Impact of Privatisation on the Development of Nigerian Capital Market: A Reassessment

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Abstract: Thisarticle examined the impact of privatisation on the development of Nigerian capital market. Market capitalisation (MCAP) is the dependent variable while Number of Listed Companies (NOLC), Number of Deals (DEAL), Number of Listed Securities (NOLS) and Gross Capital Formation (GCF) are the explanatory variables. The data used in this study were obtained from secondary sources, namely the Nigerian Stock Exchange Fact book and Central Bank of Nigeria statistical bulletin. The data covered a period of 30 years ranging from 1986 to 2015 during which privatization was prominent in Nigeria. Unit root test, cointegration test, error correction model (ECM) were employed as the analytical techniques. ADF test showed that the MCAP, NOLC, DEAL, NOL and GCF are stationary at first difference while Johansen Cointegration test showed that there is a long-run relationship among the variables. Findings from the ECM revealed that GCF and NOLC have positive and significant impacts on MCAP; NOLS has positive and insignificant impact on MCAP while DEAL has a negative and insignificant impact on MCAP. The study concluded that privatisation has a significant impact on the development of Nigerian capital market. Hence, government and regulatory authorities should formulate policies aim at promoting domestic investment in the country; encourage listing of unquoted companies by removing stringent listing requirements; ensure the introduction of arrays of financial instruments with which savings could be effectively mobilised and channeled to productive investment; create awareness and sensitize Nigerian investing public of the benefits attendant to share/stock ownership in order to increase participation and Securities and Exchange Commission should be more involved in the determination of the allotment of securities during privatization in order to ensure wider spread.

Keywords: Privatisation; capital market; listed companies; deal; listed securities

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1. Introduction

Nigeria at the earlier stage of development was characterized by large presence of government which resulted in the creation and establishment of about 600 federally owned public enterprises (Mahmoud, 2003). Public enterprises are government-owned enterprises established for the purpose of providing infrastructural facilities which include electricity, telecommunication services, water and other essential services. These facilities enhance the general welfare of the society but the consumer may not purchase enough except for government intervention. Also the amount involved in some of the facilities and the consequent risk may be too much for private sector to shoulder. (Oladele, Adaramola, Akinruwa & Obalade, 2015). The urgency and expectation for rapid growth, early transformation of the economic structure, and improvement in society's welfare at the early stage of development and independence meant that the only individuals and institutions with huge resources at their disposal would be able to achieve those objectives. Thus, government for purely strategic reasons acted on behalf of the citizens who could not raise the required equity capital by establishing public enterprises (Gugong, 2000).

United Nation Development Programme (1990) noted that despite the huge sums spent by various governments on these public enterprises; their performance has been far below expectation. The problems of public enterprises are multidimensional. According to World Bank's Human Development Report of 1983 and Gugong (2000), these problems include poorly planned investments; political influence in decision-making; costly and inefficient application of public funds; increasing budgetary burden; over-extension of government managerial capacity; and diversion of credit and other resources from the private sector. This report plus the observed general inefficiency of state owned enterprises became the launching pad of a global programme of public enterprises' reforms in Nigeria and a clamour for limited government involvement in enterprises. This resulted in a new economic order, which is characterised by Structural Adjustment Programme (SAP) the primary objective being to ensure efficiency and effectiveness in resource allocation and utilisation. In an attempt to achieve this, a viable option was the privatisation of previously owned government enterprises.

In Nigeria, one of the consequences of privatisation is the increase in the number of companies listed on the Nigerian Stock Exchange. This in addition to deregulation brings about increased public participation in capital market activities. Capital Market plays a significant role in facilitating and stimulating socioeconomic growth and development via the mobilisation and formation of long-term funds for investment. The trend in number of listed companies; number of listed securities engendered by privatisation exercise are important barometers for the assessment ofcapital market effect of privatisation (Babalola & Adegbite, 2001; Oladele et al.,

2015). With the obvious importance of capital market, and of role of privatisation therein, empirical examination of the process is rare as the discussion of impacts is usually limited to economic growth effect and sometimes change in enterprise performance. In Nigeria Obadan (2008), in a review of privatisation issues, identified capital market effect of privatisation as one of the areas begging for critical investigation. An attempt in this direction in is Oladele *et al.* (2015). The study is, however, noted to have certain shortcomings such as the omission of some variables or important measures of privatisation on capital market such as the number of deals and number of listed companies. This necessitate further study on the subject matter, hence the current study.

2. Literature Review

2.1.1. Conceptual Clarification

Zayyad (2007) describes of privatisation as the transfer of state-owned shares in designated enterprises to individuals and/or institutional investors' or as involving a change of ownership of enterprises from the government to private owned. In line with Privatisation and Commercialisation Act of 1988 and the Bureau of Public Enterprises Act of 1993, it involves surrendering of the whole or portion of the equity and other interest owned by the central Government or any of its parastatals, in enterprises whether totally or partly held by the government. To Jerome (2008), privatisation is a policy aimed at altering the mix in ownership and management of enterprises away from government to private sector. Authors have defined privatization in various ways. Kalejaiye, Adebayo and Lawal (2013) noted that privatization involves a socio-economic reorganization of activities where social services that were hitherto provided by government are now transferred to private investors. The common privatization strategies in Nigeria include offer of shares to the public, trade sale, sales of assets, new equity investment by the private sector, reorganization or breakup, employee or management buyout and management contracts and leases (Salako, 1996, Oladele et. al., 2015). Privatization is the process whereby the ownership of the state's productive assets, often utilities or large industrial enterprises, are transferred into private hands (Saul, 2007).

Mahmoud (2003) noted that privatization in Nigeria is an integral parts of Structural Adjustment Programme the aim being to enhance the efficiency of resource allocation of government. The core objectives are reducing fiscal deficits, building a broader tax base, attracting more investment and growing the private sector. Accordingly, Obadan (2008), privatisation ranges from sales of a public enterprise in full to private buyers or introduction of private capital into the public enterprises either through a sale of some government equity. Gugong (2000) stated that among the broad options available for privatisation, divestiture of ownership is the

commonest form. It has to do with the selling of government owned assets to private buyers, thereby removing government investment entirely from such establishment. The three forms of divestment are (i) Negotiated sale; (ii) Auction to the highest bidder; and (iii) Public offering of share or sale to the company's workers.

2.1.2. The Nigerian Stock Market

The Nigerian Stock Market can be classified into two sections namely: the primary or new issue market and the secondary market. The primary market is a market for first-hand securities for raising new capital by government and corporate bodies. These instruments which entail government bonds and corporate securities like debenture and shares, form the basis of the operations in the secondary market. The major operators in this market are the issuing houses, government and corporate bodies. The secondary market represents market for trading of second-handinstruments. It is a market where transfer of ownership of securities takes place. The main institution in this section is the Nigerian Stock Exchange (NSE). The Nigerian Stock Exchange was set up in 1959 as the Lagos Stock Exchange and started operations in June 1961 following the enactment of the Lagos Stock Exchange Act 1961. It metamorphosed to Nigeria Stock Exchange in 1977 (Nnanna, Englama & Odoko, 2004; Adeusi, Sulaiman & Azeez, 2013). Second-Tier Securities Market (SSM) was introduced in 1985 to provide avenue for listing of small and medium-sized Nigerian companies and give them access to long term capital. Transactions in the market witnessed Improvement in listed securities, market capitalization and all-share index. This is as a result of the establishment SSM in 1985 and liberalization policy in 1986, coupled with the privatisation of some state owned enterprises in 1991 (Babalola & Adegbite, 1999). The Nigerian Capital Market played a paramount role in the privatization of the State Owned Enterprises (SOEs) by giving creditability and transparency to the exercise (Anyanwu, Oyefusi, Oaikhenan & Dimowo, 1997).

2.2. Theoretical Framework

The study is underpinned by capital market effect of privatisation.It is established in literature that increased activities in the capital market owing to privatisation exercise would affect capital market. Megginson and Boutchkova (2000) noted that “although governments usually adopt privatisation programs primarily to raise revenue, and in order to improve the (often dreadful) economic efficiency of former state-owned enterprises, most also hope that privatisation implemented through public share offerings will develop their national stock markets”. Also, Privatisations have contributed not only to the rise of the global capital markets but, more importantly, have increased capitalization and liquidity of almost all non-U.S. national stock markets (Guriev & Megginson, 2005). To Babalola and Adegbite (2001), the trend in number of listed companies and number of listed securities

engendered by privatisation exercise are important barometers for the assessment of capital market performance.

2.3. Empirical Review

Zuzana, (2005) explored a study on effects of mass privatization on capital market creation in transition economies, the time period under consideration covers the whole transition period, from 1990 to 2003 and employed panel data econometric techniques. The study used market capitalization to GDP as dependent variable while stock traded growth, turnover ratio, new capital raised are regressed as independent variable. The findings of the study indicated that stock traded growth, turnover ratio have positive and statistically significant effect on mass privitalisation (market capitalization to GDP) while new capital raised is positive but insignificant. Bernardo, Frank, Giovanna, and Ibolya (2004) in Sweden reviewed privatisation and stock market liquidity in 19 advanced countriesover 1985 to 2000. The result of the analysis showed that stock market liquidity as well as the liquidity of privatised firms are directly linked to privatisation. In Canada, Gentzoglanis, (2002) examined privatization and economic growth in MENA Countries from 1997 to 2001. The study found that investment in infrastructure increases significantly for most of the firms in the sample, efficiency, as measured by sales to total assets decreases, production as measured by real sales decreases, profitability increases insignificantly, the study concluded that privatization and entry do increase investment in the sample countries examined.

A study was conducted in Greece by Yannis and Elissavet (2002) titled fiscal and other macroeconomic effects of privatization for the period 1990–2000. PRIV/GDP represents privatization while public deficit, public debt and unemployment represent independent variables proxies for fiscal and other macroeconomic variables. The result of panel data of 23 OECD countries showed that privatization receipts are not significantly correlated with budget deficit, there exists a statistically significant and negative relation between privatization receipts and public debt, and current privatization receipts have a statistically significant and negative effect on the current unemployment rate for all the OECD countries. William and Maria (2000) examined the impact of privatization on capital market development and individual share ownership from 1980-1999 in USA using empirical analysis, research documented that the percentage of total domestic credit from the banking industry relative to GDP, has remained unchanged (125 percent), stock market capitalization as a percent of GDP increased positively, Share issue privatizations (SIPs) contributed significantly to market development, total capitalization is not significant, SIP investors earn significantly positive excess.

Laura and Silvia (2007) examined the Spanish privatisation process and implications on the performance of divested firms for the period of 1985 to 2000. From the industrial point of view, the study revealed that the short term operational efficiency

and profitability of the privatised firms have not improved significantly based on the pre-post-privatisation comparisons. Conversely, there are evidences of long term improvements in divested firms' industry-adjusted profitability and efficiency. In addition, the study revealed that the success of privatisation exercise in terms of profitability and efficiency gains cannot be divorced from the prevailingmacroeconomic environment. Using a sample of 22 privatized cement plants in Turkey between 1983 and 1999, Cagla and Peren (2006) examined the effects of privatization on efficiency and found thatproductive efficiency of privatized plants are as a result of reduction in work force. Economic growth effect of privatisation was studied by Narjess, Houcem and Myriam (2010) in 56 emerging and developed economies between 1980 and 2004. OLS and dynamic panel data results showed that increase in population; government consumption and general rise in price levelhave adverse effect on economic growth. However, economic growth is an increasing function of direct investment, domestic saving, and stock market development.

Significant number of empirical investigations have reported high and significant correlation between economic and stock market developments. This strong conclusion seems to be true across time and for many countries. Furthermore, data have revealed that increase in number of listed companies and expansion in equity market capitalisation occur as economies develop (Atje & Jovanovich, 1993; Demirgüç-Kunt & Levine, 1996a, 1996b; Demirguc-Kunt & Maksimovic, 1996; Korajczyk, 1996; Levine & Zervos, 1996; 1998). Megginson and Boutchkova (2000) noted that a careful examination of the historical evolution of non-US stock markets since 1980 suggests that large scale privatisations have indeed played a key expansive role almost everywhere, especially because they are generally among the largest firms in national markets. The study estimated the impact of share issue privatizations on the growth of world capital markets, especially stock markets effect of privatization on the pattern of share ownership by individuals and institutional investors. The study concluded that total domestic credit provided by the banking sector, as a percent of GDP, remained virtually constant; stock market capitalization as a percent of GDP increases notably in high income countries; Share trading volume (value of shares traded) increases and market value of privatized firms grows for the world as a whole during the study period.

Gugong (2004) presented an assessment of the impact of privatisation on the Nigerian Capital market using a descriptive statistical analysis. Tables and percentage used shows a steady growth in the number of value of industrial securities traded, the total number of transaction, new issues, number of firms listed on the Exchange and number of listed Securities all of which can be attributed to the positive effect of privatisation on capital. Kalejaiye et. al. (2013) stressed that the exercise has both positive and adverse effect and that labour unions' involvement, increased socioeconomic stability and the establishment of more efficient regulatory

agencies would deliver the desired outcome. Echekoba, Ezu and Egbunike (2013) examined the impact of capital market on the growth of the Nigerian economy under a democratic rule. Using time series data, result of the multivariate regression analysis shows insignificant influence of capital market on the GDP growth rate. This is supported by the findings of Sunday, Atim and Jude (2009); Pat and James (2010); Josiah, Samson and Akpeti (2012) using regression method.

Kolapo and Adaramola (2012) investigated the effect of the Nigerian capital market on economic growth over 1990 to 2010. It showed that the Nigerian capital market (Market Capitalization (MCAP), Total New Issues (TNI), Value of Transactions (VLT), and Total Listed Equities and Government Stocks (LEGS) and economic growth have a long run relationship and concluded that the capital market activities tend to impact positively on the economy. Mustapha and Yusuf (2013) examined the relationship between Nigerian Capital Market and economic growth using time series data from 1986 to 2012 using co-integration and error correction techniques. They found a long–run relationship between capital market indicators and Nigerian economy. Similarly, Udoka and Anyingang (2007) discovered a strong and positive relationship between GDP and privatization. It must be noted that the theoretical relationship between privatization and stock market development is implied. Ifionu and Ogbuagu (2013) evaluated privatization and economic performance for the period between 1990 and 2010. The study found that privatization has not impacted positively on economic growth in Nigeria. Pat and James (2010) examined the effect of the Nigerian capital market on socio-economic development from 1981 to 2008. Results of ordinary least square revealed that capital market has no significanteffect on the GDP.

Obadan (2008) in Nigeria undertook a critical review of privatisation issues as a prelude to an in-depth study of the economic and social impact of privatisation. The study summarises the relevant questions in a study of privatization to include economic, political and social framework of privatization; broad and narrow definition; incentives; consensus; objectives; methods; economic effect; role of donors and international financial institutions; economic growth effect; macroeconomic effect; capital market effect; private/public enterprises effect; economic efficiency effect; social effect and employment effect. A critical examination of the impacts of privatization on Nigerian capital market development was carried out by Oladele *et al.* (2015) over a period of 25 years (1986-2011). Ordinary Least Square regression, Augmented Dickey Fuller Unit Root, Johansen co-integration test and Error Correction Mechanism were employed to investigate the dynamic relationship between increased participation in the capital market and Nigerian Stock Exchange market capitalization. Results show that dynamic long run relationships exist among the variables. The study concludes based on co-integration result that privatization as proxied by number of listed securities and volume of transaction has a significant negative effect on capital market development.

3. Research Method

3.1. Data

The data used in this study were obtained from secondary sources, namely the Nigerian Stock Exchange Fact book and Central Bank of Nigeria statistical bulletin. The annual data covered a period of 30 years ranging from 1986 to 2015 during which privatization was prominent in Nigeria. Market capitalisation (MCAP) is the dependent variable while Number of Listed Companies (NOLC), Number of Deals (DEAL), Number of Listed Securities (NOLS) and Gross Capital Formation (GCF) are the explanatory variables.

3.2. Model Specification

The model to be used in this study is guided by the relevant empirical studies. Model used in Oladele*et. al.* (2015) in a similar study is presented below.

$$MCAP_t = F(GCF, VOT, NOLS) \quad 1$$

Given the introduction of number of listed companies and replacement of value of trade with number of deals in the current study, the modified model used in this study is specified as follows:

$$MCAP_t = F(GCF, DEAL, NOLC, NOLS) \quad 2$$

Presenting the above model in equation form:

$$MCAP_t = \beta_0 + \beta_1 GCF_t + \beta_2 DEAL_t + \beta_3 NOLC_t + \beta_4 NOLS_t + \cup_t \quad 3$$

Where:

$MCAP_t$ = natural logarithm ofmarket capitalisationat time t

GCF_t = natural logarithm ofGross Capital Formation at time t

$DEAL_t$ = natural logarithm ofnumber of deal at time t

$NOLC_t$ = natural logarithm ofNumber of Listed companiesat time t

$NOLS_t$ = natural logarithm ofNumber of Listed Securities at time t

$\cup$ = stochastic error term

β_i = coefficients of independent variables

It is expected that at the end of the analysis that explanatory variables will have a positive relationship with the dependent variable Market Capitalization (MCAP). This can be summarized thus: $\beta_1 > 0$, $\beta_2 > 0$, $\beta_3 > 0$ and $\beta_4 > 0$.

3.3. Estimation Technique

Augmented Dickey Fuller (ADF) unit root test and Johansen co-integration test were employed in determining the stationarity of the variables and existence of long run

relationship respectively. The study applied Error Correction Model (ECM) for the determination of short run dynamics and direction of errors between dependent and explanatory variables. Reliability of the predictors was determined using standard error test. Unit root test developed by Dickey and Fuller (1979) was used to determine the time series characteristics and order of integration of the variables. In order to determine the cointegrating relationship between the variables, the two test statistics proposed by Johansen arethe trace statistics and maximum eigen value statistic. The computed values are compared to the critical values to determine the exact number of co-integrating equations.

3.4. Error Correction Mechanism

The error Correction Mechanism is employed to investigate the short-run dynamics in the relationship between market capitalisation, gross capital formation, number of deals, number of listed companies and number of listed securities. The significance of error correction model lies in its ability to correct spurious regression results on time series data. The error correction model (ECM) is specified as:

$$\Delta MCAP_t = \beta_0 + \beta_1 \Delta GCF_{t-1} + \beta_2 \Delta DEAL_{t-1} + \beta_3 \Delta NOLC_{t-1} + \beta_4 \Delta NOLS_{t-1} + \Lambda ECM_{t-1} + \Sigma_t \quad 4$$

Where: ECM_{t-1}= Error correction term; $\Lambda = ECM$ coefficient, $t-1$ shows variables were lagged by one period; Σ_t = white noise residual.

4. Empirical Results and Discussion of Findings

4.1. Unit Root Test

The unit root test was carried out using the Augmented Dickey-Fuller (ADF) tests. The variables, namely (market capitalization (MCAP), number of deals (DEAL), gross capital formation (GCF), number of listed securities (NOLS) and number of listed companies (NOLC) were not stationary at level. The result of ADF unit root test at first difference is presented in table 1. It can be seen that ADF test statistics are greater than Mackkinon critical values at first difference. All the variables are 1(1), stationary at 5% level.

Table 1.ADF Unit Root Test Results at Level

Variables	ADF Test Statistics	Critical Value	Order of Integration	Remarks
lnMCAP	-3.793452	-3.587527	I(1) **	Stationary
lnDEAL	-4.329753	-3.587527	I(1) **	Stationary
lnGCF	-4.995474	-3.587527	I(1) **	Stationary
lnNOLS	-9.559926	-3.587527	I(1) **	Stationary
lnNOLC	-4.230807	-3.587527	I(1) **	Stationary

*(**) denotes significance at 1&5 percent level

4.2. Co-integration Test

To test for the presence of long run relationship, the co-integration test was done using Johansen maximum likelihood ratio approach.In the Johansen co-integration test, the trace statistics and max-eigen statistics is compared with 5% and 1% critical values in order to determine the number of co-integrating vectors in the model.

Table 2. Johansen Co-Integration Test Result

Hypothesised No. of CE(s)	Eigen Value	Trace Statistic	5% Critical Value	Prob. **	Max-Eigen Statistic	5% Critical Value	Prob. **
None *	0.834579	119.3127	88.80380	0.0001	50.37926	38.33101	0.0013
At most 1 *	0.596328	68.93341	63.87610	0.0177	25.40024	32.11832	0.2637
At most 2 *	0.470527	43.53317	42.91525	0.0433	17.80447	25.82321	0.3923
At most 3	0.434817	25.72870	25.87211	0.0521	15.97698	19.38704	0.1462
At most 4	0.294096	9.751718	12.51798	0.1389	9.751718	12.51798	0.1389
Trace test indicates 3 cointegrating eqn(s) & Max-eigenvalue test indicates 1 cointegrating eqn(s) * denotes rejection of the hypothesis at the 0.05 level **MacKinnon-Haug-Michelis (1999) p-values							

Table 3. Normalised Cointegrating Coefficients

1 Cointegrating Equation(s): Log likelihood 728.3934 Normalised cointegrating coefficients (standard error in parentheses)				
LMCAP	LDEAL	LGCF	LNOLS	LNOLC
1.000000	-3.19E-07	2.17E-07	-9.58E-07	3.02E-06
	(4.3E-07)	(2.6E-07)	(6.3E-07)	(1.8E-06)

Table 2 showed the trace and max-eigen statistics tests. The existence of long run relationship is confirmed with the two statistics greater than the 5% critical values at nonehypothesised no. of CE(s).Moreover, Table 3 indicates the long-run cointegration equation among the variables in the model. From the table, it can be seen that the dependent variable (i.e. Market capitalisation - MCAP) depicts a positive long-run equilibrium relationship with gross capital formation (GCF) and number of listed companies (NOLC).Hence, 1% change in the level of gross capital formation and number of listed companies will increase the market capitalisation by 21% and 30% respectively. Conversely, number of deal (DEAL) and number of listed securities (NOLS) have a negative relationship with the explained variable in the long-run. This implies that 1% increase in number of deal (DEAL) and number of listed securities (NOLS) will bring about 31% and 95% decrease in market capitalisation.

4.4. Error Correction Model (ECM)

The Error Correction Model (ECM) intends to validate the presence of long-run relationship and incorporate the short-run dynamics into the long-run equilibrium relationship. The presence of long run relationship leads to the estimation of error

correction model. The result of the parsimonious ECM is given in table 4and it showed a feed-backs of about 61 percent from the past period disequilibria between the present and past values of variables.The error correction term must be significant and negative as shown in the table, thus validating the presence of long run relationship among the variables and that about 61% of the short run errors are corrected and reflected in the long run dynamics, annually.

The table shows that LMCAP(-1), LGCF(-1),2) and LNOLC(-1),2) are positive at 5% significant level. LNOLS(2) depicts positive but insignificant relationship with MCAP. A % change in GCF, NOLC and NOLS increase MCAP by about 12%, 11% and 13% respectively. Conversely, LDEAL(-1),2) continues to impact negatively on MCAP. Hence, a % increase in DEAL brings about 6% decreases in market capitalization. The model is significant with probability of f-statistics (0.0000) lesser than 5%. Adjusted R^2 of 0.611 showed that 61% of changes in MCAP can be explained by LGCF, LDEAL, LNOLS and LNOLC. The Durbin Watson Statistics of 2.188750shows that the null hypothesis of no serial correlation falls within the acceptance region.

Table 4. Parsimonious Error Correction Model Result

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-1.804838	2.681577	-6.716439	0.0000
LMCAP(-1)	5.119907	8.106108	6.310934	0.0000
D(LDEAL(-1),2)	-6.848510	1.086309	-0.635116	0.5326
D(LGCF(-1),2)	1.274024	0.436468	2.918958	0.0100
D(LNOLS,2)	1.389709	1.390009	0.990267	0.3339
D(LNOLC(-1),2)	0.115366	0.031316	3.683971	0.0008
D(ECM-1)	-0.609727	0.141304	-4.314990	0.0001
R-squared	0.701052	Prob(F-statistic)	0.000000	
Adjusted R-squared	0.611367	Durbin-Watson stat	2.188750	

4.5. Discussion and Implication of Findings

The broad objective of the study is to examine the impact of privatisation on Nigerian capital market. Findings from the parsimonious error correction revealed that gross capital formation impacts positively and significantly on market capitalisation. That is the increase in domestic investment promotes capital market activities and this has implication for government. The finding conforms to the *a priori* expectation and theory. The finding also supports Oladele *et. al.* (2015) which submitted that gross capital formation has a significant impact on Nigerian capital market.

The number of listed companies also has a positive impact on market capitalisation. The significance of increased number of listed companies engendered by privatisation in influencing market capitalisation means that it is one of the factors that determine the activities in the capital market over the year. The implication of

this to the regulatory authority is that the higher the number of companies listed in the stock market; the higher the level of development in the market. This finding is consistent with the economic *a priori* and the submission of Megginson and Boutchkova (2000) and (Guriev & Megginson, 2005) that privatisation have contributed to the rise of the global capital markets and have increased capitalisation as well as Babalola and Adegbite (2001) which noted that trend in number of listed companies and number of listed securities engendered by privatisation exercise are important barometers for the assessment of capital market performance.

Number of listed securities has a positive impact on stock market capitalisation. In order words, number of tradable securities on the floor of NSE enhances the development of the stock market. The finding is in consonance with the *a priori* expectation. The impact of number of listed securities on stock market is not significant and this beats the study's *a priori* expectation. This may be traceable to insignificant number of arrays of financial instruments available for trading on the floor of the exchange. The implication for the regulatory authority of the exchange is that the market is short of different forms of financial instruments with which savings could be effectively mobilised.

Number of deal has a negative impact on stock market capitalisation. In order words, number of transaction undertaken on the floor of NSE has not enhanced the development of the stock market. The finding is at variance with the *a priori* expectation but consistent with Oladele *et. al.* (2015) which used volume of trading as opposed to number of deals used in the current study. The impact of number of deal on stock market is not significant and this cannot be divorced from the fact that the level of transaction in the market has been lower than expected due to the uncertainty and instability that characterized the economy at large.

5. Concluding Remarks

5.1. Recommendation

The study revealed that privatisation through increased domestic investment, number of listed companies, number of listed securities and number deals have impact on capital market development. Based on the findings of the study, Government and regulatory authorities should formulate policies aim at promoting domestic investment in the country; regulatory authority of the Nigerian capital market should encourage listing of unquoted companies by removing listing requirements that are too stringent as long as the removal is not at the detriment of sanctity, sanity and stability of the market; SEC through the NSE should ensure the introduction of arrays of financial instruments with which savings could be effectively mobilised and channeled to productive investment; Securities and Exchange Commission should be more involved in the determination of the allotment of securities during

privatization in order to ensure wider spread and create awareness and continuous sensitisation of Nigerian investing public of the benefits attendant to share/stock ownership in order to increase participation.

5.2. Contributions to Knowledge

The study has contributed to the existing body of knowledge on the capital market effect of privatisation in Nigeria. Notably, the study established that privatisation through increase in domestic investment, increase in the number of listed companies and increase in number of listed securities promotes the development of capital market in Nigeria while privatisation through number of deals does not contribute to market development in Nigeria.

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