of adequate data on the interactive relationship of the different variables between Capital Market and Manufacturing Companies. This intended scope cannot, however, be attained due to the fact that some variables do not have sufficient data that could make significant impact, more also, the research topic limited its scope of the Nigerian capital market to the manufacturing sector in the Nigerian economy. The objective was centered in between the capital market and the manufacturing companies, the variables used in capturing the capital market are limited to the capital market indicators being used by the manufacturing companies in the stock market. These variables are capitalization and number of shares held by

each of the company. Also, to value the growth of these manufacturing companies the Revenue, Earnings per Share, Value of Shares and Dividend will be limited in measuring the growth of these manufacturing companies. Although, there are lots of variables to be used in capturing these two sections but for the course of this study, it will concentrate on these variables for just a period of ten years.

## **1.9 Definition of Terms**

1. **CAPITALMARKET:** The capital market is a market for mobilization and utilization of long term funds for growth and development within individual firms and sectors of an economy.
2. **CAPITAL TRADE POINTS (CTP):** It is a mini stock exchange enacted by the Investment and Securities Act (ISA) 1999 and revised in 2007.
3. **INVESTMENT:** This is setting aside of consumable income through channeling them into productive areas and expecting returns in compensations for the risk-decisions made.
4. **MARKETCAPITALIZATION:** This is the value of a firm or industrial sector as determined by the market of its issues and outstanding common stocks.
5. **MGDP:** Manufacturing GDP is the manufacturing sector's contribution to the entire GDP of an economy.
6. **NSE:** It is known as the Nigerian Stock Exchange market, where all quoted companies in the different sectors in the Nigerian economy trade for long term securities and also raise funds to finance their businesses and long term projects.
7. **NUMBER OF SHARES:** This is referred to the total volume of shares owned by the manufacturing companies for its ownership growth.

8. **PORTFOLIO:** This is a collection of investment to which investors has allocated funds for the purpose of earning a return.
9. **REVENUE:** This is simply defined as the final profit of any companies after the deduction of operating cost, interest rate and tax.
10. **STOCKEXCHANGE:** A stock exchange is an arrangement whereby large and small investors alike buy and sell through stock brokers, securities (shares and bonds) of companies and government agencies. This arrangement could be linked through internet communication, telephone and fax communication, trading floor, media, etc. the stock exchange provides the essential facilities for companies and government to raise money for business expansion and development projects through investors who own shares in corporative bodies for the ultimate benefit of the economy.
11. **STOCKBROKERS:** A stock broker is a firm or an individual who buys and sell securities on behalf of investors for a commission called “Brokerage”. The commission charged is regulated by the stock exchange.
12. **VALUE OF SHARES:** This is the price tag of companies’ share operating effectively in the capital market for investors and stakeholders to comprehend with the desired share price of the company is interested in investing his financial resources.
13. **BONDS:** This is a fixed interest or fixed income securities sold at the capital market to investors for their investments securities interest on companies whom issues such corporate bonds.

## **1.10 Organization of the Study**

This study is structured into five chapters;

Chapter one is the introduction chapter, which deals with the general overview of the study and in addition, provides brief insight of capital market performance on the manufacturing sector indirectly. Statement of problems, objectives, research questions and hypotheses were structured after the overview of the study. Definition of terms, scope, significance and limitation of the study work were all included in this chapter.

Chapter two discussed the related literatures of importance were introduced into this chapter. This chapter is further organized into several relevant review of all the literature relevant to the research theme. Such sub-headings reflect the following;

- i. Historical background
- ii. Conceptual literature
- iii. Current literature based on the relevant variables adopted for the model of theory.
- iv. Theoretical framework and;
- v. Empirical literatures of relevant research papers by authors and scholars associated with this research topic.

Chapter three discusses with a brief introduction of the research methodology, type of research design to be adopted, area of study, population and sample size, sample and sampling techniques, instruments used for data collection, validation of the instruments, and method of data collection, model specification and data analysis techniques and then conclude with a summary of the chapter.

Chapter four deals with the data presentation and analysis of the data presented, summary of the statistical computation result and its interpretation, the test of the relevant hypotheses specified for the research study and a summary of the chapter.

Chapter five ties it all together in the light of discussion of the findings, conclusion, recommendations, contributions to knowledge and further recommendation.

### **1.11 Summary**

In this chapter, studies and journals of capital market performance and manufacturing firms in the Nigerian Stock Market were discussed. The statement of the problems discussed as well as its significance, objectives, research questions, research hypotheses, limitation of the study, organization of the study and definition of terms were all stated accordingly. Researchers have placed the relevance of performance in the capital market affecting the growth of manufacturing companies in the Nigerian economy that stands as the major stimulator of the Nigerian economy growth. It is with this view that the expectant from the factors affecting the capital market performances tends to articulate the investment position of the manufacturing sector in the Nigerian capital market and the economy. In a glance, this chapter spelt out the propositions of the framework on which the research project is based upon.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.0 Introduction**

This chapter is structured into the following major sub-headings: conceptual issues, theoretical framework, proposed model and empirical reviews in the capital performance as it has contributed to the manufacturing sectors researched by scholars and authors in both the academics and corporate institutions. Therefore an extensive research has been carried out on capital market performance and the manufacturing sector growth in the Nigerian economy.

#### **2.1 Conceptual Review**

##### **2.1.1 The Capital Market**

A capital market is a segment of a nation's financial system where the main article of trade is medium and long-term financial instruments. Such instruments are generally referred to as securities because of the level of confidence and assurance or guarantee it gives to the investor on the repayment of their principal. It is true that the rate of economic growth of any nation is inextricably linked to the sophistication of its financial market and specifically its capital market efficiency. Financial markets assist the nations of the world to muster needed financial resources and skills for growth and development of their various economies.

According to Adebisi (2015) Equity markets in developing countries until the mid-1980s generally suffered from the classical defects of bank dominated economics that are shortage of equity capital, lack of liquidity, absence of foreign institutional investors, and lack of investor's confidence in the stock market. The importance of capital market lies in its financial intermediation capacity to link the deficit sector with the surplus sector of the economy. The absence of such capacity robs the economy of investment and production of goods and services for societal advancement. Akingbounbe (2006), states that funds could thereby be idle at one end, while being sought at the other end in pursuit of socio-economic growth and development. The funding requirement of corporate bodies and government are often colossal, sometimes running into billions of naira. It is therefore, usually difficult for those bodies to meet such funding requirement solely from internal sources, hence they often look-up to the capital market. It's because the capital market is the ideal source as it enables corporate entities and government to pool monies from a large number of people and institutions. Thus, the socio-economic



function of the capital market is well established. Ekinch (1996) said; "It does not only encourage and mobilize savings but also efficiently allocate such savings to areas of need".

The Nigeria capital market is sub-divided into primary and secondary markets. New securities are issued in the primary market and companies issuing these securities receive the proceeds for the sale. The secondary market provides a forum for the sale of existing securities by one investor to another investor. Thus, the efficient functioning of the market paves way for the primary market by making investors more willing to purchase new securities in anticipation of selling such in the secondary market. These securities are the major instrument used to raise funds at the capital market.

Capital market according to Akingbounge (2006) is a market where medium to long-term finance can be raised. In another exposition, Ekezie (2012) noted that capital market is the market for dealings (that is, Lending and Borrowing) in longer-term, loan-able funds. The development of the capital market according to Inanga and Emenuga, (2007) apparently means that the stock market provides opportunities for greater funds mobilization, improved efficiency in resource allocation and provision of relevant information for appraisal. Mbat (2011) describes capital market as a forum through which long-term funds are made available by the surplus to the deficit economic units. It must, however be noted that although all the surplus economic units have access to the capital market, not all the deficit economic units have the same easy access to it. The restriction on the part of the borrowers is meant to enforce the security of the fund provided by the lenders. In order to ensure that lenders are not subjected to undue risk, borrowers in the capital market need to satisfy certain basic requirement. Companies can finance their operations by raising funds through issuing equity (ownership) or debenture bond. Securities are structured to mature in period of years from the medium to the long-term of usually between five and twenty-five years. Capital market offers access to a variety of financial instruments that enable economic agents to pool, price and exchange risk. It encourages savings in financial form. Nwankwo, (2011) said it is very essential for government and other institutions in need of long-term funds and for suppliers of long-term funds. Based on the relevance of market in accelerating economic growth and development, government of most nations tends to have keen interest in the performance of its capital market. The concern is for sustained confidence in the market and for a strong investor's protection arrangement. In Nigeria, Securities and Exchange Commission (SEC) is the government agency responsible for developing and regulating the Nigerian capital

market. It was created by Act No. 71 of 1979 and re-named as Securities and Exchange Commission Decree No. 29 1988. The SEC pursues its objectives by registering all market operators based on capital adequacy, competence and solvency as criteria. Generally, the capital market among other things provides a platform for the greater percentage of the populace to participate in the economy. In some countries, the capital market constitutes one of the largest sources of funds for the public and private sectors to finance important projects. Similarly, the market provides a platform for mergers and acquisitions for companies desiring to do so while venture capitalists also use it as an avenue for promoting venture capital development.

### **2.1.2 Framework of Regulating the Capital Market**

According to Esosa (2007), the Securities and Exchange Commission (SEC) is the apex regulatory/supervisory authority in the capital market. It was established in 1979 by the Securities and Exchange Commission Decree, this decree was re-enacted in 1988, as Securities and Exchange Commission Decree No. 29 of 1988, for the purpose of protecting the investors as well as developing the capital market. A detailed review of the Nigerian capital market was carried out in 1996. This led to the enactment of the Investment Securities Act (ISA) No. 45 of 1999 (and the regulation made there under). This Act was enacted to monitor the investment activities among companies in the investment market for capital investment projects. It created a mini stock exchange called the “Capital Trade Point (CTP)” to complement the function of the Nigerian Stock Exchange (NSE) through the provision of investment banks on behalf of their clients. The SEC plays the role of regulating the financial and capital market through the SEC Act of 1999.

### **2.1.3 Highlight of Reforms in the Capital Market**

To a large extent, the recent reform of the capital market started with the enactment of the Investment and Securities Act (ISA) No. 45 of 1999 which replaced the SEC decree of 1988. The ISA enlarged the powers and functions of the Securities and Exchange Commission for the attainment of a more efficient and vibrant capital market that would meet the needs of the economy as discussed in this work previously. Other reforms that have taken place in the capital market include;

- i. Review of minimum capital requirement for operators.
- ii. Reduction of transaction costs.
- iii. Introduction of a code of corporate governance.

- iv. Reactivation of the bond market.
- v. Introduction of shelf registration.
- vi. Development of a commodity markets.

Al-Faki (2007) also noted that some of these reforms and their benefits on the capital market are:-

**Review of Fees:** The SEC Acts of 2005 recently took steps to reduce the cost of doing business in the market in its efforts to make the market internationally competitive and investor friendly by authorizing a 40% downward review of fees and commission charged. This is aimed at making the market attractive to participants.

**Recapitalization of Capital Market Operation:** To make operator contribute more to the growth of the real sector, the minimum paid-up capital base has been reviewed upwards. Issuing houses capital requirement moved from ₦150million to ₦2billion; Broker dealers from ₦70million to ₦1billion; Clearing and Settlement agencies from ₦500million to ₦1million and registrar from ₦500million. Underwriters, who before now had a minimum capital base of ₦100million, are now required to have ₦2billion; Fund/Portfolio manager from ₦20million to ₦500million; while corporate sub-brokers with a current base of ₦50million. The recapitalization of operators in the capital market is to strengthen them financially for informational competitiveness and more importantly to match their exposure.

**Introduction of Market Makers:** An on-going development in the Nigerian capital market is the introduction of market makers, whose minimum capital base is fixed at ₦2billion. The commission is currently collaborating with the NSE to introduce primary dealer market makers for the equity sector of the market. This is in addition to the market makers who already operate in the bond sector. The infrastructure for stock lending and borrowing is also being fine-tuned to pave way for take-off of these measures so that markets would be more vibrant and liquid; thereby making its role of financial intermediation more efficient.

#### 2.1.4 Assessment of the Nigerian Capital Market

Goddy (2008), posited that the Nigerian Capital Market would be examined using a number of variables. The variables include:

**Equity Market Capitalization:** This measure the amount of wealth held in securities and it is an indication of the financial base of the market. The market capitalization of the NSE has been

rising steadily. It was ₦5, 826,721.10trillion in 2010. But as at 2012, it was ₦25.294trillion and in March 5, 2014 before the world economic Crunch, it stood at ₦37.640trillion.

**Trading Value and Liquidity:** It indicates the level of activities, that is, the rate at which securities are bought and sold as well as its liquidity. It dropped by 5.52% at January 2011.

**All Share Index:** It started with an index value of 100 in 1984 with increase listings and financial activities. It attained 81,580 in 2010 and went on to achieve its highest value ever of 1, 743,371 on March 5, 2014.

**Market Infrastructure:** The introduction of CSCS by the NSE has enhanced the efficiency of the market. The introduction of new clearing and settlement period has improved transparency and brought the stock market in line with internationally acceptable standards. Transaction day plus 3 (T+3) is what is currently operating by for clearing and settling.

#### **2.1.4.1 Capitalization Rate**

The capitalization rate is used by investors to analyze the performances of companies operating in the NSE. The capitalization rate explains the totality variation of capital funds owned by manufacturing companies, it is this capitalization rate investors acknowledge in qualifying the largeness of manufacturing they intend to invest in. the capitalization rate is calculated as thus; the Revenue (REV) divided by the total capitalization owned by a manufacturing company multiplied by hundred i.e.;

$$K_e = \frac{REV}{\text{Capitalization}} \times \frac{100}{1}$$

Where;

$K_e$  = Capitalization Rate

REV = Revenue

#### **2.1.4.2 Number of Shares**

This is the total number of share capital owned by a manufacturing company. The share capital of any public owned manufacturing company ranges from ordinary shares to preference shares, right issues and bonus shares in which these manufacturing companies trade in the NSE to raise funds for its capital projects, invention of business ideals, business expansion and capital base requirement increment.

### 2.1.4.3 Market Value of Shares

The market value of shares of any company (in the case of manufacturing companies) is determined to evaluate if a given share or security is priced or mispriced. It is an intrinsic value of any company's share reflects and which is determined by what most investors expect to be the ultimate financial consequences of owning it. The relationship between the investor or financial manager of the markets' evaluation of a share and it is very important when a new issue of shares is due, it could show the earnings the capital market expects in relation to the current share prices. Thus;

$$\text{Market Value of Shares} = \frac{\text{EBIT} - I}{K_e}$$

Where;

EBIT = Earnings before Interest and Tax

I = Interest

$K_e$  = Capitalization Rate

This also depends on the nature and amount of benefit expected the price of the security and its expected level of risk. This basic market value of shares theory is divided into two in valuing shares of companies in the capital market which are; Assets Valuation Model (AVM) and Earnings Valuation Model (EVM).

#### 2.1.4.3.1 Assets Valuation Model (AVM):

This valuation model according to Osiegbu, Nwakanma and Onuorah (2013) regards that the net value of manufacturing companies as the critical variable that determines the values of its shares. In this model, the value of the firm and its value per share depend on the relative value of its assets to outstanding liabilities thus;

$$(1) \quad V = f(A, L) \quad \text{and} \quad (2) \quad V_{ps} = 1/N (A_o - L_o)$$

Where;

V = Value of a company

$V_{ps}$  = Value per Share

A = Market Value of Assets

L = Total Liabilities

N = Number of Shares issued and paid

#### 2.1.4.3.2 Earnings Valuation Model (DVM):

Osiegbu, Onuorah, et al (2013) also posits that the earnings valuation model recognizes earnings instead of dividend as the critical value which determines the investment worthy of equity stock. In specific terms, the appraisal value of its stream of earnings (E) and capitalized at a rate (r). Appropriate to the risk level of the firm, it is derived directly from the equation;

$$V_0 = \frac{E_1 - E_1 +}{(1+r)^1} + \frac{E_2 - I_2 +}{(1+r)^2} + \frac{E_2 - 1}{(1+r)}$$

Where;

$V_0$  = Appraised Value per Share

$E_t$  = Earnings per Share for period t

$I_t$  = Retained Internal Investment per Share during period, t.

$R$  = Appropriate Capitalization Rate

#### 2.1.5 The Contributions of Capital Market to Manufacturing Sector In Nigeria

Anao (1994) also noted that the Nigerian economy has since benefited from the capital market in the following ways:

**Cash:** Enormous sums could be raised on the capital market without the limitations associated with bank financing. For instance, no single bank would have given Edo State Government the N1billion it raised from the market in 2004; not even loan syndication would have provided the kind of comfort the banking industry would have required considering credit rules and safety considerations.

**Liquidity with Employees:** For enterprises, employees could be offered incentive through stock options. The underlying benefit is the hope that someday the company will go public and employees would be able to exercise their stock options to create wealth for themselves.

**Liquidity for Investors:** Creating a public market for a stock, raising funds on the capital market through stock exchange listing result in liquidity for investors.

**Marketability of Shares:** Quotation on the stock exchange increase marketability of the shares. An issued security can be traced and valued easily and can also be used as collateral for bank loans. This greatly increases the potential on the business and personal benefit to its owners.

**Continuity:** For an enterprise, the survival and the continuity of a company based on the exchange is guaranteed after the death of its founders.

**Public Confidence:** A company quoted on the exchange enjoys greater confidence from its investors and the banks. Managers in the manufacturing sector find it easier to raise funds from the public with its fidelity of dividend payout ratio to the stakeholders of the sector.

**Sharing Risk and Retaining Control:** There is opportunity for existing shareholders to share part of their investment risks while still retaining control of the company.

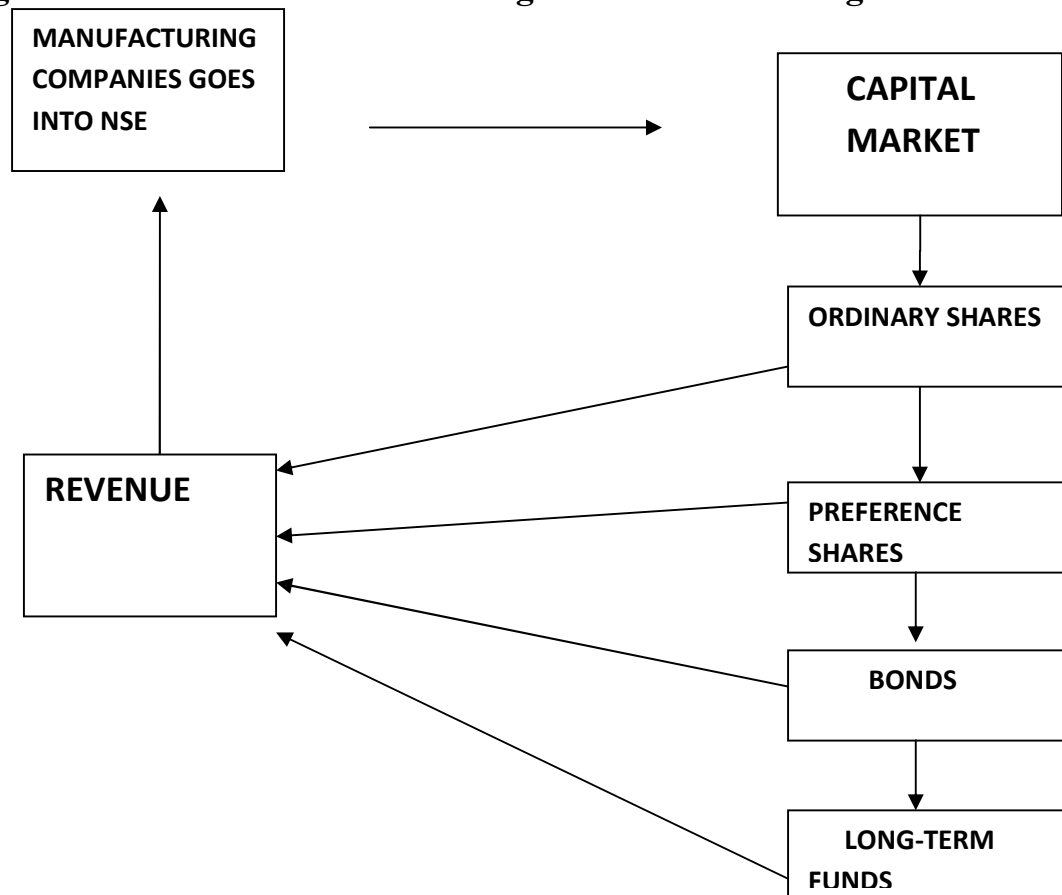
**Expansion and Modernization:** Proceeds from the issue can be used for expansion and modernization of the company.

#### **2.1.6 The Framework Model**

The conceptual framework model is built on the conceptual ideology of Itseuwa and Uwaleke (2013) when they stipulated in their book that the reason why the capital market could perform in the general economic financial system is due to the fact that Manufacturing Sector is one of the key sector of capital market stimulation of better perform in the Nigerian stock exchange (NSE) fostering the growth of the Nigerian economy. They further described that companies in the manufacturing sector that are listed in the NSE go into the capital market to source finances in establishing new capital projects, businesses expansion and growing company's capital base to improve the performances of these companies.

The purpose of these manufacturing companies entering the capital market was for fund raising, increasing their capitalization by issuing new shares or bonds in the market in which investors buy these shares and bonds increasing these companies share capital and these investors expect returns on their money. It is at this point, the manufacturing companies' performances according Itseuwa and Uwaleke (2013) is being measured by the Revenue. They further exREViate that the flow of performance between the capital market and manufacturing companies in the NSE starts from the increased Share capital to companies' Capitalization Rate to the Revenue to the Earnings per Share to the Dividend and, lastly, the Shares Value in a circular flow. This is demonstrated in figure 2.1.6 below:

**Fig 2.1: Revenue Flowchat from Nigerian Stock Exchange**



**Source: (2016) The Supervisor and Researcher**

#### **2.1.6.1 Ordinary Shares**

Over the years, ordinary shares has been posited by financialists and economist as funds raised by firms through individuals and corporate bodies for the establishment of a new or existing business geared towards rewarding these risk takers yields on their funds. Those investors do not come with a fixed amount. Lastly, holders of this type of shares bear losses at the risk of the firm liquidating financially and also do not get a dividend at who buy ordinary shares from firms operating in the capital market are called the ordinary shareholders, they do not gain privileges in their funds invested in the businesses except for their annual dividends which the period if the firm's financial report is computed at a loss. Though, the ordinary shareholders are sometimes called the owners of the firm, because of the type of risk they borne into the firm's operations.



The ordinary shares are sold by the firms who are registered and operating in the stock market in which investors buy these shares at the capital.

#### **2.1.6.2 Preference Shares**

These are the shares sold at the capital market by companies operating in the market to raise funds for its business continuity, expansions and capital projects executions. These types of shares usually attract a preferential treatment i.e. they are shareholders whom do not participate in the loss of the company when such cases arises and they are entitled to a fixed rate of dividend. Most investors are preferred “Preference Shareholders” because in the advent when the company have a loss at a particular accounting year such rate of dividend will transferred to the incoming year share of profit and been paid accumulatively. This is why most investors buy preference shares than ordinary shares at the capital market thereby increasing the capitalization on preference shares at the Nigerian capital market.

#### **2.1.6.3 Bonds**

These are stocks sold at the capital market by governments, government parastatals, government companies and limited liability corporations. This type of stock is sold at a fixed interest rate at a specified number of years. Bonds are the most secured type of shares in which investors is willing to buy at any amount because of the security terms attached to it. The Nigerian capital market has been characterized in recent times by bonds mostly sold to investors, government and corporate bodies which boost the confidence of these investors coming into the market to purchase these bonds. Therefore, Osiegbu et al (2012) suggested that bonds as demanded highly boost the performance and liquidity of companies in growing the profit of these companies.

#### **2.1.6.4 Long-Term Funds**

These funds are called long term borrowings as it includes stocks sold at the capital market to private individuals other than ordinary shares, preference shares and bonds which are publicly sold at the capital market. This long-term funds which could also be called “Debt Instruments” are financial claims with an obligation by the issuer to pay interest at stated interval and to redeem the issue at a future date. This long-term funds includes debentures, notes medium term notes and asset-backed securities (Itseuwa and Uwaleke; 2013).

#### **2.1.6.5 Revenue (REV)**

The major aim of manufacturing companies’ existence is to minimize cost to maximize profit. The Revenue is the proxy measurement of Manufacturing Companies’ performance in the Nigerian economy. It is the medium that investors use in acknowledging the level of performance being operated by these companies after sourcing funds from the capital market. The Revenue of any manufacturing companies is examined after deducting operating expenses, interest and tax from its revenue for the year.

#### **2.1.6.6 Earnings Per Share (EPS)**

This is the value at which a share in a manufacturing company will gain certain rate of the company’s profit. It is also used in evaluating the performance of these manufacturing firms in the NSE after utilizing the funds derived from the capital market in their business development. A high rate of any company’s earnings per share (EPS) will attract more shares into the company’s share capital base. The EPS high rate is always as result of growing Revenue in the company after all expenses been deducted for the year. The EPS is computed as thus; Revenue divided by the Number of Outstanding shares owned by a company, i.e.

$$\text{EPS} = \frac{\text{REV}}{\text{Number of Shares Outstanding}}$$

#### **2.1.6.7 Dividend**

Dividends are profitable token paid upon the value of shares owned by individuals to any manufacturing company. Dividend payments are characterized by the dividend policy enacted by the indigenous companies to their respective shareholders. Different research have characterized the relevance of dividend payment as an effective instrument in improving the performance of companies especially the manufacturing companies in the NSE, this could be assumed that the dividend policy of these manufacturing companies could characterize the increase value of capitalization rate and the number of shares owned in a manufacturing companies. If the

dividend policy of any manufacturing companies appears attractive to investors it intends to Influence investors finances in accumulating more shares from that particular company.

## **2.2 Theoretical Framework**

### **2.2.1 The Portfolio Diversification Theory:**

With the relaxation of the neutrality assumption, risk factor becomes another variable for capital market decision. If this proposition is accepted, the differential rate of return hypothesis becomes inadequate and in that case we resort to the Portfolio Diversification hypothesis to explain capital market investment. The choice among alternative projects is therefore not guided only by the expected rate of return but by risk as well. One way to test this theory is to examine the relationship between accumulated shares in the capital market and the two decision variables: rate of return and risk as measured by the variance or the standard deviation of the rate of return.

### **2.2.2 The Market Size Theory:**

According to the market size hypothesis, the volume of shares (share index) in a host country depends on its market size, which is measured by the sales of securities in that country, or by the country's GDP (i.e., the size of the economy). The market size is a measure of market demand in the country. This is particularly dependent on the installation of infrastructures within the economy of a given country in order to facilitate growth in the various sectors of the economy. Moreover, the capital market could grow larger if the government of a given country builds a system of fidelity in the structure of the capital market.

One way to test the theory's validity is to find out whether or not the share index of a given country correlates with the income level of that same country. The empirical studies using this methodology seem to support the hypothesis that higher level of income could accelerate the growth of the capital market positively. The use of GDP as the different sectoral size has no obvious theoretical foundation but it is used as potential measure of the sectoral economy in the literature.

### **2.2.3 The Efficient Market Hypothesis (EMH) Theory:**

The Efficient Market Hypothesis, according to Fama (1965) is an academic concept which provides a framework for examining the efficiency of the capital market.

According to the EMH, financial markets are efficient prices on traded assets, have already reflected all known information and therefore are unbiased because they represent the collective beliefs of all investors about future prospects Olawoye (2011). It further explains that the neediness of information as it relates to the capital market set as a preface in investors' choice of stock and securities and on the other end companies, agents and government battle for opportunities that might be comprehended from the stock market.

In other words the EMH states that all relevant information is immediately and fully reflected in a security's market price. Previous test of the EMH have relied on long range dependence of equity returns. It shows that past information has been found to be useful in improving predictive accuracy. This assertion tends to invalidate the EMH in most developing countries. Using Egyptian data, Mecagni and Sourial (1999), applied the GARCH estimating methodology to show that four of the popular stock market indices did not conform to the efficient market hypothesis. Osei (2012), using Ghanaian data, explored the character of asset pricing and the response to earning announcement on the Stock Exchange. He found that abnormal and cumulative abnormal returns of selected securities were not efficient with respect to annual earnings. Working with Nigerian data covering 1981 to 2008, Olowe (2009), employed correlation analysis to show that the Nigerian stock market was weak form efficient.

The theoretical work that will be adopted as a guide in setting the a-priori expectation for the empirical findings for this research among the portfolio theory, market size theory and the efficient market hypothesis. The market size theory is going to be used among other theories in checking the result of the hypotheses, answering the research questions and setting the a-priori expectation. The market size theory discussed the theories that related to the variables meant to be analyzed in the research model and test of hypotheses. The variables; number of shares, value of shares, capitalization, dividend, earnings per share and Revenue which are characterized in the model is relatively discussed in the theory enabling the relevance of the theory to the research.

### 2.3 Empirical Studies

The first comprehensive study on the relationship between capital market development and economic growth, according to Levine (1996), was undertaken by the World Bank Research Group. They investigated the compatibility of stock market development with financial intermediaries and economic growth and concluded that stock market development is positively correlated with the development of financial intermediaries and long term economic growth. Levine (2007) confirms that capital markets can boost economic activity through the creation of liquidity in the financial and manufacturing sector, while Obstfeld, (2005) identifies risk diversification, through internationally integrated stock markets, as another vehicle through which stock markets can raise resources and affect growth.

In US, Barlett, (2010) states that rising stock prices have two main effects on the economy; first, it raises wealth in the economy. This increase in wealth raises the amount of consumer spending and thereby increases the wealth of the nation. Secondly, rising stock prices can increase investment spending. We see that one way a firm can finance investment spending is to issue stock. If stock prices rise, it can raise more money per share of the stock issued. He further added that the main mechanism through which the stock market affects the economy is the so-called wealth effect. A standard “rule of thumb” is that every \$1 increase in stock market wealth boosts consumer spending by 3 to 7 cents per year, with a common point estimate being 4 cents. According to him, this happens because a rise in stock market wealth encourages consumers to cut back on savings or increase their debt, and increase their spending on consumption goods. Conversely, a fall in the market causes them to cut back on consumption by a similar magnitude”. Carporale, Howells and Solimanet, (2014) examine the causal relationship between stock market and economic growth. Through vector auto-regression (VAR) methodology, the paper uses a sample of seven countries, Argentina, Chile, Greece, Korea, Malaysia, the Philippines and Portugal. The overall results indicate that a well developed stock market can foster long-run economic growth. In another study, Carporale et al. (2014) use the vector auto-regression (VAR) framework to test the endogenous growth hypothesis for four countries: Chile, South Korea, Malaysia and the Philippines. The overall findings indicate that the causality between stock market components, investment and growth the manufacturing sector is significant and is in line with the endogenous growth model. It shows also that the level of

investment is the channel through which stock markets enhance economic growth in the long-run.

In France, Vazakidis and Adamopoulos, (2009), employed Co integration, Granger Causality test and Vector Error Correction model, to examine the causal nexus between stock market developments and manufacturing sector's growth for period of 1965 to 2007. They found that there exists a significant positive association between economic growth and stock markets development.

In India, Mishra, Mishra, Mishra and Mishra (2010) examine the impact of capital market efficiency of economic growth on India in using the time series data on market capitalization, total market turnover and stock price index over the period spanning from the first quarter of 1991 to the first quarter of 2010. Their study reveals that there is a linkage between capital market efficiency and economic growth in Indian. Ted, Lazar and Jeyapaul, (2015) examined the empirical association between stock market development and economic growth in India. The authors found no evidence of association between the Indian stock market development and economic growth in the entire period they studied. Whereas the authors found support for the relevance of stock market development in economic development during pre-liberalization, they discovered a negative relationship between stock market development and economic development for the post liberalization period. Furthermore, Mishra, Mishra, et al (2010), stipulated that illiquid and high transactions costs also hinder the capital raising efforts of larger domestic enterprises and may push them to foreign markets.

In Greece, Dritsaki and Dritsaki-Bargiota, (2015) use a trivariate VAR model to examine the causal relationship between stock, credit market and economic growth for Greece. Through monthly data covering the period 1988-2002, their results reveal unidirectional causality from economic development to stock market and bi-directional causality between economic developments and the banking sector. The paper establishes no causal relationship between stock market function and banking sector.

In Romania Brasoveanu, Dragota, Catarama and Semenescuet, (2008), study the correlation between capital market development and economic growth for the period 2000 to 2006. The result indicates that capital market development is positively correlated with economic growth by way of feed-back effect. Bolbol, Fatheldin and Omranet (2015), indicates that capital market development has contributed to the economic growth of Egypt.

The World Bank (1994) found that stock market development does not merely follow economic development, but provides the means to predict future rates of growth in capital, productivity and per capita GDP. Tharavaniji (2007), observes that countries with deeper capital market face less severe business cycle output contraction and lower chances of economic downturn compared to those with less developed capital market.

In the Nigerian perspective, Adamu and Sanni (2015), examine the roles of the stock market on Nigeria's economic growth, using Granger-causality test and regression analysis. They discovered a one-way causality between GDP growth and market turnover. They also observed a positive and significant relationship between GDP growth and market turnover ratios. The authors advised that government should encourage the development of capital market since it has a positive effect on economic growth. Chinwuba et al, (2011), examine the impact of the Nigerian capital market performance on the economic development of Nigeria by using the Ordinary least Square regression model. The result indicates that the performance of the capital market impact positively on the economic growth of Nigeria. Osinubi and Amaghionyeodiwe (2013) examine the relationship between Nigeria stock market and economic growth during the period 1980 to 2000, using Ordinary least square regression. The results show that there is a positive relationship between the stock market development and economic growth. They therefore suggested that government should pursue policies that are geared toward rapid development of the stock market. Abu, (2009) examines whether stock market development raises economic growth in Nigeria, by employing the Error Correction Approach. The econometric results indicate that stock market development raises economic growth. He however encouraged SEC to facilitate the growth of the market, restore the confidence of stock market participants and safeguard the interest of shareholders by checking sharp practices of market operators. Amadi, Oneyema and Odubo, (2010) employed multiple regressions to estimate the functional relationship between money supply, inflation, interest rate, exchange rate and stock prices. Their study revealed that the relationship between stock prices and the macroeconomic variables are consistent with theoretical postulation and empirical findings in some countries. Though, they found that the relationship between stock prices and inflation does not agree with some other works done outside Nigeria. Ewah et al (2009), appraise the impact of the capital market efficiency on economic growth in Nigeria, using time series data from 1963 to 2004. They found that the capital market in Nigeria has potential of growth-inducing, but it has not

contributed meaningfully because of low market capitalization, low absorptive capitalization, illiquidity, misappropriation of funds among others. Obamiro, (2015), investigates the role of the Nigeria stock market in the light of economic growth. He reported a significant positive effect of stock market on economic growth. Moreover, Agarwal, (2011) argues that financial sector development facilitates capital market development, and in turn raises real growth of the economy. Similarly, Kolapo et al (2012) found that Nigerian capital market development has significant relationship with economic growth, just as Abdullahi, (2015) agrees that capital market development in Nigeria is an engine to her economic growth.

## **2.4 Summary**

In this section, some key aspects of the subject matter capital market performances were discussed. Firstly, there was a historical background of the capital market structure in the Nigerian economy as it discussed about the commencement as the Lagos stock market before it was changed to the Nigerian Stock Exchange (NSE) and how the establishment of the Securities and Exchange Commission (SEC) had been the guarding body towards the activities of the stock and securities trading in the NSE. More conceptual literatures were structured in the section as to contribution of the capital market in the Nigerian economy, the definition of capital market, function of the capital market, the primary and secondary market, IPOs and operations in the Nigerian capital market. Theories of efficient market, market size and others were also discussed in guiding the concept and empirical findings of the capital market performances in the manufacturing sector. This section also reviewed a number of empirical studies of different researchers, models, variable, findings, conclusion and their recommendations as their studies relates to this research.



## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This research methodology chapter will explain the techniques and procedures employed in the study from data gathering to empirical and econometric techniques used to arrive at results for this research. According to Baridam (2001), “Methodology is a detailed account of the methods used in collecting and analyzing the data”. Why these methods were chosen and not others, what data were obtained, how they were obtained and how they were analyzed. Thus, research methodology is the general strategy applied in collecting and analyzing the data necessary for answering the questions at hand. In other words, to ensure a thorough research study, the researcher has approached the methodology in the following order: Research Design, Population and sample size of the study, Sample Techniques, Method of Data Collection, Techniques of Data Analysis and Summary for the purpose of this chapter.

#### **3.2 Research Design**

Research design refers to the specification of methods and procedures for acquiring the information needed for a research study. Omojefe, (2014) also explained it as a model proof that allows the researcher to draw inference concerning relations among the variables under investigation. The problem in this study is geared towards investigating and examining the performance of the capital market on the manufacturing sector in Nigerian. Thereby, the researcher had chosen the ex – post factor research design. The ex – post factor research design involves the use of existing variables. This research design demonstrates the relationship between the dependent variable and independent variable.

Finally, the researcher is interested in observing what is happening to sample subjects without any attempt to manipulate or control them and this makes the ex-post factor one of the most appropriate for the study.

### **3.3 Population and Sample**

In contemporary science, population are defined as large number of habitants (living and non-living) who are socio-economic value within themselves while samples is defined as selected specimen from a targeted population in which its outcome defines both itself and the population it represents. The population of interest for this present study are Nigerian Manufacturing Firms listed in the Nigerian Stock Exchange (NSE), Fact-books of various years and the Manufacturing sector performance published by the Central Bank of Nigeria.

The samples are selected from the target population. Ten manufacturing companies are selected from the target population and the sample size is determined and generated from these manufacturing companies. Therefore, the number of samples drawn from the target population are ten manufacturing companies which are; Nestle Nigeria Plc, Nigeria Bottling Companies Plc, Dangote Cement Company Plc, PZ Nigeria Plc, Unilever Nigeria Plc, Guinness Nigeria Plc, 7UP Bottling Company Plc, Cadbury Nigeria Plc, Nigerian Breweries Plc and Flourmill Nigeria Plc.

### **3.4 Sampling Technique Procedures**

The simple random sampling is a sampling procedure in which every member of the population has equal chance of being selected as a member of the sample. The sampling technique that is adequate for this research study is the “Simple Random Sampling Technique”. This sampling technique procedure was chosen for this research because it has given the selected manufacturing companies an equal opportunity to represent the manufacturing companies listed in the Nigerian Stock Exchange (NSE).

### 3.5 Method of Data Collection

The method of data collection, literally, involves either the primary source or secondary source for its collection. For this study, secondary method was considered in which the materials used for this research was obtained from secondary data as source.

It comprises of all data that are not originated by the researcher but which was obtained from other records and documents for analysis for the purpose of this study. These data include articles and business journals, magazines, companies' annual reports etc. it was used in gathering information from the annual reports of the selected manufacturing companies in the sector.

### 3.6 Model Specification

Based on the models specified by various authors in the quest of achieving their objectives, different models had been designed to suit their empirical findings. The model to be used in this research was adopted from Itseuwa and Uwaleke, (2013) where this researcher used five variables in a multiple regression expression; therefore, this research modified this model in anticiREVion to both the research objectives and research questions. Therefore, four models were constructed in answering the research objectives and questions stated earlier in this research. Thus;

$$REV = F (CAM).....Eqn1$$

Where;

REV = Revenue of the Manufacturing Companies

CAM = Capital Market

The above function explains that Revenue of the manufacturing sector is function of the performance activities from the capital market. But, in the long run the capital market is that place where these companies proceed to in sourcing for funds in raising capital in growing their

businesses. Therefore, those variables that measure the performance of the capital market will thus be;

$$\text{CAM} = F(\text{OS}, \text{PS}, \text{BD}, \text{LL}, \dots) \dots \dots \dots \text{Eqn 2}$$

Where;

CAM = Capital Market

OS = Ordinary Shares of selected manufacturing companies

PS = Preference Shares of selected manufacturing companies

BD = Bonds of selected manufacturing companies

LL = Long-term Loans of selected manufacturing companies

It is acknowledge in the above function that CAM which was the independent variable in equation 1 turned to be the dependent variable in equation 2 as seen above. This explains the dependence of Capital Market on the function of Ordinary Shares, Preference Shares, Bonds and Long-term Loans. These variables serve as the independent variables explaining their changes on the dependent variable (Capital Market). It further explains that as the CAM performs the changes in REV so also does OS, PS, BD and LL performs changes in CAM which indirectly means that REV is a function of CAM and a function of OS, PS, BD, LL and SR. thus the function will appear below as;

$$\text{REV} = F(\text{CAM}(\text{OS}, \text{PS}, \text{BD}, \text{LL}), \dots \dots \dots \text{Eqn 3}$$

From equation 3 above, the Revenue (REV) becomes the function of Capital Market (CAM) which is already of a function of Ordinary shares (OS), Preference shares (PS), Bonds (BD) and Long term Loans (LL). Therefore, merging the function, the model specification will be thus;

$$\text{REV} = F(\text{OS}, \text{PS}, \text{BD}, \text{LL});$$

$$\text{REV} = F(\text{OS}) \dots \dots \dots \text{Eqn 4}$$

$$\text{REV} = F(\text{PS}) \dots \dots \dots \text{Eqn 5}$$

$$\text{REV} = F(\text{BD}) \dots \dots \dots \text{Eqn 6}$$

$$\text{REV} = F(\text{LL}) \dots \dots \dots \text{Eqn 7}$$

The simple linear function in number 4, 5, 6 and 7 above shows that Revenue (REV) is function of Ordinary Shares (OS), Preference Shares (PS), Bonds (BD), and Long-term Loans (LL). It further tells that the performance of the manufacturing companies are dependent on the ordinary shares, preference shares, bonds and long-term loans that make up the performance of the Capital Market as measured by the model. The linear function was then converted into an econometric function as thus;

$$\text{REV} = \beta_0 + \beta_1 \text{OS} + \beta_2 \text{PS} + \beta_3 \text{BD} + \beta_4 \text{LL} + \mu \dots \dots \dots \text{Eqn 8}$$

Where;

REV = Revenue of the Manufacturing Companies

OS = Ordinary Shares of selected manufacturing companies

PS = Preference Shares of selected manufacturing companies

BD = Bonds of selected manufacturing companies

LL = Long-term Loans of selected manufacturing companies

$\beta_0$  = the intercept, the value of y when the independent variables assume zero as value.

$\beta_1 - \beta_4$  = coefficient of the independent variables or parameters

$\mu$  = stochastic variable/error term

The Revenue of the manufacturing sector is the dependent variable while the Capital Market (ordinary shares, preference shares, bonds and long-term loans) are the independent variables.

We decided to take the logarithms of these variables for the following reasons:

- a) The information to be presented in the tables i.e. in chapter four of this study will contain absolute figures and percentages. Therefore, logging the variables will make the observations in each of the variables to have equal weight.
- b) The data will cover a long period of 10 years in a panel data, logging them will avoid serial auto correlation.

### **Apriori Expectations:**

Theoretically, it is anticipated that the activities of the capital market will add values to the output of goods and services in the manufacturing sector and hence, improve the economic growth in Nigeria. Consequently, the researcher expects positive relationship between the variables of the Capital Market and the variable of the Manufacturing Companies. Therefore, the assumptions are represented as  $\beta_0, \beta_1, \beta_2, \beta_3, \beta_4 \geq 0$   $\beta_1$  (OS),  $\beta_2$  (PS),  $\beta_3$  (BD)  $\beta_4$  (LL)  $> 0$ .

This means that  $B_1$ - $B_4$ .

### **3.7 Techniques of Data Analysis**

The Ordinary Least Square (OLS) method is been used to analyze the secondary data. The choice of regression analysis was due to the fact that:

- 1) It generates report that shows clearly the relationship between dependent and independent variables.
- 2) The result is easy to interpret.

### **Data Estimation Procedure**

Due to the presence of multi-collinearity in the multiple regression models, the researcher introduced simple regression model to analyze the relationship between the dependent and independent variables. Multiple regression models were used to analyze the joint effect of the

explanatory variables on the dependent variable. Pearson, Kendall and Spearman correlation will be used to test the significant relationship among the variables. The validity of the model was carried out using two major evaluation criteria:

1. The Apriori Expectation Criterion: This is based on capital market theories, signs and magnitude of coefficients of variables.
2. Statistical Criterion: This is based on statistical theory or first order least square test. It consists of R-square, F-test and T-test. R-squared is concerned with the overall explanatory power of the regression analysis. F-test is used to test the overall significance of the regression analysis. T-test is used to test the significant contribution of each of the independent variables.

### **3.8 Summary**

This chapter deals with the method used in gathering necessary data for the writing of this project. The ex-post facto design were chosen, which involves the use of existing data that will be used to test the hypotheses proposed. The method of data collection employed was the secondary data while the sampling technique employed was the simple stratified random sampling technique. The model specification contained the model designed of an existing research that was updated by the researcher to suit the study as well as the technique of analysis to be used in analyzing will be the simple and multiple regression analysis technique. The chapter rounded up as the data estimation procedure will be made up of the r-square, f-test and t-test in testing the models and acknowledging their significance.

## CHAPTER FOUR

### DATA PRESENTATION AND ANALYSIS

#### 4.1 Introduction

This chapter is established with the presentation and analysis of data sourced as discussed from the previous chapter. The data represent the each of the samples and the analysis expatiates on the relationship among the variables and their effects constructed in the model specified previously. The chapter contains explanation of the hypotheses tested and the results. The summary concludes the chapter.

#### 4.2 Presentation of Data

The tables below show the data for all variables as contained for each of the Manufacturing Companies which was selected as samples for this research. Thus:

**4.2.1: Table I: FINANCIAL REPORT OF DANGOTE CEMENT COMPANY PLC**

| YEARS | Revenue<br>(REV)<br><br>₦'Million | Ordinary<br>Shares (OS)<br><br>₦'Million | Preference<br>Shares (PS)<br><br>₦'Million | Bonds (BD)<br><br>₦'Million | Long-term<br>Loans (LL)<br><br>₦'Million |
|-------|-----------------------------------|------------------------------------------|--------------------------------------------|-----------------------------|------------------------------------------|
| 2007  | 1,532,000                         | 25,158,000                               | 3,270,540                                  | 1,115,359                   | 1,025,000                                |
| 2008  | 2,718,000                         | 30,835,000                               | 4,008,550                                  | 1,235,359                   | 1,235,000                                |
| 2009  | 2,153,000                         | 32,895,000                               | 4,276,350                                  | 1,675,115                   | 1,541,000                                |
| 2010  | 3,712,000                         | 48,185,000                               | 6,264,050                                  | 1,723,634                   | 2,585,000                                |
| 2011  | 3,481,000                         | 59,359,000                               | 7,716,670                                  | 1,875,154                   | 2,816,000                                |
| 2012  | 3,191,000                         | 60,043,000                               | 9,006,450                                  | 1,886,835                   | 3,616,000                                |
| 2013  | 3,959,000                         | 47,541,000                               | 7,131,150                                  | 1,907,894                   | 2,870,000                                |
| 2014  | 4,111,000                         | 67,230,000                               | 10,084,500                                 | 1,918,398                   | 2,800,000                                |
| 2015  | 9,827,356                         | 128,697,888                              | 21,878,641                                 | 1,920,864                   | 4,200,000                                |
| 2016  | 10,940,804                        | 65,309,376                               | 11,102,594                                 | 1,920,864                   | 3,400,000                                |

Source: Dangote Cement Company Plc; Annual Report (Various Issues)



The Revenue (REV) of Dangote Plc increased from 2005 to 2008 (₦1.532billion-₦3.712billion), it dropped in 2007 and 2009 by 0.52% i.e. ₦3.481billion due to poor sales growth which was traced as a result of high rate of road accident affecting the cements delivery within the country and because of this tragedy affecting the company's sales as described by the chairman; in 2010, the Revenue also dropped by less than 5% from ₦3.481billion to ₦3.191billion and as further to uncontrollable economic factors also described by the chairman in 2011 Report; the Revenue also had a increase in its value to ₦0.959billion despite its economic challenges. But, the company in 2012 had more than 100% increased in its REV (i.e. ₦4.111billion) likewise in 2013 and 2014 respectively. The reflection of the Revenue in the Dangote Cement Plc despite the increased funds raised at the Nigerian Stock Exchange through its Ordinary shares, Preference shares, Bonds and Long-term Funds as shown in the above table, the Revenue failed to improve in those years as stated earlier.

**4.2.2: Table II: FINANCIAL REPORT OF FLOURMILLS PLC**

| <b>YEARS</b> | <b>Revenue (REV)</b><br><b>₦'Million</b> | <b>Ordinary Shares (OS)</b><br><b>₦'Million</b> | <b>Preference Shares (PS)</b><br><b>₦'Million</b> | <b>Bonds (BD)</b><br><b>₦'Million</b> | <b>Long-term Loans (LL)</b><br><b>₦'Million</b> |
|--------------|------------------------------------------|-------------------------------------------------|---------------------------------------------------|---------------------------------------|-------------------------------------------------|
| <b>2007</b>  | <b>4,725,183</b>                         | <b>89,035,963</b>                               | <b>18,697,552</b>                                 | <b>2,089,887</b>                      | <b>5,700,000</b>                                |
| <b>2008</b>  | <b>3,333,185</b>                         | <b>94,177,333</b>                               | <b>19,777,240</b>                                 | <b>2,189,892</b>                      | <b>5,600,000</b>                                |
| <b>2009</b>  | <b>4,728,195</b>                         | <b>97,829,078</b>                               | <b>20,544,106</b>                                 | <b>2,159,397</b>                      | <b>7,000,000</b>                                |
| <b>2010</b>  | <b>5,829,831</b>                         | <b>101,271,444</b>                              | <b>25,317,861</b>                                 | <b>2,349,563</b>                      | <b>7,400,000</b>                                |
| <b>2011</b>  | <b>8,891,754</b>                         | <b>103,377,259</b>                              | <b>25,844,315</b>                                 | <b>2,429,112</b>                      | <b>8,500,000</b>                                |
| <b>2012</b>  | <b>16,518,311</b>                        | <b>127,471,892</b>                              | <b>58,637,070</b>                                 | <b>2,574,229</b>                      | <b>10,200,000</b>                               |
| <b>2013</b>  | <b>9,450,204</b>                         | <b>158,711,954</b>                              | <b>73,007,499</b>                                 | <b>2,782,943</b>                      | <b>9,800,000</b>                                |
| <b>2014</b>  | <b>8,486,935</b>                         | <b>172,894,891</b>                              | <b>79,531,650</b>                                 | <b>2,673,762</b>                      | <b>8,800,000</b>                                |
| <b>2015</b>  | <b>7,539,810</b>                         | <b>186,083,408</b>                              | <b>96,763,372</b>                                 | <b>2,385,684</b>                      | <b>7,800,000</b>                                |
| <b>2016</b>  | <b>5,367,875</b>                         | <b>162,226,560</b>                              | <b>84,357,811</b>                                 | <b>2,385,684</b>                      | <b>6,800,000</b>                                |

Source: Flourmills Plc Annual Report (Various Issues).

The Revenue (REV) had a decrease in 2006, 2011, 2012, 2013 and 2014 by 1.86%, 9.44%, 1.28%, 1.27% and 2.9% respectively despite the high performance of funds raised in the capital market by this company to improve the growth of the company. The percentage increase of capital raised in those years which were approximately 2.5% did not have an effect on the REV for those years identified as above. Though, it was also observed that the significance effect of this capital market performance on the growth of the company's simultaneously affected the REV in 2013 & 2014 as these low value in the company's capital directly affected the REV respectively. Also, on the other hand, it was observed in the above Table II that in the years; 2005, 2007, 2008, 2009 and 2010 were it had a high percentage of REV, it came as a result of high value of the total value of the company's total capital in the Capital Market as it was raised in the Nigerian stock Exchange (NSE). Though, the deficiency of the REV in the remainder years could be affected from other economical factors as stated by the chairman of Flourmill PLC.

**4.2.3: Table III: FINANCIAL REPORT OF NESTLE NIGERIA PLC**

| <b>YEARS</b> | <b>Revenue (REV)</b><br><b>₦'Million</b> | <b>Ordinary Shares (OS)</b><br><b>₦'Million</b> | <b>Preference Shares (PS)</b><br><b>₦'Million</b> | <b>Bonds (BD)</b><br><b>₦'Million</b> | <b>Long-term Loans (LL)</b><br><b>₦'Million</b> |
|--------------|------------------------------------------|-------------------------------------------------|---------------------------------------------------|---------------------------------------|-------------------------------------------------|
| <b>2007</b>  | <b>1,386,820</b>                         | <b>182,443,000</b>                              | <b>87,572,640</b>                                 | <b>2,031,000</b>                      | <b>15,728,710</b>                               |
| <b>2008</b>  | <b>1,967,849</b>                         | <b>185,249,000</b>                              | <b>88,919,520</b>                                 | <b>2,153,000</b>                      | <b>17,612,382</b>                               |
| <b>2009</b>  | <b>2,534,189</b>                         | <b>186,356,000</b>                              | <b>89,450,880</b>                                 | <b>2,281,000</b>                      | <b>25,198,247</b>                               |
| <b>2010</b>  | <b>2,613,493</b>                         | <b>187,249,000</b>                              | <b>89,879,520</b>                                 | <b>2,439,000</b>                      | <b>28,391,745</b>                               |
| <b>2011</b>  | <b>2,734,662</b>                         | <b>193,574,000</b>                              | <b>94,851,260</b>                                 | <b>2,755,000</b>                      | <b>29,505,816</b>                               |
| <b>2012</b>  | <b>2,804,105</b>                         | <b>197,829,000</b>                              | <b>96,936,210</b>                                 | <b>3,082,000</b>                      | <b>30,709,738</b>                               |
| <b>2013</b>  | <b>4,411,998</b>                         | <b>192,812,000</b>                              | <b>102,190,360</b>                                | <b>3,172,000</b>                      | <b>34,305,912</b>                               |
| <b>2014</b>  | <b>8,260,463</b>                         | <b>208,279,000</b>                              | <b>110,387,870</b>                                | <b>3,186,000</b>                      | <b>33,200,623</b>                               |
| <b>2015</b>  | <b>8,425,344</b>                         | <b>219,327,000</b>                              | <b>116,243,310</b>                                | <b>3,191,000</b>                      | <b>72,298,654</b>                               |
| <b>2016</b>  | <b>9,342,896</b>                         | <b>231,136,000</b>                              | <b>124,813,440</b>                                | <b>3,188,000</b>                      | <b>82,714,157</b>                               |

Source: Nestle Nigeria Plc Annual Report (Various Issues)

The Nestle Nigeria Plc experienced constant increment in its Revenue in Table III above which corresponded as a result in the increased value of its Ordinary shares, Preference shares, Bonds and Long-term Funds until in 2011 when its Ordinary shares value dropped by 0.25% which could not be traced significantly as its REV for that year rose by 3.62% which can also be identified by the total increased value in the Preference shares, Bonds and Long-term funds raised by the company at the Nigerian Stock Exchange (NSE). The above table in a summary has shown that the Ordinary shares, Preference shares, Bonds and Long-term funds raised at the capital market by the company had a contribution to the growth of the company in the manufacturing sector explaining how effective the capital market performance has contributed to the growth of this company through its Revenue (REV).

**4.2.4: Table IV: FINANCIAL REPORT OF UNILEVER NIGERIA PLC**

| <b>YEARS</b> | <b>Revenue<br/>(REV)<br/><br/>₦'Million</b> | <b>Ordinary<br/>Shares (OS)<br/><br/>₦'Million</b> | <b>Preference<br/>Shares (PS)<br/><br/>₦'Million</b> | <b>Bonds (BD)<br/><br/>₦'Million</b> | <b>Long-term<br/>Loans (LL)<br/><br/>₦'Million</b> |
|--------------|---------------------------------------------|----------------------------------------------------|------------------------------------------------------|--------------------------------------|----------------------------------------------------|
| <b>2007</b>  | <b>3,989,447</b>                            | <b>46,397,000</b>                                  | <b>18,094,830</b>                                    | <b>2,126,117</b>                     | <b>3,855,000</b>                                   |
| <b>2008</b>  | <b>4,359,867</b>                            | <b>48,481,000</b>                                  | <b>18,907,590</b>                                    | <b>2,235,639</b>                     | <b>4,912,000</b>                                   |
| <b>2009</b>  | <b>4,829,199</b>                            | <b>52,846,000</b>                                  | <b>20,609,940</b>                                    | <b>2,248,673</b>                     | <b>4,830,000</b>                                   |
| <b>2010</b>  | <b>4,987,675</b>                            | <b>55,742,000</b>                                  | <b>21,739,380</b>                                    | <b>2,541,832</b>                     | <b>5,570,000</b>                                   |
| <b>2011</b>  | <b>5,319,411</b>                            | <b>62,279,000</b>                                  | <b>24,288,810</b>                                    | <b>2,554,629</b>                     | <b>6,539,000</b>                                   |
| <b>2012</b>  | <b>5,423,189</b>                            | <b>68,189,000</b>                                  | <b>27,957,490</b>                                    | <b>2,785,267</b>                     | <b>7,241,000</b>                                   |
| <b>2013</b>  | <b>5,515,213</b>                            | <b>72,725,000</b>                                  | <b>29,817,250</b>                                    | <b>3,896,227</b>                     | <b>7,780,000</b>                                   |
| <b>2014</b>  | <b>5,597,613</b>                            | <b>76,622,000</b>                                  | <b>31,415,020</b>                                    | <b>3,986,983</b>                     | <b>6,820,000</b>                                   |
| <b>2015</b>  | <b>4,724,429</b>                            | <b>80,439,000</b>                                  | <b>32,979,990</b>                                    | <b>4,341,809</b>                     | <b>5,470,000</b>                                   |
| <b>2016</b>  | <b>2,412,343</b>                            | <b>82,249,000</b>                                  | <b>33,722,090</b>                                    | <b>4,341,809</b>                     | <b>3,580,000</b>                                   |

Source: Unilever Nigeria Plc Annual Report (Various Issues)

The data in the above table shows the figures sourced from the financial report of the above named manufacturing company that represents the variables used in this research. It showed that the growth in the REV was constant until 2013 and 2014 when it dropped to ₦4,724,429 and

₦2,412,343 respectively though the Ordinary shares, Preference shares and Bonds raised by the company grew from 2005 to 2013 and maintained the same figure also in 2014 except for the Long-term funds raised by company which dropped its value approximately by 3.33% in 2007, 2013 and 2014. This has shown that in 2007, 2013 and 2014, the Long-term funds raised in the capital market by the company did not contribute to the growth of the company in its Revenue (REV). While Ordinary shares, Preference shares and Bonds contributed towards the growth of the company in the table above.

**4.2.5: Table V: FINANCIAL REPORT OF CADBURY NIGERIA PLC**

| <b>YEARS</b> | <b>Revenue (REV)</b><br><b>₦'Million</b> | <b>Ordinary Shares (OS)</b><br><b>₦'Million</b> | <b>Preference Shares (PS)</b><br><b>₦'Million</b> | <b>Bonds (BD)</b><br><b>₦'Million</b> | <b>Long-term Loans (LL)</b><br><b>₦'Million</b> |
|--------------|------------------------------------------|-------------------------------------------------|---------------------------------------------------|---------------------------------------|-------------------------------------------------|
| <b>2007</b>  | <b>1,924,727</b>                         | <b>71,898,000</b>                               | <b>36,667,980</b>                                 | <b>1,981,459</b>                      | <b>10,823,736</b>                               |
| <b>2008</b>  | <b>2,048,372</b>                         | <b>72,489,000</b>                               | <b>36,969,390</b>                                 | <b>1,891,444</b>                      | <b>13,007,193</b>                               |
| <b>2009</b>  | <b>2,219,438</b>                         | <b>77,398,000</b>                               | <b>39,472,980</b>                                 | <b>1,923,679</b>                      | <b>18,083,590</b>                               |
| <b>2010</b>  | <b>2,572,149</b>                         | <b>82,448,000</b>                               | <b>42,048,480</b>                                 | <b>2,143,856</b>                      | <b>12,673,400</b>                               |
| <b>2011</b>  | <b>3,127,933</b>                         | <b>88,345,000</b>                               | <b>45,055,950</b>                                 | <b>2,354,265</b>                      | <b>14,029,945</b>                               |
| <b>2012</b>  | <b>3,879,149</b>                         | <b>90,144,000</b>                               | <b>44,170,560</b>                                 | <b>2,271,811</b>                      | <b>22,178,346</b>                               |
| <b>2013</b>  | <b>3,670,555</b>                         | <b>92,432,000</b>                               | <b>45,291,680</b>                                 | <b>2,395,999</b>                      | <b>23,924,836</b>                               |
| <b>2014</b>  | <b>3,350,113</b>                         | <b>90,746,000</b>                               | <b>44,465,540</b>                                 | <b>3,130,374</b>                      | <b>26,912,756</b>                               |
| <b>2015</b>  | <b>6,023,219</b>                         | <b>184,692,000</b>                              | <b>97,886,760</b>                                 | <b>3,130,374</b>                      | <b>27,878,291</b>                               |
| <b>2016</b>  | <b>6,728,432</b>                         | <b>194,372,000</b>                              | <b>99,129,720</b>                                 | <b>3,130,374</b>                      | <b>31,978,433</b>                               |

Source: Cadbury Nigeria Plc Annual Report (Various Issues)

The table V shows data sourced from the annual report of Cadbury Nigeria Plc from 2005 -2014. The Revenue (REV) of the company increased constantly from 2005-2010 and decreased in 2011 and 2012 likewise the Ordinary shares (OS) and Preference shares (PS) which maintained the same level of decline in 2012 unlike in 2011, when it had an increasing value of 8.85%, 8.53%, 9.84% and 11.87% in the Ordinary Shares (OS), Preference shares (PS), Bonds (BD) and Long-term Funds (LL) respectively which significantly contributed to a decrease in the company's REV. The deficiency in the decline of the company's REV in 2011 and 2012 could

be channeled to other economic, social and political factors which are addressed in this analysis but acknowledged in the chairman's report of the company's financial statement.

**4.2.6: Table VI: FINANCIAL REPORT OF GUINNESS NIGERIA PLC**

| <b>YEARS</b> | <b>Revenue<br/>(REV)<br/><br/>₦'Million</b> | <b>Ordinary<br/>Shares (OS)<br/><br/>₦'Million</b> | <b>Preference<br/>Shares (PS)<br/><br/>₦'Million</b> | <b>Bonds (BD)<br/><br/>₦'Million</b> | <b>Long-term<br/>Loans (LL)<br/><br/>₦'Million</b> |
|--------------|---------------------------------------------|----------------------------------------------------|------------------------------------------------------|--------------------------------------|----------------------------------------------------|
| <b>2007</b>  | <b>8,673,871</b>                            | <b>76,873,413</b>                                  | <b>27,674,429</b>                                    | <b>4,138,494</b>                     | <b>2,835,972</b>                                   |
| <b>2008</b>  | <b>9,775,990</b>                            | <b>89,418,393</b>                                  | <b>32,190,622</b>                                    | <b>4,238,494</b>                     | <b>1,903,875</b>                                   |
| <b>2009</b>  | <b>9,944,876</b>                            | <b>95,415,319</b>                                  | <b>34,349,515</b>                                    | <b>4,391,898</b>                     | <b>2,900,372</b>                                   |
| <b>2010</b>  | <b>11,860,880</b>                           | <b>100,117,897</b>                                 | <b>46,054,233</b>                                    | <b>4,791,898</b>                     | <b>3,467,200</b>                                   |
| <b>2011</b>  | <b>13,541,189</b>                           | <b>105,391,678</b>                                 | <b>48,480,172</b>                                    | <b>5,459,889</b>                     | <b>4,307,290</b>                                   |
| <b>2012</b>  | <b>13,736,359</b>                           | <b>117,815,918</b>                                 | <b>54,195,322</b>                                    | <b>5,559,899</b>                     | <b>4,891,732</b>                                   |
| <b>2013</b>  | <b>17,927,934</b>                           | <b>132,891,491</b>                                 | <b>65,116,831</b>                                    | <b>6,659,889</b>                     | <b>5,828,364</b>                                   |
| <b>2014</b>  | <b>14,671,195</b>                           | <b>793,572,164</b>                                 | <b>158,691,735</b>                                   | <b>6,528,818</b>                     | <b>6,346,273</b>                                   |
| <b>2015</b>  | <b>11,863,726</b>                           | <b>793,572,164</b>                                 | <b>178,891,675</b>                                   | <b>7,623,903</b>                     | <b>7,291,822</b>                                   |
| <b>2016</b>  | <b>9,573,480</b>                            | <b>793,572,164</b>                                 | <b>192,549,359</b>                                   | <b>8,672,654</b>                     | <b>7,382,829</b>                                   |

Source: Guinness Nigeria Plc Annual Report (Various Issues)

In table VI, the Revenue (REV) of the company decreased in 2012, 2013 and 2014 to an amount of ₦14,671,195, ₦11,863,726 and ₦9,573,480 respectively. This effect is as a result in the constant value in the ordinary shares owned by the company from 2012 to 2014 while the previous years had a steady percentage increase in the value of its ordinary shares (OS), preference shares (PS), bonds (BD) and Long-term funds (LL) i.e. 2005 to 2010 which

contributed directly to the Revenue (REV) of the company as it grows in the industry. Despite, the challenges faced by the company in the Nigerian and global economic climate as stated by the chairman in his report, the ordinary shares, preference shares, bonds and long-term funds raised by the company from the Nigerian capital market contributed significantly to the growth of the company through its Annual Revenue (REV).

**4.2.7: Table VII: FINANCIAL REPORT OF NIGERIAN BREWERIES PLC**

| <b>YEARS</b> | <b>Revenue (REV)</b><br><b>₦'Million</b> | <b>Ordinary Shares (OS)</b><br><b>₦'Million</b> | <b>Preference Shares (PS)</b><br><b>₦'Million</b> | <b>Bonds (BD)</b><br><b>₦'Million</b> | <b>Long-term Loans (LL)</b><br><b>₦'Million</b> |
|--------------|------------------------------------------|-------------------------------------------------|---------------------------------------------------|---------------------------------------|-------------------------------------------------|
| <b>2007</b>  | <b>25,418,000</b>                        | <b>385,418,000</b>                              | <b>185,000,640</b>                                | <b>4,872,000</b>                      | <b>4,820,000</b>                                |
| <b>2008</b>  | <b>27,315,000</b>                        | <b>397,519,000</b>                              | <b>190,809,120</b>                                | <b>4,992,000</b>                      | <b>5,286,000</b>                                |
| <b>2009</b>  | <b>30,829,000</b>                        | <b>421,898,000</b>                              | <b>202,511,040</b>                                | <b>5,158,000</b>                      | <b>5,672,000</b>                                |
| <b>2010</b>  | <b>30,939,000</b>                        | <b>459,189,000</b>                              | <b>220,410,720</b>                                | <b>5,278,000</b>                      | <b>6,756,000</b>                                |
| <b>2011</b>  | <b>31,478,000</b>                        | <b>678,149,000</b>                              | <b>325,511,520</b>                                | <b>6,399,900</b>                      | <b>8,815,000</b>                                |
| <b>2012</b>  | <b>30,332,000</b>                        | <b>708,819,000</b>                              | <b>347,321,310</b>                                | <b>6,491,000</b>                      | <b>7,710,000</b>                                |
| <b>2013</b>  | <b>38,026,000</b>                        | <b>714,057,000</b>                              | <b>349,887,930</b>                                | <b>7,063,000</b>                      | <b>9,442,000</b>                                |
| <b>2014</b>  | <b>38,062,000</b>                        | <b>1,111,718,000</b>                            | <b>544,741,820</b>                                | <b>7,163,000</b>                      | <b>1,470,000</b>                                |
| <b>2015</b>  | <b>22,688,000</b>                        | <b>1,269,778,000</b>                            | <b>622,191,220</b>                                | <b>7,363,000</b>                      | <b>1,670,000</b>                                |
| <b>2016</b>  | <b>43,486,000</b>                        | <b>1,250,115,000</b>                            | <b>612,556,350</b>                                | <b>7,563,000</b>                      | <b>1,650,000</b>                                |

Source: Nigerian Breweries Plc Annual Report (Various Issues)

The Revenue (REV) of the above company tagged to Table VII had a constant increment in its REV from 2005 – 2009, 2011, 2012 and 2014. The company had a drop in its REV in 2010 and 2013 by a percentage of 0.36% and 4.83% respectively. Although, the drop in the REV for 2010 and 2013 was not as a result of the poor performance of the ordinary shares (OS), preference shares (PS), bonds (BD) and long-term funds (LL) raised at the Nigerian stock exchange (NSE) by the company except in 2012, when the company's long term funds dropped drastically by 14.96% explaining that significantly the long-term funds did not have a significant contribution to the growth of the company for that particular period.

**4.2.8: Table VIII: FINANCIAL REPORT OF NIGERIAN BOTTLING COMPANY PLC**

| <b>YEARS</b> | <b>Revenue<br/>(REV)<br/><br/>₦'Million</b> | <b>Ordinary<br/>Shares (OS)<br/><br/>₦'Million</b> | <b>Preference<br/>Shares (PS)<br/><br/>₦'Million</b> | <b>Bonds (BD)<br/><br/>₦'Million</b> | <b>Long-term<br/>Loans (LL)<br/><br/>₦'Million</b> |
|--------------|---------------------------------------------|----------------------------------------------------|------------------------------------------------------|--------------------------------------|----------------------------------------------------|
| <b>2007</b>  | <b>2,314,358</b>                            | <b>487,189,000</b>                                 | <b>224,106,940</b>                                   | <b>3,469,000</b>                     | <b>3,200,000</b>                                   |
| <b>2008</b>  | <b>1,042,578</b>                            | <b>567,189,000</b>                                 | <b>260,906,940</b>                                   | <b>3,769,000</b>                     | <b>3,600,000</b>                                   |
| <b>2009</b>  | <b>3,166,418</b>                            | <b>618,439,000</b>                                 | <b>284,481,940</b>                                   | <b>3,789,000</b>                     | <b>5,674,000</b>                                   |
| <b>2010</b>  | <b>3,218,418</b>                            | <b>629,439,000</b>                                 | <b>289,541,940</b>                                   | <b>3,812,000</b>                     | <b>5,824,000</b>                                   |
| <b>2011</b>  | <b>4,721,811</b>                            | <b>739,899,000</b>                                 | <b>355,151,520</b>                                   | <b>4,891,000</b>                     | <b>6,090,000</b>                                   |
| <b>2012</b>  | <b>5,315,721</b>                            | <b>750,894,000</b>                                 | <b>360,429,120</b>                                   | <b>4,988,000</b>                     | <b>6,255,000</b>                                   |
| <b>2013</b>  | <b>6,515,481</b>                            | <b>870,189,000</b>                                 | <b>417,690,720</b>                                   | <b>4,872,000</b>                     | <b>6,421,000</b>                                   |
| <b>2014</b>  | <b>7,270,890</b>                            | <b>889,899,000</b>                                 | <b>436,050,510</b>                                   | <b>4,992,000</b>                     | <b>7,219,000</b>                                   |
| <b>2015</b>  | <b>8,150,718</b>                            | <b>940,111,000</b>                                 | <b>460,654,390</b>                                   | <b>5,073,000</b>                     | <b>7,372,000</b>                                   |
| <b>2016</b>  | <b>8,285,512</b>                            | <b>972,492,000</b>                                 | <b>476,521,080</b>                                   | <b>5,073,000</b>                     | <b>8,040,000</b>                                   |

Source: Nigerian Bottling Company Plc Annual Report (Various Issues)

The Revenue (REV) had a decrease in 2006 by 2.54% despite the high performance of funds raised in the capital market by this company to improve the growth of the company. The percentage increase of capital raised in that year was approximately 1.5% and did not have an effect on the REV for 2006 identified as above. Though, it was also observed that the significance effect of this capital market performance on the growth of the company's simultaneously affected the REV in 2013 & 2014 as these high value in the company's capital directly affected the REV respectively. Also, on the other hand, it was observed in the above Table VIII that in the years; 2005, 2007, 2008, 2008, 2009 and 2010 were it had a high percentage of REV, it came as a result of high value of the total value of the company's total capital in the Capital Market as it was raised in the Nigerian stock Exchange (NSE). Though, the deficiency of the REV in 2006 could be affected from other economical factors as stated by the chairman of Nigerian Bottling Company PLC.

**4.2.9: Table IX: DATA REPORT OF PZ CUSSONS NIGERIA PLC**

| <b>YEARS</b> | <b>Revenue<br/>(REV)<br/><br/>₦'Million</b> | <b>Ordinary<br/>Shares (OS)<br/><br/>₦'Million</b> | <b>Preference<br/>Shares (PS)<br/><br/>₦'Million</b> | <b>Bonds (BD)<br/><br/>₦'Million</b> | <b>Long-term<br/>Loans (LL)<br/><br/>₦'Million</b> |
|--------------|---------------------------------------------|----------------------------------------------------|------------------------------------------------------|--------------------------------------|----------------------------------------------------|
| <b>2007</b>  | <b>2,173,822</b>                            | <b>372,842,000</b>                                 | <b>171,507,320</b>                                   | <b>2,359,000</b>                     | <b>2,300,000</b>                                   |
| <b>2008</b>  | <b>2,456,186</b>                            | <b>396,377,000</b>                                 | <b>182,333,420</b>                                   | <b>2,786,000</b>                     | <b>2,500,000</b>                                   |
| <b>2009</b>  | <b>2,732,840</b>                            | <b>408,488,000</b>                                 | <b>187,904,480</b>                                   | <b>3,094,000</b>                     | <b>3,400,000</b>                                   |
| <b>2010</b>  | <b>3,086,339</b>                            | <b>432,899,000</b>                                 | <b>199,133,540</b>                                   | <b>3,867,000</b>                     | <b>2,900,000</b>                                   |
| <b>2011</b>  | <b>3,248,896</b>                            | <b>487,643,000</b>                                 | <b>224,315,780</b>                                   | <b>4,667,000</b>                     | <b>3,500,000</b>                                   |
| <b>2012</b>  | <b>3,562,936</b>                            | <b>504,496,000</b>                                 | <b>237,113,120</b>                                   | <b>5,896,000</b>                     | <b>4,300,000</b>                                   |
| <b>2013</b>  | <b>4,386,697</b>                            | <b>527,187,000</b>                                 | <b>247,777,890</b>                                   | <b>5,947,000</b>                     | <b>4,900,000</b>                                   |
| <b>2014</b>  | <b>4,926,782</b>                            | <b>548,456,000</b>                                 | <b>263,258,880</b>                                   | <b>6,897,000</b>                     | <b>5,800,000</b>                                   |
| <b>2015</b>  | <b>5,321,187</b>                            | <b>618,960,000</b>                                 | <b>297,100,800</b>                                   | <b>7,678,000</b>                     | <b>5,100,000</b>                                   |
| <b>2016</b>  | <b>5,082,747</b>                            | <b>704,089,000</b>                                 | <b>337,962,720</b>                                   | <b>8,677,000</b>                     | <b>3,600,000</b>                                   |

Source: PZ Cussons Nigeria Plc Annual Report (Various Issues)

The data in the above table shows the figures sourced from the annual report of the above named manufacturing company that represents the variables used in this research. It showed that the growth in the REV was constant until 2014 when it dropped to ₦5,082,747 though there was a constant increase in funds raised through the Ordinary shares (OS), Preference shares (PS), Bonds (BD) and Long-term funds (LL) from the capital market which directly contributed to the REV of the company. These funds raised through these channels had a most 1.5% increase in its value over time. Though, the chairman's report from the financial statement of the company acknowledge the fact even with the fluctuating economic indicators the company was able to raise funds through the capital market to finance its numerous projects and business activities.



**4.2.10: Table X: FINANCIAL REPORT OF SEVEN-UP BOTTLING COMPANY PLC**

| <b>YEARS</b> | <b>Revenue<br/>(REV)<br/><br/>₦'Million</b> | <b>Ordinary<br/>Shares (OS)<br/><br/>₦'Million</b> | <b>Preference<br/>Shares (PS)<br/><br/>₦'Million</b> | <b>Bonds (BD)<br/><br/>₦'Million</b> | <b>Long-term<br/>Loans (LL)<br/><br/>₦'Million</b> |
|--------------|---------------------------------------------|----------------------------------------------------|------------------------------------------------------|--------------------------------------|----------------------------------------------------|
| <b>2007</b>  | <b>1,843,866</b>                            | <b>356,133,000</b>                                 | <b>160,259,850</b>                                   | <b>3,016,000</b>                     | <b>30,610,824</b>                                  |
| <b>2008</b>  | <b>2,119,630</b>                            | <b>394,464,000</b>                                 | <b>177,508,800</b>                                   | <b>3,321,000</b>                     | <b>33,050,914</b>                                  |
| <b>2009</b>  | <b>2,462,896</b>                            | <b>416,396,000</b>                                 | <b>187,378,200</b>                                   | <b>3,966,000</b>                     | <b>51,622,748</b>                                  |
| <b>2010</b>  | <b>2,930,080</b>                            | <b>446,825,000</b>                                 | <b>201,071,250</b>                                   | <b>4,386,000</b>                     | <b>55,309,436</b>                                  |
| <b>2011</b>  | <b>3,347,287</b>                            | <b>497,932,000</b>                                 | <b>224,069,400</b>                                   | <b>4,673,000</b>                     | <b>58,146,438</b>                                  |
| <b>2012</b>  | <b>3,766,736</b>                            | <b>521,655,000</b>                                 | <b>234,744,750</b>                                   | <b>5,674,000</b>                     | <b>61,345,728</b>                                  |
| <b>2013</b>  | <b>4,216,899</b>                            | <b>558,964,000</b>                                 | <b>262,713,080</b>                                   | <b>6,339,000</b>                     | <b>70,006,145</b>                                  |
| <b>2014</b>  | <b>4,536,844</b>                            | <b>582,472,000</b>                                 | <b>273,761,840</b>                                   | <b>6,959,000</b>                     | <b>74,175,228</b>                                  |
| <b>2015</b>  | <b>4,805,756</b>                            | <b>615,722,000</b>                                 | <b>295,546,560</b>                                   | <b>7,248,000</b>                     | <b>77,226,828</b>                                  |
| <b>2016</b>  | <b>5,004,969</b>                            | <b>630,248,000</b>                                 | <b>302,519,040</b>                                   | <b>8,669,000</b>                     | <b>79,135,721</b>                                  |

Source: Seven-up Bottling Company Plc Annual Report (Various Issues)

The Seven-up Bottling Company Plc experienced constant increment in its Revenue in Table III above which corresponded as a result in the increased value of its Ordinary shares, Preference shares, Bonds and Long-term Funds which could be traced significantly as its REV for that year rose by 3.62% which can also be identified by the total increased value in the Preference shares, Bonds and Long-term funds raised by the company at the Nigerian Stock Exchange (NSE). The above table in a summary has shown that the Ordinary shares, Preference shares, Bonds and Long-term funds raised at the capital market by the company had a contribution to the growth of the company in the manufacturing sector explaining how effective the capital market performance has contributed to the growth of this company through its Revenue (REV).

### 4.3 Industry Analysis

This section explains the analysis derived from the variables of all the selected manufacturing companies whom are listed in the capital market and operating in the market in order to source finances to expand their businesses to improve their Revenue, earnings per share, value of their shares and their dividend payout. The data contained in all the tables are aggregate percentage figures of each variable for all ten selected manufacturing companies in order to represent the population as stated in the previous chapter of this research. The first table analyzes the Revenue (REV) of the ten manufacturing companies selected for the empirical findings. The second table did a comparison trend analysis of the Ordinary shares (OS) raised by companies in the capital market. The third will explain the comparative trend analysis of the Preference shares (PS) of the ten selected manufacturing companies aggregate that raised funds through this channel. The fourth table shows comparative analysis of the ten selected manufacturing companies that raised funds through issuing of Bonds (BD) to investors at the Nigerian capital market while the last table show the trend analysis of Long-term funds (LL) of the companies in the manufacturing sector.

**4.3.1: Table I: COMPARATIVE ANALYSIS OF REVENUE AMONG SELECTED MANUFACTURING COMPANIES IN SECTOR**

| YEAR | DANGOTE<br>% | FLOURMILL<br>% | NESTLE<br>% | UNILEVER<br>% | CADBURY<br>% | GUINNESS<br>% | NIGERIAN<br>BREWRIES<br>% | NIGERIAN<br>BOTTLING<br>COMPANY<br>% | PZ<br>CUSO<br>N<br>% | SEVEN-<br>UP<br>% |
|------|--------------|----------------|-------------|---------------|--------------|---------------|---------------------------|--------------------------------------|----------------------|-------------------|
| 2007 | 3.59         | 6.31           | 3.11        | 8.46          | 5.42         | 7.14          | 7.98                      | 4.63                                 | 5.88                 | 5.26              |
| 2008 | 6.38         | 4.45           | 4.42        | 9.25          | 5.76         | 8.04          | 8.57                      | 2.09                                 | 6.64                 | 6.05              |
| 2009 | 5.05         | 6.32           | 5.70        | 10.24         | 6.24         | 8.18          | 9.68                      | 6.33                                 | 7.39                 | 7.03              |
| 2010 | 8.71         | 7.79           | 5.88        | 10.58         | 7.24         | 9.76          | 9.71                      | 6.44                                 | 8.35                 | 8.36              |
| 2011 | 8.17         | 11.88          | 6.15        | 11.28         | 8.80         | 11.14         | 9.88                      | 9.44                                 | 8.79                 | 9.55              |
| 2012 | 7.49         | 22.06          | 6.30        | 11.50         | 10.91        | 11.30         | 9.52                      | 10.63                                | 9.64                 | 10.75             |
| 2013 | 9.29         | 12.62          | 9.92        | 11.70         | 10.33        | 14.75         | 11.94                     | 13.03                                | 11.86                | 12.04             |
| 2014 | 9.65         | 11.34          | 18.57       | 11.87         | 9.43         | 12.07         | 11.95                     | 14.54                                | 13.32                | 12.95             |
| 2015 | 21.54        | 10.07          | 18.94       | 10.02         | 16.95        | 9.76          | 7.12                      | 16.30                                | 14.39                | 13.72             |
| 2016 | 23.98        | 7.17           | 21.00       | 5.12          | 18.93        | 7.87          | 13.65                     | 16.57                                | 13.75                | 14.29             |

Source: Author's Computation (2016)

The above Table I shows the comparative analysis results of the selected companies Growth in the Manufacturing Sector. The Revenue (REV) was used in measuring this growth within the industry. In 2005, it recorded that Unilever Plc had the highest percentage of REV (8.46%) which explains the high performance of the capital market funds used by the company in growing its position in the industry while in 2006, Unilever Plc also recorded the highest percentage of REV (9.25%) likewise in 2007 and 2008 (10.24% & 10.58%) respectively.

Flourmill Plc recorded the highest percentage of REV (11.88% & 22.06%) in 2009 and 2010. In 2011, Guinness Nigeria Plc recorded the highest percentage of REV (14.75%), Nestle Nigerian Foods Plc had the highest percentage of REV (18.57%) in 2012 while in 2013 and 2014, Dangote Cements Plc recorded the highest REV (21.54% & 23.98%) respectively in the industry.

**4.3.2: Table II: COMPARATIVE ANALYSIS OF ORDINARY SHARES AMONG SELECTED MANUFACTURING COMPANIES IN SECTOR**

| YEARS | DANGOTE<br>% | FLOURMILL<br>% | NESTLE<br>% | UNILEVER<br>% | CADBURY<br>% | GUINNESS<br>% | NIGERIAN<br>BREWRIES% | NIGERIAN<br>BOTTLING<br>COMPANY% | PZ<br>CUSSON<br>% | SEVEN-<br>UP<br>% |
|-------|--------------|----------------|-------------|---------------|--------------|---------------|-----------------------|----------------------------------|-------------------|-------------------|
| 2007  | 4.45         | 6.89           | 9.19        | 7.18          | 6.88         | 2.48          | 5.21                  | 6.53                             | 7.45              | 7.09              |
| 2008  | 5.46         | 7.28           | 9.34        | 7.51          | 6.94         | 2.89          | 5.37                  | 7.60                             | 7.93              | 7.86              |
| 2009  | 5.82         | 7.57           | 9.39        | 8.18          | 7.41         | 3.08          | 5.70                  | 8.28                             | 8.17              | 8.29              |
| 2010  | 8.53         | 7.83           | 9.44        | 8.63          | 7.89         | 3.23          | 6.21                  | 8.43                             | 8.66              | 8.90              |
| 2011  | 10.50        | 7.99           | 9.76        | 9.64          | 8.45         | 3.40          | 9.17                  | 9.91                             | 9.75              | 9.92              |
| 2012  | 10.62        | 9.86           | 9.97        | 10.56         | 8.63         | 3.80          | 9.58                  | 10.60                            | 10.09             | 10.39             |
| 2013  | 8.41         | 12.27          | 9.72        | 11.26         | 8.85         | 4.29          | 9.65                  | 11.66                            | 10.54             | 11.13             |
| 2014  | 11.89        | 13.37          | 10.50       | 11.86         | 8.68         | 25.61         | 15.03                 | 11.92                            | 10.97             | 11.60             |
| 2015  | 22.76        | 14.39          | 11.05       | 12.45         | 17.67        | 25.61         | 17.17                 | 12.59                            | 12.38             | 12.26             |
| 2016  | 11.55        | 12.55          | 11.65       | 12.73         | 18.60        | 25.61         | 16.90                 | 13.03                            | 14.08             | 12.55             |

Source: Author's Computation (2016)

The above Table II shows the comparative analysis results of the selected companies' capital market performance in the Manufacturing Sector. The OrdinaryShares (OS) was used in measuring the companies' capital market performance within the industry. In 2005, it recorded that Nestle Nigerian Foods Plc had the highest percentage of OS (9.19%) which explains the high performance of the capital market performance by the company in growing its position in the market and industry continued its performance in the OS (9.34%, 9.39% & 9.44%) in 2006, 2007 and 2008 respectively. Dangote Cements Plc recorded the highest percentage of OS (10.50% & 10.62%) in 2009 and 2010. In 2011, Flourmill Plc recorded the highest percentage of OS (12.27%), Guinness Nigeria Plc recorded the highest performance in OS (25.61%) in 2012 to 2014 constantly and respectively in the industry.

**4.3.3: Table III: COMPARATIVE ANALYSIS OF PREFERENCE SHARES AMONG  
SELECTED MANUFACTURING COMPANIES IN SECTOR**

| <b>YEARS</b> | <b>DANGOTE<br/>%</b> | <b>FLOURMILL<br/>%</b> | <b>NESTLE<br/>%</b> | <b>UNILEVER<br/>%</b> | <b>CADBURY<br/>%</b> | <b>GUINNESS<br/>%</b> | <b>NIGERIAN<br/>BREWRIES%</b> | <b>NIGERIAN<br/>BOTTLING<br/>COMPANY%</b> | <b>PZ<br/>CUSSON<br/>%</b> | <b>SEVEN-<br/>UP<br/>%</b> |
|--------------|----------------------|------------------------|---------------------|-----------------------|----------------------|-----------------------|-------------------------------|-------------------------------------------|----------------------------|----------------------------|
| <b>2007</b>  | 3.86                 | 3.72                   | 8.75                | 6.97                  | 6.90                 | 3.30                  | 5.14                          | 6.29                                      | 7.30                       | 6.91                       |
| <b>2008</b>  | 4.73                 | 3.94                   | 8.88                | 7.29                  | 6.96                 | 3.84                  | 5.30                          | 7.32                                      | 7.76                       | 7.65                       |
| <b>2009</b>  | 5.05                 | 4.09                   | 8.93                | 7.94                  | 7.43                 | 4.10                  | 5.62                          | 7.98                                      | 8.00                       | 8.08                       |
| <b>2010</b>  | 7.39                 | 5.04                   | 8.98                | 8.38                  | 7.92                 | 5.49                  | 6.12                          | 8.12                                      | 8.48                       | 8.67                       |
| <b>2011</b>  | 9.11                 | 5.14                   | 9.47                | 9.36                  | 8.48                 | 5.78                  | 9.04                          | 9.96                                      | 9.55                       | 9.66                       |
| <b>2012</b>  | 10.63                | 11.67                  | 9.68                | 10.77                 | 8.32                 | 6.47                  | 9.65                          | 10.11                                     | 10.10                      | 10.12                      |
| <b>2013</b>  | 8.42                 | 14.53                  | 10.21               | 11.49                 | 8.53                 | 7.77                  | 9.72                          | 11.71                                     | 10.55                      | 11.33                      |
| <b>2014</b>  | 11.90                | 15.83                  | 11.03               | 12.11                 | 8.37                 | 18.93                 | 15.13                         | 12.23                                     | 11.21                      | 11.80                      |
| <b>2015</b>  | 25.82                | 19.26                  | 11.61               | 12.71                 | 18.43                | 21.34                 | 17.28                         | 12.92                                     | 12.65                      | 12.74                      |
| <b>2016</b>  | 13.10                | 16.79                  | 12.47               | 12.99                 | 18.66                | 22.97                 | 17.01                         | 13.36                                     | 14.39                      | 13.04                      |

Source: Author's Computation (2016)

The above Table III shows the comparative analysis results of the selected companies' capital market performance in the Manufacturing Sector. The Preference Shares (PS) was used in measuring the companies' capital market performance within the industry. In 2005, it recorded that Nestle Nigerian Foods Plc had the highest percentage of PS (8.75%) which explains the high performance of the capital market performance by the company in growing its position in the market and industry continued its performance in the PS (8.88%, 8.93% & 8.98%) in 2006, 2007 and 2008 respectively. Nigerian Bottling Company Plc recorded the highest percentage of PS (9.96%) in 2009, Flourmill Plc recorded the highest percentage of PS (11.67% & 14.53%) in 2010 and 2011 respectively, Guinness Nigeria Plc recorded the highest performance in PS (18.93% & 22.97%) in 2012 and 2014 while Dangote Cement Plc recorded the highest performance of PS (25.82%) in 2013 among the manufacturing companies in the industry.

**4.3.4: Table IV: COMPARATIVE ANALYSIS OF BONDS AMONG SELECTED MANUFACTURING COMPANIES IN SECTOR**

| YEARS | DANGOTE<br>% | FLOURMILL<br>% | NESTLE<br>% | UNILEVER<br>% | CADBURY<br>% | GUINNESS<br>% | NIGERIAN<br>BREWRIES% | NIGERIAN<br>BOTTLING<br>COMPANY% | PZ<br>CUSSON<br>% | SEVEN-<br>UP<br>% |
|-------|--------------|----------------|-------------|---------------|--------------|---------------|-----------------------|----------------------------------|-------------------|-------------------|
| 2007  | 6.49         | 8.70           | 7.39        | 6.85          | 8.14         | 7.13          | 7.82                  | 7.76                             | 4.55              | 5.56              |
| 2008  | 7.19         | 9.12           | 7.84        | 7.20          | 7.77         | 7.30          | 8.01                  | 8.43                             | 5.37              | 6.12              |
| 2009  | 9.75         | 8.99           | 8.30        | 7.24          | 7.90         | 7.56          | 8.27                  | 8.47                             | 5.97              | 7.31              |
| 2010  | 10.03        | 9.78           | 8.88        | 8.18          | 8.80         | 8.25          | 8.47                  | 8.52                             | 7.46              | 8.08              |
| 2011  | 10.92        | 10.11          | 10.03       | 8.23          | 9.67         | 9.40          | 10.27                 | 10.94                            | 9.00              | 8.61              |
| 2012  | 10.98        | 10.72          | 11.22       | 8.97          | 9.33         | 9.58          | 10.41                 | 11.15                            | 11.37             | 10.46             |
| 2013  | 11.11        | 11.59          | 11.54       | 12.55         | 9.84         | 11.47         | 11.33                 | 10.89                            | 11.47             | 11.68             |
| 2014  | 11.17        | 11.13          | 11.59       | 12.84         | 12.85        | 11.24         | 11.49                 | 11.16                            | 13.30             | 12.83             |
| 2015  | 11.18        | 9.93           | 11.61       | 13.98         | 12.85        | 13.13         | 11.81                 | 11.34                            | 14.80             | 13.36             |
| 2016  | 11.18        | 9.93           | 12.47       | 13.98         | 12.85        | 14.94         | 12.13                 | 11.34                            | 16.73             | 15.98             |

Source: Author's Computation (2016)

The above Table IV shows the comparative analysis results of the selected companies' capital market performance in the Manufacturing Sector. The Bonds (BD) was used in measuring this capital market performance by these Manufacturing Companies within the industry. In 2005, it recorded that Flourmill Plc had the highest percentage of BD (8.7%) which explains the high performance of the capital market funds used by the company in growing its position in the industry and also in 2006; it also recorded the highest percentage of BD (9.12%). Dangote Cements Plc recorded the highest percentage of BD (9.75% & 10.03%) in 2007 and 2008. Nigerian Bottling Company Plc, PZ Cusson Plc and Unilever Nigeria Plc recorded the highest BD (10.94%, 11.37% and 12.55%) in 2009, 2010 and 2011 respectively among the Manufacturing companies in the industry. Also, PZ Cusson Plc still recorded the highest BD (13.30%, 14.80% and 16.73%) from 2012 to 2014 respectively amongst the ten manufacturing companies.

**4.3.5: Table V: COMPARATIVE ANALYSIS OF LONG-TERM FUNDS AMONG SELECTED MANUFACTURING COMPANIES IN SECTOR**

| <b>YEARS</b> | <b>DANGOTE<br/>%</b> | <b>FLOURMILL<br/>%</b> | <b>NESTLE<br/>%</b> | <b>UNILEVER<br/>%</b> | <b>CADBURY<br/>%</b> | <b>GUINNESS<br/>%</b> | <b>NIGERIAN<br/>BREWRIES%</b> | <b>NIGERIAN<br/>BOTTLING<br/>COMPANY%</b> | <b>PZ<br/>CUSSON<br/>%</b> | <b>SEVEN-<br/>UP<br/>%</b> |
|--------------|----------------------|------------------------|---------------------|-----------------------|----------------------|-----------------------|-------------------------------|-------------------------------------------|----------------------------|----------------------------|
| <b>2007</b>  | 3.93                 | 7.35                   | 4.25                | 6.81                  | 5.37                 | 6.01                  | 9.05                          | 5.36                                      | 6.01                       | 5.18                       |
| <b>2008</b>  | 4.73                 | 7.22                   | 4.76                | 8.68                  | 6.46                 | 4.04                  | 9.92                          | 6.03                                      | 6.53                       | 5.60                       |
| <b>2009</b>  | 5.91                 | 9.02                   | 6.82                | 8.53                  | 8.97                 | 6.15                  | 10.64                         | 9.51                                      | 8.88                       | 8.74                       |
| <b>2010</b>  | 9.91                 | 9.54                   | 7.68                | 9.84                  | 6.29                 | 7.35                  | 12.68                         | 9.76                                      | 7.57                       | 9.37                       |
| <b>2011</b>  | 10.79                | 10.95                  | 7.98                | 11.55                 | 6.96                 | 9.13                  | 16.54                         | 10.20                                     | 9.14                       | 9.85                       |
| <b>2012</b>  | 13.68                | 13.14                  | 8.31                | 12.79                 | 11.01                | 10.37                 | 14.47                         | 10.48                                     | 11.23                      | 10.39                      |
| <b>2013</b>  | 11.00                | 12.63                  | 9.28                | 13.75                 | 11.87                | 12.36                 | 17.72                         | 10.76                                     | 12.79                      | 11.86                      |
| <b>2014</b>  | 10.73                | 11.34                  | 8.98                | 12.05                 | 13.36                | 13.46                 | 2.76                          | 12.09                                     | 15.14                      | 12.56                      |
| <b>2015</b>  | 16.10                | 10.05                  | 19.56               | 9.66                  | 13.84                | 15.46                 | 3.13                          | 12.35                                     | 13.32                      | 13.08                      |
| <b>2016</b>  | 13.03                | 8.76                   | 22.38               | 6.33                  | 15.87                | 15.66                 | 3.10                          | 13.47                                     | 9.40                       | 13.40                      |

Source: Author's Computation (2016)

The above Table V shows the comparative analysis results of the selected companies' capital market performance in the Manufacturing Sector. The Long-term Funds (LL) was used in measuring the companies' capital market performance within the industry. In 2005, it recorded that Nigerian Breweries Plc were the most performer in the capital market who had the highest percentage of LL (9.05%) which explains the high performance of the capital market performance by the company in growing its position in the market and industry continued its performance in the LL (9.92%, 10.64%, 12.68%, 16.54%, 14.47% & 17.72%) in 2006, 2007, 2008, 2009, 2010 and 2011 respectively. Dangote Cements Plc recorded the highest percentage of LL (16.10%) in 2013. In 2014, Nestle Nigeria Food Plc recorded the highest percentage of LL (22.38%) while Guinness Nigeria Plc recorded the highest performance in LL (13.46%) in 2012.

**4.3.6: Table VI: AGGREGATE COMPARATIVE ANALYSIS OF VARIABLES AMONG SELECTED MANUFACTURING COMPANIES IN SECTOR**

| <b>YEARS</b> | <b>REVENUE<br/>(REV) %</b> | <b>ORDINARY<br/>SHARES<br/>(OS) %</b> | <b>PREFERENCE<br/>SHARES (PS)<br/>%</b> | <b>BONDS<br/>(BD) %</b> | <b>LONG TERM<br/>LIABILITIES<br/>(LL) %</b> |
|--------------|----------------------------|---------------------------------------|-----------------------------------------|-------------------------|---------------------------------------------|
| <b>2007</b>  | 57.78                      | 63.35                                 | 59.14                                   | 70.39                   | 59.32                                       |
| <b>2008</b>  | 61.65                      | 68.18                                 | 63.67                                   | 74.35                   | 63.97                                       |
| <b>2009</b>  | 72.16                      | 71.89                                 | 67.22                                   | 79.76                   | 83.17                                       |
| <b>2010</b>  | 82.82                      | 77.75                                 | 74.59                                   | 86.45                   | 89.99                                       |
| <b>2011</b>  | 95.08                      | 88.49                                 | 85.55                                   | 97.18                   | 103.09                                      |
| <b>2012</b>  | 110.01                     | 94.10                                 | 97.52                                   | 104.19                  | 115.87                                      |
| <b>2013</b>  | 117.48                     | 97.78                                 | 104.26                                  | 113.47                  | 124.02                                      |
| <b>2014</b>  | 125.69                     | 131.43                                | 128.54                                  | 119.60                  | 112.47                                      |
| <b>2015</b>  | 138.81                     | 158.33                                | 164.76                                  | 123.99                  | 126.55                                      |
| <b>2016</b>  | 142.33                     | 149.25                                | 154.78                                  | 131.53                  | 121.40                                      |

**Source: Author's Computation (2016)**

The above Table VI shows the aggregate analysis result of variables measuring the capital market performance and growth in the manufacturing sector. It has significantly shown that the Ordinary Shares (OS), Preference Shares (PS), Bonds (BD) and Long-term funds (LL) that measures the capital market performance have an effect on the growth of the Manufacturing Sector which is being measured by the Revenue (REV). As the OS, PS, BD and LL increases so also does the REV increases agreeing with the Efficiency Market Hypothesis theory. Even as the Manufacturing sector witnessed a drop in its Long-term funds in 2012 and 2014 by 4.5%, the Revenue of the manufacturing sector increased in those years by 4.5% statistically.

**4.3.7: Table VII: REGRESSION RESULTS**

| Variable           | Coefficient | Std. Error            | t-Statistic | Prob.    |
|--------------------|-------------|-----------------------|-------------|----------|
| C                  | 0.944813    | 34.18440              | 0.027639    | 0.0090   |
| OS                 | 0.079679    | 0.449692              | 0.177185    | 0.0063   |
| PS                 | 1.145312    | 0.425028              | 2.694674    | 0.0431   |
| BD                 | -0.255502   | 0.372455              | -0.685994   | 0.0232   |
| LL                 | 0.094418    | 0.171859              | 0.549393    | 0.0004   |
| R-squared          | 0.963879    | Mean dependent var    |             | 109.4900 |
| Adjusted R-squared | 0.934983    | S.D. dependent var    |             | 37.97734 |
| S.E. of regression | 9.683621    | Akaike info criterion |             | 7.685602 |
| Sum squared resid  | 468.8625    | Schwarz criterion     |             | 7.836894 |
| Log likelihood     | -33.42801   | Hannan-Quinn criter.  |             | 7.519634 |
| F-statistic        | 33.35636    | Durbin-Watson stat    |             | 2.789237 |
| Prob(F-statistic)  | 0.000845    |                       |             |          |

**DEPENDENT VARIABLE: REV****Source: Author's Computation (2016)**

The regression result in the above Table VII shows that OS, PS and LL have a positive impact on the REV with values 0.079, 1.14 and 0.09 respectively. This explains further that as these values in the independent variables increase by 0.05, the value of the predicted variable also increased by 0.05. the constant values explains the autonomy behaviour of the predicted value as it shifts upwards away from zero closer to one as revealed in the value 0.944813. While the predictor BD has shown that it has a negative impact on the REV explaining that any increase in the value of BD automatically lead to a decrease in the predicted value REV. The R-squared value of 0.963879 explains that 96.4% of the variation in the independent variables explained the dependent variable while 3.6% of independent variables not included in this study explains the dependent variable. It furthers explains that the variables used in predicting the dependent variables are almost 100% appropriate which led the f-statistics probability value of 0.000845 revealing the significance of the model to this study. The Durbin Watson value of 2.789237 shows there is no evidence of autocorrelation among the variables specified for the study.



**4.3.8: Table VIII                      Correlation Table**

| REV      | OS       | PS       | BD       | LL       |
|----------|----------|----------|----------|----------|
| 1.000000 | 0.882911 | 0.977109 | 0.840130 | 0.812131 |
| 0.882911 | 1.000000 | 0.906446 | 0.824608 | 0.619856 |
| 0.977109 | 0.906446 | 1.000000 | 0.897458 | 0.784863 |
| 0.840130 | 0.824608 | 0.897458 | 1.000000 | 0.598849 |
| 0.812131 | 0.619856 | 0.784863 | 0.598849 | 1.000000 |

**Source: Author's Computation (2016)**

The result above is the correlation among the variables used for the objectives of this study. The REV was proxied with the OS, PS, BD and LL; this is to explain the extent at which each of the independent variables has a strong or weak correlated relationship with the dependent variable. In the above, the REV is the dependent variable while the OS, PS, BD and LL are the independent variables. The values (0.882911 0.977109, 0.840130 and 0.812131) shows that OS, PS, BD and LL have a strong positive correlated relationship with the REV while the OS have a strong positive relationship with PS, BD and LL revealed by the values (0.906446, 0.824608 and 0.619856). The PS have a strong positive relationship with BD and LL also revealed by values (0.897458 and 0.784863) respectively.

#### **4.4        Test of Hypotheses**

The research hypotheses formulated in chapter one will be tested for decisions to take between the null and alternate hypotheses as the subject ought to the outcome. The independent variables Ordinary Shares (OS), Preference Shares (PS), Bonds (BD) and Long-term Loans (LL) will be used to measure the capital market performance while the Revenue (REV) is dependent variable subjected to measure the manufacturing companies' growth.

##### **4.4.1    Hypothesis One:**

**H<sub>01</sub>:** Ordinary Shares (OS) does not have a significant impact on the Revenue (REV) of manufacturing companies in Nigeria.

The independent variable (OS) has shown a positive effect to the dependent variable REV which is revealed in 0.079679. The t-value of the independent variable is 0.177185 while its significant value is at 0.0063 which means that the independent variable OS has a significant impact on the dependent variable REV since its value is less than the 5% (0.05) statistical level.

#### **4.4.2 Hypothesis Two:**

**H<sub>02</sub>:** Preference Shares (OS) does not have a significant impact on the Revenue (REV) of manufacturing companies in Nigeria..

The independent variable PS has a Positive influence (as shown in Table 4.3.6) on the dependent variable REV. The t-value of the independent variable is 2.694674 while its significant value is 0.0431 which means that the PS has a significant impact on the REV, this is less than the 5% (0.05) significant level.

#### **4.4.3 Hypothesis Three:**

**H<sub>03</sub>:** Bonds (BD) does not have a significant impact on the Revenue (REV) of manufacturing companies in Nigeria.

The BD is the independent variable used in measuring the capital market performance and its coefficient value which is -0.255502 has a negative influence as being shown in Table 4.3.6 above on the dependent variable REV. The t-value of the independent variable is -0.685994 and significant at 0.0232. Since, this is less than the 5% (0.05).

#### **4.4.4 Hypothesis Four:**

**H<sub>04</sub>:** Long-term Funds (LL) does not have a significant impact on the Revenue (REV) of manufacturing companies in Nigeria.

The independent variable LL has a positive influence (as shown in Table 4.3.6) on the dependent variable REV with value 0.094418 which is also seen in appendix A. the t-value of the independent variable is 0.549393 while its significant value is 0.0004 which means that LL has a significant impact on the REV because its t-value significance is less than 5% (0.05) significance level of the statistics.

#### **4.5 Summary**

The empirical result in this chapter revealed that the four hypotheses were tested and the null hypotheses for each of the research hypotheses were all rejected on the stance that the ordinary shares, preference shares, bonds and long-term funds which measures capital market performance have a significant impact on the Revenue (REV) which is the dependent variable as it measures the growth of the companies in the manufacturing sector in Nigeria. The model tested non-significance as to the variables chosen for the research; this was revealed by the f-value in the tables found in the Table 4.3.6 and also the appendices of the study. The  $R^2$  showed that the variation in the independent variables were adequately sufficient for the outcome of the dependent variable for the model formulated while the Durbin Watson result showed that the variables have no evidence of autocorrelation among them.

## CHAPTER FIVE

### SUMMARY, CONCLUSION AND RECOMMENDATIONS

#### 5.1 Summary of Result

This study has attempted to examine how the capital market has impacted performance of manufacturing companies in Nigeria.

The result of the empirical findings is as follows;

- a. The first hypothesis tested that Ordinary shares does not have a significant impact on the Revenue (REV) of the manufacturing companies in Nigeria. The capital market was measured by the Ordinary shares (OS) of the ten manufacturing companies which was the independent variables while the Revenue (REV) measured the growth of the ten manufacturing companies as the dependent variable. The result of the hypothesis revealed that the OS had a positive influence on the REV and has a significant impact on the REV. It means that as the Ordinary shares increase so also the Companies' Revenue (REV) and will also rise for the Manufacturing Companies. The t-statistics (prob.) was 0.0063 which was less than the 0.05% significance level that made it significant.
- b. The second hypothesis tested that Preference shares (PS) does not have a significant impact on the Revenue (REV) of the Manufacturing companies in Nigeria. Preference shares (PS) measured the Capital market performance. The result showed that the PS had positive influence and had a significant impact on the REV. This shown that a rise in the Preference shares will lead to an increase in the Revenue (REV). The result of the hypothesis tested significant with its t-statistics (prob.) at 0.0431 which is less than 0.05%.
- c. The third hypothesis tested that Bonds (BD) does not have a significant impact on the Revenue (REV) of the Manufacturing companies in Nigeria. The result has shown that the BD was negative and significantly impacts on the REV of the manufacturing companies while the negative influence of the Bonds implies that as bonds keeps increasing in the capital market, it will automatically reduce the REV in the Manufacturing sector due to the inverse relationship existing between these variables. The result of the hypothesis tested significant with its t-statistics (prob.) at 0.0232 which is less than 0.05%. The null hypothesis was rejected because of this result and the alternate hypothesis accepted.

- d. The fourth hypothesis tested that Long-term Funds (LL) does not have a significant impact on the Revenue (REV) of the manufacturing companies in Nigeria. The capital market performance was measured by the Long-term Funds (LL) of the ten manufacturing companies which was the independent variables while the Revenue (REV) measured the growth of the ten manufacturing companies as the dependent variable. The result of the hypothesis revealed that the LL had a positive influence on the REV and has a significant impact on the REV. It means that as the Long-term Funds (LL) increases so also will be the Companies' Revenue (REV) and will also rise in the Manufacturing Sector. The t-statistics (prob.) was 0.0004 which was less than the 0.05% significance level that made it significant and rejected the null hypothesis, accepting the alternate hypothesis.
- e. The F-value of the model constructed for the empirical findings resulted in the value; 33.35636. Its significant value was; 0.000845 meaning that the model is statistically significant.
- f. The value of the model's  $R^2$  value was 0.963879 explaining the high variation of the independent variables ability to REV the total variable in the dependent variable i.e. 96.4% (0.964; approximated) is the percentage that explains the dependent variable while 3.6% (0.036) represent percentage of other variables that were not included in the model to explain the dependent variable.
- g. The Durbin Watson (DW) value of the model was as thus; 2.789237. This figure reveals that there was no evidence of autocorrelation among the variables in the model. This means that result of the DW 2.789237 is more 2.00 and less than 4.00. It shows good model fit for analysis.

## **5.2 Conclusion**

According to Osiegbu (2005) posited that capital market is an avenue for companies participating in the market to bid for funds for its business development and expansion in order to keep its businesses growing for existence in the economy. It is at this edge that the purpose of companies (manufacturing companies in this case) coming to the capital market is to sell stocks in increasing their values in ordinary shares, preference shares, bonds long term funds, number of shares and capitalization which in turn will grow or boost their Profit, earnings per share, value of the company' share and dividend of the company. It is at this point, that this research

decided to examine the impact of this performance in the capital market affecting the growth of the Manufacturing Companies in the Nigerian Manufacturing Sector.

In review of the empirical result studied in the previous chapter, it shows that the capital market performance of the Manufacturing Companies significantly affect their profit though it could have a negative effect on the earnings per share, value of shares and dividend as discussed in the previous chapter. Therefore it concludes that the capital market performance will continually affect the growth of the manufacturing companies with a positive result. On the other hand, the financial reports of the selected manufacturing companies have shown that as these companies keep the participation in the capital market by raising more value in their capital through the sales of ordinary shares, preference shares, bonds, long-term funds and other capital instruments in the NSE to vitalized the problems, challenges before their respective companies in order to compete in the industrial market to have a positive outcome at the end of each period.

Following the analysis of the data sourced and computed for trend comparison, the tables in the previous chapter also agreed with the empirical findings of the variables and revealed that even at a point when there is a decrease in the capital market funds, it will not significantly affect the profitability of the manufacturing sector in the Nigerian economy. Also, some challenges faced by the growth of the manufacturing companies which was buttressed in the analysis mostly by the poor performance of long-term funds and ordinary shares from the capital market do not significantly reduce the REV of the Manufacturing sector.

Conclusively, it is evident that performance from the capital market will make the manufacturing companies to keep growing as long as they increase their capitalization and number of shares in the stock market activities.

### **5.3 Recommendations**

The capital market as evident in the empirical findings of this research has shown that it will contribute towards the growth of the manufacturing companies. Therefore, the following are recommended for policies or decision making:

- a. Manufacturing companies should seize the opportunities of funds raised through the capital market in channeling profitable projects and products that will increase the profit, earnings per share and dividend.
- b. Manufacturing companies should endeavour to increase their capitalization so that the value of shares for their companies will increase also.
- c. The government through its agencies should improve the regulations of the capital market operation to be suitable for the small and medium manufacturing companies to operate effectively in the market. This will also give in fact individuals the opportunity to trade in the capital market.
- d. The capital market policies and regulations should be reviewed with recent policies developed through researches to attract more manufacturing companies into the market for stock trading activities.

### **5.5 Contribution to Knowledge**

The following are the knowledge generated through this research”

- i. Modeled capital market and manufacturing companies’ profitability in Nigeria.
- ii. Added to existing knowledge in the field of Banking and Finance.
- iii. Developed a conceptual framework model.

### **5.6 Suggestion for Further Studies**

The following are suggestions for further studies;

- a. Other researches should examine the capital market and its growth on the construction companies.
- b. Studies should endeavour to employ more variables associated with capital market performance.
- c. Other studies could examine more years to acknowledge empirical findings between the capital market and the manufacturing companies.

- d. Further studies should use other market value shares model to examine the effect of capitalization rate of companies listed in the Nigerian Stock Exchange on the growth of these companies' Earnings per Share (EPS).
- e. Further studies should examine the impact of share premium and shares reserves on the growth of manufacturing companies in Nigeria.



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## APPENDIX

Dependent Variable: REV  
Method: Least Squares  
Date: 09/03/16 Time: 10:45  
Sample: 2007 2016  
Included observations: 10

| Variable           | Coefficient | Std. Error            | t-Statistic | Prob.    |
|--------------------|-------------|-----------------------|-------------|----------|
| C                  | 0.944813    | 34.18440              | 0.027639    | 0.9790   |
| OS                 | 0.079679    | 0.449692              | 0.177185    | 0.8663   |
| PS                 | 1.145312    | 0.425028              | 2.694674    | 0.0431   |
| BD                 | -0.255502   | 0.372455              | -0.685994   | 0.5232   |
| LL                 | 0.094418    | 0.171859              | 0.549393    | 0.6064   |
| R-squared          | 0.963879    | Mean dependent var    |             | 109.4900 |
| Adjusted R-squared | 0.934983    | S.D. dependent var    |             | 37.97734 |
| S.E. of regression | 9.683621    | Akaike info criterion |             | 7.685602 |
| Sum squared resid  | 468.8625    | Schwarz criterion     |             | 7.836894 |
| Log likelihood     | -33.42801   | Hannan-Quinn criter.  |             | 7.519634 |
| F-statistic        | 33.35636    | Durbin-Watson stat    |             | 1.789237 |
| Prob(F-statistic)  | 0.000845    |                       |             |          |

Correlation Table

| REV      | OS       | PS       | BD       | LL       |
|----------|----------|----------|----------|----------|
| 1.000000 | 0.882911 | 0.977109 | 0.840130 | 0.812131 |
| 0.882911 | 1.000000 | 0.906446 | 0.824608 | 0.619856 |
| 0.977109 | 0.906446 | 1.000000 | 0.897458 | 0.784863 |
| 0.840130 | 0.824608 | 0.897458 | 1.000000 | 0.598849 |
| 0.812131 | 0.619856 | 0.784863 | 0.598849 | 1.000000 |

Covariance Table

|              | REV      | OS        | PS       | BD        | LL       |
|--------------|----------|-----------|----------|-----------|----------|
| Mean         | 109.4900 | 100.0020  | 100.0010 | 100.0040  | 122.8150 |
| Median       | 103.3100 | 100.2550  | 100.4150 | 102.5400  | 119.7350 |
| Maximum      | 171.2400 | 120.9900  | 149.0300 | 125.4700  | 189.9200 |
| Minimum      | 61.94000 | 72.59000  | 52.94000 | 65.73000  | 80.68000 |
| Std. Dev.    | 37.97734 | 18.21318  | 33.25782 | 21.38066  | 35.14729 |
| Skewness     | 0.438745 | -0.294295 | 0.045891 | -0.373645 | 0.492825 |
| Kurtosis     | 1.983793 | 1.693712  | 1.815120 | 1.854947  | 2.411683 |
| Jarque-Bera  | 0.751110 | 0.855344  | 0.588485 | 0.778996  | 0.549010 |
| Probability  | 0.686908 | 0.652025  | 0.745096 | 0.677397  | 0.759948 |
| Sum          | 1094.900 | 1000.020  | 1000.010 | 1000.040  | 1228.150 |
| Sum Sq. Dev. | 12980.50 | 2985.481  | 9954.742 | 4114.194  | 11117.99 |
| Observations | 10       | 10        | 10       | 10        | 10       |

Null Hypothesis: REV has a unit root  
Exogenous: Constant  
Lag Length: 0 (Automatic - based on SIC, maxlag=1)

|                                        | t-Statistic | Prob.* |
|----------------------------------------|-------------|--------|
| Augmented Dickey-Fuller test statistic | 0.202415    | 0.9545 |
| Test critical values: 1% level         | -4.420595   |        |
| 5% level                               | -3.259808   |        |
| 10% level                              | -2.771129   |        |

\*MacKinnon (1996) one-sided p-values.  
Warning: Probabilities and critical values calculated for 20 observations  
and may not be accurate for a sample size of 9

Augmented Dickey-Fuller Test Equation  
Dependent Variable: D(REV)  
Method: Least Squares  
Date: 09/03/16 Time: 10:54  
Sample (adjusted): 2009 2016  
Included observations: 9 after adjustments

| Variable           | Coefficient | Std. Error            | t-Statistic | Prob.    |
|--------------------|-------------|-----------------------|-------------|----------|
| REV(-1)            | 0.028554    | 0.141069              | 0.202415    | 0.8453   |
| C                  | 9.213933    | 15.13074              | 0.608955    | 0.5618   |
| R-squared          | 0.005819    | Mean dependent var    |             | 12.14444 |
| Adjusted R-squared | -0.136207   | S.D. dependent var    |             | 12.37520 |
| S.E. of regression | 13.19110    | Akaike info criterion |             | 8.190091 |
| Sum squared resid  | 1218.035    | Schwarz criterion     |             | 8.233919 |
| Log likelihood     | -34.85541   | Hannan-Quinn criter.  |             | 8.095511 |
| F-statistic        | 0.040972    | Durbin-Watson stat    |             | 2.727344 |
| Prob(F-statistic)  | 0.845350    |                       |             |          |

Null Hypothesis: OS has a unit root  
Exogenous: Constant  
Lag Length: 1 (Automatic - based on SIC, maxlag=1)

|                                        | t-Statistic | Prob.* |
|----------------------------------------|-------------|--------|
| Augmented Dickey-Fuller test statistic | -1.877284   | 0.3245 |
| Test critical values: 1% level         | -4.582648   |        |
| 5% level                               | -3.320969   |        |
| 10% level                              | -2.801384   |        |

\*MacKinnon (1996) one-sided p-values.  
Warning: Probabilities and critical values calculated for 20 observations  
and may not be accurate for a sample size of 8

Augmented Dickey-Fuller Test Equation  
 Dependent Variable: D(OS)  
 Method: Least Squares  
 Date: 09/03/16 Time: 10:57  
 Sample (adjusted): 2010 2016  
 Included observations: 10 after adjustments

| Variable           | Coefficient | Std. Error            | t-Statistic | Prob.    |
|--------------------|-------------|-----------------------|-------------|----------|
| OS(-1)             | -0.372548   | 0.198450              | -1.877284   | 0.1193   |
| D(OS(-1))          | -0.570132   | 0.256774              | -2.220365   | 0.0771   |
| C                  | 46.09379    | 20.03252              | 2.300947    | 0.0697   |
| R-squared          | 0.693685    | Mean dependent var    |             | 5.266250 |
| Adjusted R-squared | 0.571159    | S.D. dependent var    |             | 12.92490 |
| S.E. of regression | 8.463998    | Akaike info criterion |             | 7.389517 |
| Sum squared resid  | 358.1964    | Schwarz criterion     |             | 7.419307 |
| Log likelihood     | -26.55807   | Hannan-Quinn criter.  |             | 7.188591 |
| F-statistic        | 5.661524    | Durbin-Watson stat    |             | 2.766129 |
| Prob(F-statistic)  | 0.051930    |                       |             |          |

Null Hypothesis: PS has a unit root  
 Exogenous: Constant  
 Lag Length: 1 (Automatic - based on SIC, maxlag=1)

|                                        | t-Statistic | Prob.* |
|----------------------------------------|-------------|--------|
| Augmented Dickey-Fuller test statistic | 0.142826    | 0.9460 |
| Test critical values:                  |             |        |
| 1% level                               | -4.582648   |        |
| 5% level                               | -3.320969   |        |
| 10% level                              | -2.801384   |        |

\*MacKinnon (1996) one-sided p-values.

Warning: Probabilities and critical values calculated for 20 observations  
 and may not be accurate for a sample size of 8

Augmented Dickey-Fuller Test Equation  
 Dependent Variable: D(PS)  
 Method: Least Squares  
 Date: 09/03/16 Time: 10:59  
 Sample (adjusted): 2010 2016  
 Included observations: 10 after adjustments

| Variable           | Coefficient | Std. Error            | t-Statistic | Prob.    |
|--------------------|-------------|-----------------------|-------------|----------|
| PS(-1)             | 0.015149    | 0.106063              | 0.142826    | 0.8920   |
| D(PS(-1))          | -1.093122   | 0.449377              | -2.432528   | 0.0592   |
| C                  | 22.23058    | 9.147941              | 2.430118    | 0.0594   |
| R-squared          | 0.618949    | Mean dependent var    |             | 10.62375 |
| Adjusted R-squared | 0.466529    | S.D. dependent var    |             | 9.222228 |
| S.E. of regression | 6.735833    | Akaike info criterion |             | 6.932757 |
| Sum squared resid  | 226.8573    | Schwarz criterion     |             | 6.962547 |
| Log likelihood     | -24.73103   | Hannan-Quinn criter.  |             | 6.731831 |
| F-statistic        | 4.060804    | Durbin-Watson stat    |             | 3.007492 |
| Prob(F-statistic)  | 0.089631    |                       |             |          |



Null Hypothesis: BD has a unit root  
 Exogenous: Constant  
 Lag Length: 0 (Automatic - based on SIC, maxlag=1)

|                                        | t-Statistic | Prob.* |
|----------------------------------------|-------------|--------|
| Augmented Dickey-Fuller test statistic | -1.461664   | 0.5056 |
| Test critical values: 1% level         | -4.420595   |        |
| 5% level                               | -3.259808   |        |
| 10% level                              | -2.771129   |        |

\*MacKinnon (1996) one-sided p-values.

Warning: Probabilities and critical values calculated for 20 observations  
 and may not be accurate for a sample size of 9

Augmented Dickey-Fuller Test Equation  
 Dependent Variable: D(BD)  
 Method: Least Squares  
 Date: 09/03/16 Time: 11:00  
 Sample (adjusted): 2007 2015  
 Included observations: 9 after adjustments

| Variable           | Coefficient | Std. Error            | t-Statistic | Prob.    |
|--------------------|-------------|-----------------------|-------------|----------|
| BD(-1)             | -0.320454   | 0.219239              | -1.461664   | 0.1872   |
| C                  | 37.60256    | 21.79643              | 1.725170    | 0.1281   |
| R-squared          | 0.233839    | Mean dependent var    |             | 6.380000 |
| Adjusted R-squared | 0.124387    | S.D. dependent var    |             | 13.89849 |
| S.E. of regression | 13.00540    | Akaike info criterion |             | 8.161736 |
| Sum squared resid  | 1183.983    | Schwarz criterion     |             | 8.205564 |
| Log likelihood     | -34.72781   | Hannan-Quinn criter.  |             | 8.067156 |
| F-statistic        | 2.136461    | Durbin-Watson stat    |             | 2.621038 |
| Prob(F-statistic)  | 0.187223    |                       |             |          |

Null Hypothesis: LL has a unit root  
Exogenous: Constant  
Lag Length: 0 (Automatic - based on SIC, maxlag=1)

|                                        | t-Statistic | Prob.* |
|----------------------------------------|-------------|--------|
| Augmented Dickey-Fuller test statistic | -0.938781   | 0.7245 |
| Test critical values: 1% level         | -4.420595   |        |
| 5% level                               | -3.259808   |        |
| 10% level                              | -2.771129   |        |

\*MacKinnon (1996) one-sided p-values.

Warning: Probabilities and critical values calculated for 20 observations  
and may not be accurate for a sample size of 9

Augmented Dickey-Fuller Test Equation  
Dependent Variable: D(LL)  
Method: Least Squares  
Date: 09/03/16 Time: 11:01  
Sample (adjusted): 2007 2015  
Included observations: 9 after adjustments

| Variable           | Coefficient | Std. Error            | t-Statistic | Prob.    |
|--------------------|-------------|-----------------------|-------------|----------|
| LL(-1)             | -0.287375   | 0.306115              | -0.938781   | 0.3791   |
| C                  | 37.41595    | 37.62988              | 0.994315    | 0.3532   |
| R-squared          | 0.111823    | Mean dependent var    |             | 3.344444 |
| Adjusted R-squared | -0.015060   | S.D. dependent var    |             | 29.59770 |
| S.E. of regression | 29.81973    | Akaike info criterion |             | 9.821347 |
| Sum squared resid  | 6224.513    | Schwarz criterion     |             | 9.865175 |
| Log likelihood     | -42.19606   | Hannan-Quinn criter.  |             | 9.726767 |
| F-statistic        | 0.881310    | Durbin-Watson stat    |             | 1.422830 |
| Prob(F-statistic)  | 0.379097    |                       |             |          |