

Effect Of Share Crash Crisis On Shareholders' Wealth In Nigeria, (2008 -2016)

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ABSTRACT: *This paper examined the effects of share crash crisis on shareholders' wealth in the post share crisis period - from April, 2008 to March, 2016) in the Nigeria stock markets. Shareholders from three veritable investment sectors that yield steady return to investors before the advent of share crisis, the officials of stock market regulatory institutions and licensed stock brokers in Nigeria were sources of our assessment. Consequent upon this, the trend of movement of share prices/values from April, 2008 to March, 2016 were critically monitored in the selected sectors of Nigeria economy. Data were analyzed through Analysis of Variance (ANOVA) and the student's t- test. The paper revealed that share crash crisis basically have a significant effect on Shareholders' Wealth, posing a great challenge to stock market regulatory institutions in Nigeria as the p value of yearly average EPS was (0.000) in the post share crisis period which is lower than (0.05) level of significance recorded in the pre - crisis period. The paper concluded that share crash crisis was responsible for the crash of share values which resulted to wealth-loss experienced by investors in the post share crisis period in Nigeria stock markets such that average Nigerian now dread staking their funds on shares in the Nigeria stock markets. Based on this, proactive stock market regulations and reforms capable of reviving and safeguards the wealth of investors in this sector were recommended.*

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I. INTRODUCTION

Generally, stock market serves as an economic barometer used in measuring the wealth and financial well-being of an economy (Esosa, 2010). It also served as the platform where medium and long-term funds exchange hand between willing entities. Under this nexus, shareholders are the provider of funds and listed companies are the users of the fund. The modus operandi of every stock markets all over the world necessitates the involvement of regulatory institutions established for the purpose of making regulations to ensure smooth and effective operationalization of the market (Akande, 2016). Effective operation of stock markets demands that all the participants get their bit of benefits as the economic trend dictates, but more often than not the providers of the funds are always at a loss end especially during any share crisis periods.

Shareholders wealth is the summation of value of investment of shares of listed companies in Stock Exchange Markets. It covers the amount invested, the returns expected and the dividend received by individual investors in the market. The portion of earnings/returns appropriated to shareholders from stock markets proceeds is usually determined by dividend and capital gain when resale of shares are made. The study carried out by Muhammed, Nadeem and Liaquat in 2008, suggested that there is a long-run relationship between shareholders' wealth and effectiveness of the enabling stock markets regulations. Thus, the components of shareholders wealth - share unit price, earning per share and dividend payment record to shareholders are variables that need critical examination in the face of economic crisis especially in developing economy

II. THEORETICAL FRAMEWORK

The Nigeria stock markets records had shown that the trend of investment on the market has been on decrease in virtually all sectors of economy due to economic crisis which began from April, 2008 in Nigeria. This singular act is responsible for a sudden records of declension in the earnings of shares and returns that get to the hand of investors in Nigeria. Origin of the global economic crisis has been traced to the United State of America and since then, it has become an economic syndrome that most developing countries of the world are battling with. Consequent upon this, investors experienced serious wealth-loss due to pannis disposal of their shares in veritable listed companies. Esosa, (2009) opined that an economy where the stock market performance keeps declining need urgent examination, especially its enabling regulations since the stock market is the primary indicator and tool of measuring economic strength and development of a nation. Tharavaniji (2007), observed that countries with deeper capital market rules and regulations face less severe business cycle

output contraction and lower chances of economic downturn compared to those with less developed capital market. He further stressed in the study that market development is often built on the platform of return yielding. Amaghionyeodiwe (2003) 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. It was 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 did not state clearly the defense for providers of fund but generalize its result, however he encouraged Security Exchange Commission in Nigeria to facilitate the stability of the market so as to restore smooth operation and the confidence of stock market participants and safeguard the interest of shareholders by checking sharp practices of market operators. From all indications, stock market development can save a Nation from economic mess if well channeled and focused on a veritable sector like agriculture and raw material based companies. Ewah et al (2009), appraise the impact of the capital market efficiency on economic growth of 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 (2005), 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 (2001) argues that financial sector development facilitates capital market development, and in turn raises real growth of the economy. Similarly, kolapo and Adaromola (2012), found that Nigerian capital market development has significant relationship with economic growth, just as Abdullahi (2005), agrees that capital market development in Nigeria is an engine to her economic growth. According to Robert (2005), the principal theory is that the price movement of a stock indicates what investors feel a company is worth. He went further to say that the price of a stock does not only reflect a company current values, it also reflects the growth expectation of investors which is the attribute that attract investors to subscribe to share in any sector. But this attractiveness is lacking in the share values on the Nigeria Stock Exchange Markets especially since the advent of the global economic crisis in 2008. The most important factor that affect shareholders wealth is the price of the share which functions as determinant of earnings. The quest that arise from this end is that, can there be economic growth of a nation without recourse to individual wealth owners, can anyone be interested in a venture that eat up its fortune, when will the symptom of crises be erased from developing countries economy. These are the question that beg answers which only those whose wealth sank into this saga of investment can provide answers. Thus, evaluation of investor's wealth connectivity with economic crisis becomes expedient, hence this analysis

III. DATA ANALYSIS AND FINDINGS.

Table 4.1: Rate of Share Price Changes between Pre - and PostShare Crisis Period

Sector/Company	Yearly Average Changes		Pre – Period % Change		Post - Period % Change	
	Pre	Post	@ OP	@ CP	@ OP	@ CP
BREWERIES: Guinness PLC	99.94	114.17	47.86	23.01	-16.91	136.74
International Breweries	5.17	10.09	155.3	61.89	28.25	209.91
Nigeria Breweries	37.32	43.37	4.98	0.75	8.17	10.27
Premier Breweries	0.71	0.69	8.45	1.41	1.45	-1.45
INSURANCE: ACBN PLC	1.94	195	1.03	1.55	-0.87	0.00
Cornerstone PLC	3.92	1.57	3.32	9.95	-10.83	15.92
Consolidated. Hallmark PLC	2.42	1.30	35.5	8.26	8.46	-17.69
Commercial Reinsurance	1.21	1.32	15.7	19.01	8.83	17.42
PETRO: Africa Petro.	18.96	142	9.39	9.34	82.56	-3.73
Mobile Oil	115.83	152.4	3.67	9.53	19.09	-26.14
Chevron	113.5	129	7.93	4.41	72.23	0.31
OANDO	44.53	94.88	25.99	15.99	23.72	5.11

Source: Author's Computation, 2016

Data on share price yearly average changes, related percentages at the opening and closing periods in the pre - and post - share crisis period are as shown in the Table above. It showed the rate at which each selected listed company share prices reacted to stock market crash during the period of study in Nigeria. To arrive at this, twelve months records of data of the twelve selected listed companies from three sectors of economy were examined for a period of ten years from April, 2004 to March, 2008 as the pre - share crisis period and from April, 2008 to March 2016 as the post crisis period. Generally, selected companies showed a stable trend at the pre – share crisis period while post share crisis period showed a declining results, The rate at which share prices changed in the pre - share crisis period showed a relatively positive increase trend as opposed to that of the post-share crisis period which showed a declining trend. Based on this result, average changes of share prices of companies in each sector were determined and the company with the closest average rate was sampled for

graphical presentation of price change in each selected sector of the economy. Related data of each selected sampled company in each of the selected sectors were generally presented in the graphs below:

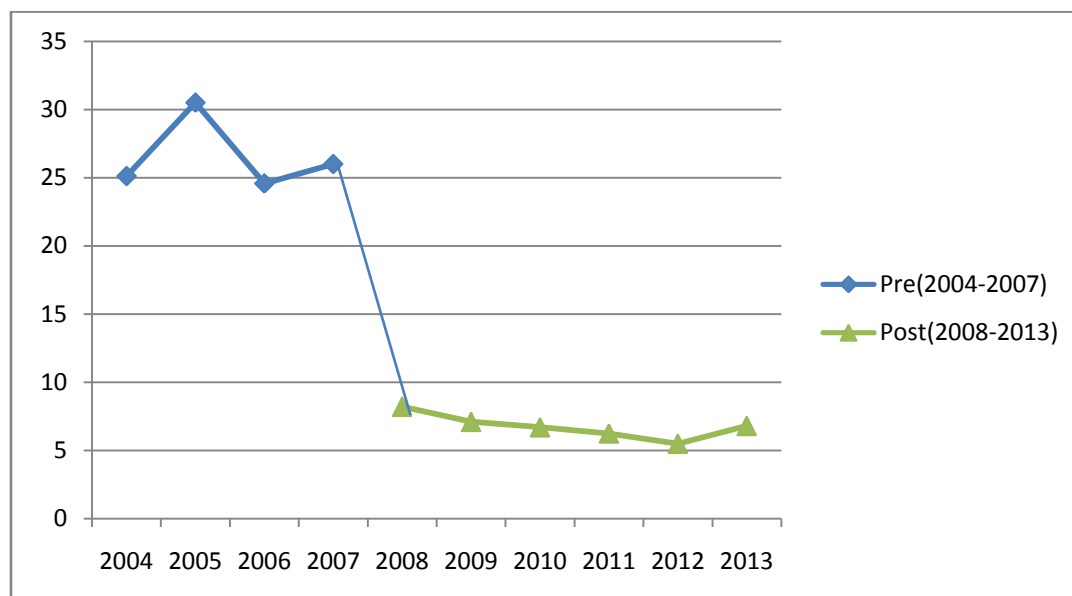


Figure 4.2: Graph of Share Price Movement in Brewery sector from April, 2004 – March, 2016.

The average unit price of shares improved from 2004 to 2005, decline slightly up to the end of 2006 before it picked a little in 2007 and suddenly declined after 2007, the trend of downward movement since then up to March, 2014 is still critical as sectorial result has not regained the value recorded in the pre share crisis period in Nigeria. The study also sought for opinion of three different groups who are major partakers in the stock market operations and share business proceed of the Nigeria Stock Exchange Markets. The group are the shareholders of the selected companies, management and staff of licensed issuing houses and the officials of stock market regulatory institutions in Nigeria.

Earnings per Share Records of selected listed companies

In this sub section, the average earnings were presented based on the two classified period in Nigeria economy.

Table 4.45 Earnings Per Share Indices (EPS) Average During Pre- Share Crisis

Sectors	2004	2005	2006	2007	Average.
Petroleum - AP	8.18	10.65	7.41	8.66	8.73
Chevron	16.15	17.65	12.18	13.10	14.77
Mobil Oil	10.08	7.14	4.71	7.39	7.31
Oando	4.66	4.11	4.22	4.76	4.44 8.81
Breweries - Guinness	7.20	6.80	7.80	8.20	7.50
N B	1.09	1.44	2.50	2.76	1.95
I B	0.30	0.43	0.23	0.36	0.33
Premier Brew.	0.20	0.26	0.32	0.28	0.27 2.51

Stock Watch and Equities Prices in Nigeria, 2008 -2016

Table 4.46: EPS Average During Post Share Crisis Period /Industrial Average

Petroleum? AP	5.59	12.94	16.46	17.20	13.73	12.94	14.14
Chevron	10.10	14.16	16.20	19.10	18.14	18.16	15.98
Mobil Oil	6.22	9.46	9.88	9.94	10.12	11.68	9.55
Oando	7.01	5.15	7.82	8.64	10.20	10.24	8.18 12
Breweries: Guinness	4.04	5.02	4.00	4.00	5.00	5.93	5.05
N B	3.04	2.18	2.04	3.00	2.5	2.72	2.48
I B	1.40	1.02	1.1	1.2	1.00	1.20	1.15
P B	0.03	0.14	0.02	0.5	0.04	0.04	0.12 3.5

Stock Watch and Equities Prices in Nigeria, 2008 -2016

IV. MODEL ANALYSIS

SHW	SPV	EPS	DPO
1	2.1	0.8	0.2
1	11	0.81	0.81
1	36	2.51	2.9
1	73	8.81	4.2
1	2.4	0.5	0.5
0	1.5	1.3	0.2
0	7.9	1.8	0.53
0	24.8	3.5	2
0	60	12	3.13
0	1.5	1	1

Regression Statistics	
Multiple R	0.765642
R Square	0.586207
Standard Error	0.415227
Observations	10

Table 4.51 ANOVA

SV	Df	SS	MS	F	Significance F
Regression	3	1.465517	0.488506	2.833334	0.128502
Residual	6	1.034483	0.172414		
Total	9	2.5			

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%
Intercept	0.808843	0.269298	3.003518	0.023899	0.149893	1.467793
SPV	0.078913	0.035195	2.242137	0.066152	-0.00721	0.165033
EPS	-0.30015	0.104593	-2.86967	0.028439	-0.55608	-0.04422
DPO	-0.68204	0.467971	-1.45744	0.195261	-1.82713	0.463043

The model representing the relationship between shareholders wealth and the SPV, DPO and EPS is given by:
 $SHW = 0.8088 + 0.0789 SPV - 0.3002 EPS - 0.6820 DPO$

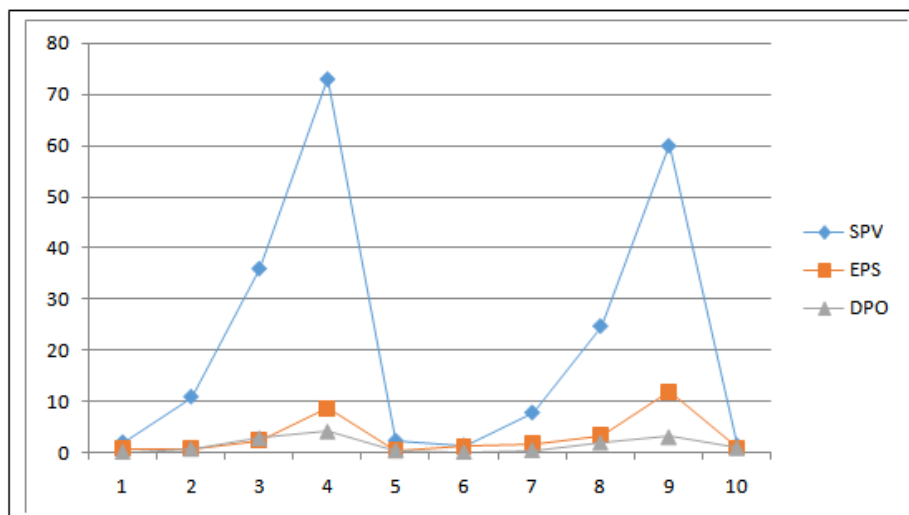


Figure 4.40: The model representing the relationship between shareholders wealth and the SPV, DPO and EPS, 2014

Source: Study Survey, 2014

The result represented the overall relationship of economic variables as determined by the rules and regulations of stock markets in N Nigeria. The result presented that the SHW in the pre- share crisis period has a Unit (1) attached to it while zero (0) was attached to SHW in the post share crisis period. Regression Statistic of multiple regression of 0.765642, R Square of 0.586207, Standard error of 0.415227 and Observation variable of 10 was used.

From the analysis below, the share price indices were positively related to stock market regulations such that the wealth of shareholders that existed in the business remained positive but with different positive values. The value in the pre period is weightier than that of post share crisis period. Thus the model showed positive price- regulation relationship. The Earnings per share showed negative relationship when the results of

the two periods were combined. Also the dividend paid out relationship was negative meaning that there were wealth loss during the post crisis period in the Nigeria Stock exchange. markets.

Shareholder's Wealth-loss During the Post Share Crisis Period in Nigeria

Opinions of the three major groups that are directly involved in the stock markets wealth distributions were sought on the influence of stock market crisis on wealth-loss of shareholders in the Nigeria stock markets. Time duration of 10 years of the respondent to have been a partaker in the stock market related business were taken as a criteria of qualification.. Out of the 500 retrieved questionnaires from shareholders, only 222 met the criteria set for analysis of this study, out of 100 questionnaires retrieved from issuing houses, only 80 met the criteria while only 45 out of 50 questionnaires retrieved from official of regulatory institutions met the criteria for analysis hence the response of those that are suitable for analysis were used.

On the quest of whether shareholders were comfortable with their return on share before the share market crisis of March, 2008, out of all the respondents, 178 (80.1%) shareholders were comfortable with the level of share returns during the pre- share crisis period while only 44 (19.9%) were not, hence the research accepted the view of majority that before March, 2008 share market crisis, all investors were comfortable with the trend of returns to their investment in Nigeria stock markets. On whether the March, 2008 crisis caused the wealth-loss of shareholders in the Nigeria stock markets in line with (questions 7, 22 & 30) of the questionnaire, all respondents from the three groups accepted the fact that the share crisis which started in March, 2008 was responsible for the wealth-loss been experience by shareholders in the Nigeria stock markets. Shareholders that experienced wealth-loss due to the share crisis, 141 (79.21%) reacted by reducing their number of shares they held in listed companies, 2 (1.12%) did not take any action,

Of all the identification of the major cause of wealth-loss in share value, 107 (48.2%) attributed the cause to ineffective stock market regulation, 90 (40.5%) attributed the loss to global economic met-down, 13 (5.9%) attributed it to stock market slum and only 12 (5.4%) attributed it to government policies. On quest of whether effective stock market regulations and reforms can salvage wealth-loss in the Nigeria stock markets, 175 (78.8%) shareholders believed that effective stock market regulations and reforms can salvage their investment returns in the share market business. Of all the opinions, promulgating new stock market regulations to capture prevailing stock markets crisis in Nigeria were mostly favoured,

V. CONCLUSION AND RECOMMENDATIONS

This paper established that there was a positive relationship between stock market regulations and reforms and earnings per share in the pre - crisis period but in the post crisis period share earnings crashed beyond normal, this was caused by the crisis. Thus, the value of share return and saving instrument bearing a fixed nominal returns is at the mercy of timely regulations and reforms in order to forestall the share earning changes trend in Nigeria. The crisis was the major factor that is responsible to proportional movement of EPS in the pre-share crisis period and that to safeguard the returns expected by investors on shares in the Nigeria Stock Markets proactive regulations and reforms are essential. The lower the opportunity cost of funds to borrowers the better will be the results obtained in the stock market business and the active the stock market regulations and reforms effectiveness will be to the economy. Thus, SMRR is seen as a tool to achieving improvement in the trading activity, its improvement tendency of course, if it is highly focused, will cushioning the effect of wealth-loss on stock investments and revenue generation automatically.

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