Stock Market Performance of Some Selected Nigerian Commercial Banks amidst Economic Turbulence

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Abstract
The climate in which business and economic activities in general were conducted in the period 2007 to 2010 could best be described as traumatic. Yet the prevailing climate for the Nigeria’s banking industry was unique as the global financial crisis coincided with the domestic banking crisis to generate economic turbulence. This research is an attempt to appraise the performance of the stocks of a sample of Nigerian commercial banks over the period 2007 to 2010 that was characterized by turbulence. This research is a survey employing an ex post facto design for data collection. A sample of eight banks – four each from the first generation and the new generation banks were selected using a multi-stage sampling procedure; a combination of stratified sampling and purposive sampling techniques. Secondary data – the stock market prices, were collected from the Nigerian Stock Exchange activity list. Data analysis involved both trend analysis and One-Way ANOVA. It was consequently established that stock market performance of all the sampled banks declined especially from about May 2008. Furthermore, the financially weak or troubled banks showed greater weakness in stock market performance than the healthy ones. It was concluded that environmental threat to investment fortune might have caused investors to lose confidence in the prospect for future growth which might have prompted them to reduce their shareholdings. It was therefore recommended that government and agencies concerned with the management of the national economy should be proactive in dealing with issues that might constitute potential threat to investment interests.


1. Introduction
Business performance is expectedly conditioned by the prevailing economic environment. Economic turbulence is a negative development in the environment that has potential adverse consequences for business operations. Economic turbulence is an unpredictable and swift changes in organization’s external and internal environments, or in an economy, that affect its performance (Editor, 2009). As this source noted, the economy since the late 20th Century was considered a turbulent environment for business because of the rapid growth consequent to the growth in technology and globalization, and the frequency of restructuring and merger activity. 2008 was remarked to be an especially turbulent period for financial markets, when banks worldwide could not meet their loans and had to receive government support in form of stimulus package in some countries including United States of America, Ireland and Japan.

In a state of economic turbulence as Brown, Haltiwanger and Lane (2005) observe, every part or sector of the economy experiences instability and uncertainty. While some firms are shutting down and others are starting up, some jobs are being created and others are being destroyed, some workers are being hired and others are quitting or being laid off. In such situation, there are key questions about the relationship between economic turbulence and firm performance and survival.

The turbulence that has engulfed the global economy, as Metcalfe (2010) explained, does not have a single cause. It emerged when several unrelated problems in different economic sectors and different countries became interconnected and reinforced one another. Notably, the collapse of major banks like Lehman Brothers (the largest ever bankruptcy) and Bear Stearns and seemingly safe financial institutions like AIG led to global credit crunch and fears of more general and persistent economic problems. But underlying these events, there was an enormous expansion of cheap credit. As the scale of excessive borrowing by consumers, businesses and governments became apparent banks were forced to reveal losses running into billions from sub-prime loans, reckless lending and gargantuan bonuses. In consequence, the global financial system was at risk of collapsing like a house of credit cards. In 2007, as a result of the freezing of financial markets and the global credit crunch, there was a threat of a world-wide depression. The Nigerian financial system of which the banking sector is only a subsector or subset is also a constituent of the global financial system and so, such phenomenon as the Global Financial Meltdown cannot but have some adverse consequences, howbeit indirectly on the operational results of the Nigerian commercial banks.

Since the 1990s, the Nigerian financial system had witnessed a series of crisis which had caused the regulatory authorities to institute a series of reforms (over the years) with a view to ensuring stability and avoid loss of
public confidence in the banking institutions. Notably, some commercial banks became delinquent, and have had to close shop (in fact liquidated) consequent to withdrawal of their operating license by the regulatory authorities; a development that caused depositors as well as shareholders to lose their funds. The unforeseen development in the global economy that manifested in a financial crisis introduced yet another dimension to the crisis in the Nigerian banking industry. The situation was made worse by the collapse of the Nigerian capital market which was also consequent to the global financial crisis. The effect was a slump in the market prices of the stock of Nigerian firms. Thus, the nagging question is whether or not the stock of Nigerian banks have been affected by the negative development in the Nigerian capital market, and if so, the extent to which it had any differential effects on the stock prices of the respective commercial banks. The thrust of this research therefore, is to ascertain the effects of the turbulence in the Nigerian economy on the prices of the stock of commercial banks over the period 2007 to 2010. 

The main objective of this research therefore, is to assess the stock market performance of the sampled commercial banks over the period of economic turbulence more so, in the face of the global financial crisis and the domestic or national crisis that engulfed the Nigerian banking industry and extended over the study period, 2007 to 2010. Specifically, this research has made an attempt to:

a. Examine the trend in the stock market performance of the sampled Nigeria’s commercial banks over the study period.

b. Ascertain if there are differences in the stock market performance amongst eight commercial banks in the study sample.

This research was not in any way an attempt to probe into the crisis that has over time, in a cycle, engulfed the Nigerian banking system which necessitated the intervention of the regulatory authorities in an attempt to stem the tide of looming bank failures. Furthermore, no attempt was made to explain if the Global Financial Crisis had contributed towards aggravating the crisis and instability in the Nigerian Financial System. This study was primarily intended to assess the performance of some selected Nigerian Commercial Banks over the period, 2007 – 2010, which coincided with the era of the Global Financial Crisis and undoubtedly exacerbated the turbulence in the Nigerian economy. The primary intention was to ascertain if the performance of banks that had shown traces of distress and possible failure (the financially threatened) were in any way different from the performance of banks that were adjudged to be sound by the regulatory authorities.

1.1 Research Questions:
Based on the foregoing, the research has attempted to provide answers to the following:

i. What is the observable trend in the stock market performance of the sampled Nigerian commercial banks over the study period?

ii. Are there differences in the stock market performance of the eight sampled banks?

1.2 Hypothesis:
The hypothesis that was tested is as follows:

There are no significant differences in the stock market performance of the eight banks in the study sample.

2. Literature Review
2.1 Global Economic Meltdown
The global economic meltdown is an issue that has recently gained much of public attention, and generated much discourse among scholars, researchers, practitioners in the field of economics, management and finance, as well as public policy makers. The global financial crisis, otherwise known as the global economic meltdown as Agbonifoh and Evbayiro-Osagie (2010) explained, is a worldwide financial and business situation that is characterized by sudden, sustained and alarming credit squeeze, tumbling stock market prices, shrinking demand, substantial job losses and rising prices and interest rates. Osaze posits that the economic meltdown is “the continuous and dramatic drop in all economic indices over a relatively short period of time leading to corporate failures, especially failures of financial institutions which provide the lubricants that oil the economy, unemployment and general recession” (see: Agbonifoh and Evbayiro-Osagie, 2010:23).

Abdullah (2010) explained that the financial crisis which was initially referred to in the media as a “credit crunch” or “credit crisis”, began in July 2007 when a loss of confidence by investors in the value of securitized mortgages in the United States resulted in a liquidity crisis that prompted a substantial injection of capital into financial markets by the United States Federal Reserve and the European Central Bank. It became prominently visible in September 2008.
Many experts and scholars have attributed the global financial crisis to myriad causes including excessive and corrupt practices of subprime mortgage lending (which led to high mortgage default and delinquency rates in the United States). Apparently, the Global Financial Crisis started in the United States of America and primarily from her mortgage investments and the auto industry.

By June 2007, as Gbadamosi (2010) explained, the first sign that the United States was gradually entering into a period of financial crisis emerged when two hedge funds owned by Bear Stearns, which had invested heavily in the sub-prime market collapsed. Like a chain reaction, banks watched helplessly as securities they thought were safe became tainted with what was known as toxic mortgages. Before the end of the year 2007, the rising number of foreclosures helped to speed up the fall of housing prices, and the number of prime mortgages in default rose considerably. Between September, 2008 and the summer of 2009, the credit squeeze which began some months before had become Wall Street’s biggest crisis since the Great Depression of the 1930s. Like a hurricane, the people and governments of United States watched as hundreds of billions of mortgage related investments sunk leaving giant investment banks like Lehman Brothers and Merrill Lynch to collapse or reinvent themselves. American International Group, CIT Group, auto giants like General Motors and Chrysler were few of the worst hit firms in corporate America.

Oghojafor, Lawal and Adebakin (2010) declared that the Global Financial Meltdown is the worst financial crises after the Great Depression of the 1930s. This position was corroborated by Ahiauzu and Asawo (2010) who remarked that the increasing pressure (to change how they operate) faced by organizations over the globe much of which stemmed from the volatility in the global economic environment, has deteriorated into what many economic commentators have described as perhaps the worst global economic depression in human history. It started in the United States of America in the fall of 2008 and spread rapidly to the advanced economies (European Union), emerging markets (Asian Tigers) and the Less Developing Countries (e.g. Nigeria). It is thus a global phenomenon that has contributed significantly to the decline in the various economies of the world; this is manifested in failure of key business activities, reduction in international commitment, declining wealth, foreign exchange and stock market index.

2.2 The Nigerian Banks in the Era of Global Economic Meltdown

The roots of the Global Financial Crisis are in banking rather than in securities market or foreign exchange (Samaila, 2010). The crisis started in the U.S.A. (due to certain laxities in the U.S. A. financial system), spread to Europe, and eventually became global. Even countries not initially affected by the financial crisis subsequently had the “second-round effects” as the crisis becomes economic. In September 2008, what was initially viewed as a credit crunch deepened; the stock markets world-wide crashed and entered a period of high volatility, and this was followed by a considerable number of banking, mortgage and insurance company failures. This development led to the situation to be described variously as global recession and later global financial meltdown (Abdullah, 2010).

Remarkably, by the time the United States Government made arrangement for bailouts to rescue troubled banks, and other companies in October, 2008, in order to stem rising unemployment and avert social disintegration, the financial crisis had become a global phenomenon, first affecting many countries in Europe, East Asia, Latin America, the Middle East and Africa. As the crisis deepened, stock markets plunged from one country to another while some few countries had to be hurriedly pulled back from the brink of total economic collapse (Gbadamosi, 2010).

Osaze has argued that the economic meltdown began in Nigeria much earlier than the 2007 global reference date; that it started with the failure of several Nigerian banks in the mid 1990s (see: Agbonifoh and Ebaviero- Osagie, 2010: 22)

2.3 The Global Economic Meltdown and the Stock Market

By definition, an economic meltdown is a generalized recession which has severe implications for various sectors and sub-systems of the economy. One such sub-system is the stock market (Agbonifoh and Ebaviero-Osagie, 2010). Ajakaiye and Fakiyesi (2009) insinuated that there were direct impacts of the crisis on Nigerian finance and banking system. In the same vein, Okereke-Onyiuoke (2009) attempted to paint a picture of the effects of the Global Financial Crisis on the Nigerian Capital Market; declaring that Nigerian markets, although not well integrated into the world market, have been facing serious destabilizing effects since the emergence of the global financial crisis in July 2008. Between March 2008 and March 2009, the All-Shares Index of the Nigerian Stock Exchange had lost a total share of 67%, while market capitalization had lost 62% of its value. Concerns have thus been raised regarding how rapidly the global financial crisis penetrated the Nigerian capital market, especially given that there is hardly any thriving domestic mortgage market.

From our assessment of the impact of the financial meltdown as Ahiauzu and Asawo (2010) elaborated, it appears that it has among others, given rise to: (1) waning capital investment and declining markets for manufacturers, (2) huge non-servicing loans leading to liquidity and solvency problems for financial institutions
arising from lapses in financial regulatory structures, (3) fallen stocks prices that have threatened investments in the capital market, and (4) the near collapse of the real estate market due to failed mortgage financing. In the case of Nigeria, as Osaze puts it, some of the additional causes of economic meltdown include:

- Stock market bubble not driven by any fundamentals whatsoever
- Stock market trades driven by emotion
- High concentration of banks in the stock market with 60% of values
- Recapitalized banks too big for investment opportunities

The effect of the global financial meltdown on the Nigerian stock market has been a reduction of the market capitalization from over N10.18 trillion to N5.2 trillion and a market index from 57,990 points to 22,000 points by October 2009 and flight of foreign portfolio investment; stocks and shares were no longer usable as parameters could be used to ascertain the performance of individual banks. Primarily, a bank’s performance is measured by its capacity to maximize returns on investor’s funds (Oyetayo and Oladipo, 2010). In the Nigerian economy, bank performance is determined by a number of factors namely, lending rates, deposit rate, management effects, ownership and control, market structure, etc. (Somayo and Ilo, 2009).

The need to institute reform in the Nigerian banking system cannot be dissociated from the performance of the establishments in the industry. Invariably, the performance of the banks is more or less an evidence of the efficiency or otherwise of the banking system. An issue of primary concern however, is the index for measuring bank performance. In general, performance of corporate organizations is often associated with profitability, banks play unique role in the economy and so, the soundness of a commercial bank is apparently a basis for gauging the performance. As Sobodu and Akinyode (1998) noted, in recent times, the monetary authorities in Nigeria have classified banks as healthy or distressed in an attempt to distinguish the performance of the country’s banks. These scholars however, stressed that performance classification of banks has varied, with researchers’ interests and banking systems reflecting why some studies used failed/non-failed classification as against vulnerable/resistant classification. While some have represented ex post analysis, others have represented ex ante analysis. Following the definition or selection of appropriate performance criteria and categorization, financial ratios are often examined and analyzed under groups reflecting different operating characteristics of banks. The popular categories include capital adequacy, asset quality, managerial efficiency (often used as a proxy for management quality), earnings (profitability) and liquidity. This position was corroborated by the Nigeria Deposit Insurance Corporation (2007) indicating that the parameters for assessment of the financial condition of insured banks include asset quality, earnings and profitability, liquidity profile and capital adequacy. Apart from financial information (derived essentially from financial ratios as Sobodu and Akiode (1998) explained, other factors describing economic conditions, local market structure, demographic conditions and capital market information have been incorporated into the analysis of bank performance. In this vein, Pettway and Sinkey (1980), Shick and Sherman (1980) and Simmons and Cross (1991) found information on bond and stock price movements of quoted commercial banks to be significant indicators of bank performance. Here, the market price of stocks has been used as the parameter for gauging performance of banks.

3. Research Methodology
This research is an ex post facto study in that the events that are observed have indeed taken place already and the data are already in existence (Asika, 1991; Agbonifoh and Yomere, 1999). Secondary data were collected from the Nigeria Capital Market specifically from The Nigerian Stock Exchange. The study population comprised all public limited Nigerian commercial banks whose shares are quoted on the Nigerian Stock Exchange over the period 2007 to 2010. The researcher decided to select a sample of eight (8) banks from among all banks that were yet licensed by the Central Bank of Nigeria to carry out the business of banking in Nigeria. The multistage sampling procedure was employed/adopted in a bid to ensure that banks that manifest the phenomenon underlying the research were included in the sample (Beri, 2008; Mitchell and Jolley, 2007; Francis, 2004; Bryman, 2010). First, using the stratified sampling procedure, all commercial banks were first categorized into two: those that were threatened, that is, showing evidence of potential failure and those that were adjudged to be financially sound by the regulatory authorities, the Central Bank of Nigeria (CBN) and the Nigerian Deposit Insurance Corporation (NDIC). Banks in each of the two categories were subsequently further classified into (a) First Generation Banks – that is, banks that had been licensed and carrying on the business of banking in Nigeria before the 1980s and (b) the New/Second Generation Banks, those banks that were established in the 1980s and thereafter. Consequently, using a purposive or judgmental sampling procedure (Babbie, 1973; Beri, 2008), two (2) banks that are in the First Generation and two (2) that are in the New or Second Generation categories were selected from each of the banks categorized as troubled or threatened and those categorized as sound, respectively. In effect, four banks each were selected from among the troubled and sound banks respectively for inclusion in the study sample. The four banks selected from among the category of troubled banks are Oceanic Bank, Intercontinental Bank, Afri Bank and Union Bank. Similarly, the four banks from among those considered financially sound that were in the sample are GT Bank, Zenith Bank, FBN and UBA.

Data were thus collected from secondary sources; from the Nigerian Stock Exchange (NSE) Daily Activity Summary for the relevant/study period. A decision was taken to select a day in the month to represent each month. In order to minimize the possible demand pressure (on the stock market) that might arise at month’s end when salaries and wages are paid, the researcher decided to use the stock market data for the first (1st) trading day from the 15th day of each month. Consequently, data for the stock market prices of the sampled commercial banks were collected monthly for the period January 2007 to September 2010 extending over forty five months. The time series data were subsequently analyzed using linear graph for trend analysis in order to facilitate visual comparison, and One-Way Analysis of Variance was used to test each of the hypotheses with a view to ascertaining if differences exist in the stock market performances amongst the commercial banks that were sampled for this research. The hypotheses were tested at the 95 percent level of confidence (that is p< .05).

The Results:
The stock market prices of the eight companies (commercial banks) in the study sample that were collected from the Nigerian Stock Exchange over the study period are presented below in table 1.
### Table 1: STOCK MARKET PRICES JAN. 2007- SEPT. 2010

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<td>3.87</td>
<td>14.79</td>
<td>12.18</td>
<td>11.90</td>
<td>9.00</td>
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**Mean**          14.71          17.69         13.57      24.04      22.36        30.11        27.90      27.23

**Standard Deviation** 11.22          14.58         10.96      15.76       9.17        16.76        13.08      17.60

*Source: Compiled from the records of Nigerian Stock Exchange*

Consequently, the trend analysis of the stock market prices of the Four Troubled Banks is presented graphically below in Figure 1:
The linear graphs for the stock market prices of all the four commercial banks categorized as financially troubled (Oceanic Bank, Intercontinental Bank, Afri Bank and Union Bank), apparently move in the same direction over the study period, 2007 to 2010. This is an evidence that the stocks of the four banks showed some similarities in their price movement although the dimension and or magnitude of the undulation of the respective linear graphs varied somewhat. It could however be deduced that the turbulence in the economy had little or no effect with regards to the direction of the movement of the market prices of the stocks of banks that were considered to be financially troubled. It should be noted that there was a general decline in the prices of stocks of this category of banks which became particularly noticeable since September, 2008.

Similarly, the trend analysis of the stock market prices of the Four Banks adjudged to be financially sound is presented graphically in Figure 2 below:
The linear graphs depicting the movement of the stock market prices of the four banks in the study sample that were adjudged as financially sound, namely, GT Bank, Zenith, FBN and UBA also moved in the same direction as those in Figure 1. The negative slope (that is, the downward trend) is perhaps an evidence of the telling effects of the unfavourable developments in the economic environment. The decline in the stock market prices became more severe from about May 2008. This of course, is a confirmation of the depressed situation in the Nigeria’s capital market, an after mirth of the global financial crisis. Remarkably however, the prices of the stocks of the commercial banks that were believed to be healthy are at least relatively higher than those of banks that were considered threatened or financially troubled.

4.1 Test of Research Hypothesis

The research hypothesis was tested to ascertain the equality of the means of the stock market prices of the eight banks sampled for the study using One-Way Analysis of Variance (ANOVA). The result was $F = 9.099; \text{df} = 7/352$ which was significant at $P < .001$. The hypothesis was thus rejected. This result suggests that the mean of the stock market prices for the sampled banks are not equal. In other words, there are differences in the stock market performance of the eight commercial banks surveyed. Furthermore, the post hoc analysis and Tukey HSD test were performed in order to ascertain the difference by pairs for multiple comparison (Mitchell and Jolley, 2008). The results showed that there were differences in the stock market performance: (a) between UBN on the one hand and Oceanic ($p<.034$), Afri Bank ($p<.010$); (b) between Zenith on the one hand and Oceanic ($p<.000$), Intercontinental Bank ($p<.001$), Afri Bank ($p<.000$); (c) FBN on the one hand and Oceanic ($p<.000$), Intercontinental ($p<.013$), Afri Bank ($p<.000$); (d) UBA on the one hand and Oceanic ($p<.001$), Intercontinental ($p<.028$), Afri Bank ($p<.000$). The Tukey test thus confirms the existence of differences in stock market performance among the sampled commercial banks particularly between each of UBN, Zenith, FBN and UBA and Oceanic, Intercontinental and Afri Bank respectively.

Since four of the banks in the sample were classified as threatened or financially troubled/distressed while the other four were in the financially sound category, the researcher felt that the analysis should be carried further to ascertain if there was equality in the mean market performance of stocks in each of the two categories. Hence, a test for equality of the stock market prices amongst the four of the sampled banks that were considered troubled

Figure 2: Trend Analysis Showing Stock Market Prices of four of the Banks Adjudged Financially Sound (January 2007 – September 2010)
or threatened, using One-Way Analysis of Variance. The result was $F = 5.608; df = 3/176$ which was significant at $p<.001$. This result suggests the existence of differences in the stock market performance amongst the four troubled banks. Post hoc analysis and Tukey HSD test revealed that there are differences in stock market prices of UBN on the one hand and Oceanic ($p<.006$), and Afri Bank ($p<.001$) on the other hand. This result is consistent with what was obtained via the test of the research hypothesis. Similar analysis was done to ascertain if any equality exists in the stock market prices of commercial banks that were adjudged to be financially healthy by the regulatory authorities. The results of the One-Way Analysis of Variance (ANOVA) was an $F = 2.271; df = 3/176$ which was not significant at $p<.05$. There were therefore no significant differences in the stock market performance of sampled banks that were classified as financially healthy.

The researcher thought the analysis should be carried much further to ascertain if commercial banks that were categorized as belonging to the New Generation manifest equality in the means of their stock market prices. In order to accomplish this, two banks, Oceanic and Intercontinental were selected from among the troubled banks while GTB and Zenith were selected from among banks that were considered to be financially healthy. The four banks belong to the New Generation category. The results of the One-Way Analysis of Variance was $F = 11.537; df = 3/176$ which was significant at $p<.001$. Post hoc analysis and Tukey test results showed that there were differences in the stock prices between: (a) GT Bank and Oceanic Bank ($p<.034$) and (b) Zenith Bank on the one hand and Oceanic ($p<.000$), Intercontinental ($p<.000$), GTB ($p<.031$) respectively. The results are consistent with the results of the test of the research hypotheses except for the fact that differences in the stock market prices of Zenith and GTB was rather astounding.

Similarly, the analysis was carried out to ascertain if commercial banks that were classified in this study as constituting the First Generation Banks have equality in the means of their stock market prices. In this regard, two banks, Afri Bank and UBN from among those categorized as troubled and two from among those regarded as financially healthy, FBN and UBA were selected. All the four banks are in the First Generation category. The results of One-Way ANOVA was an $F = 9.306; df = 3/176$ which was significant at $p<.001$. The post hoc analysis and Tukey test results showed that there were differences in the stock prices between: (a) UBN and Afri Bank ($p<.004$), (b) FBN and Afri Bank ($p<.000$), and (c) between UBA and Afri Bank ($p<.000$).

4. **The Implications of the Findings**

Prices of corporate stocks including commercial banks are determined by market forces of demand and supply. Even though the banking sector has consistently dominated trading activities on the NSE before, during and even since the global financial crisis, the trend analysis of the stock market prices for all the eight sampled commercial banks regardless of whether they were considered troubled or financially healthy generally declined over the study period especially between May 2008 and September 2010. The observed decline might be consequent to the reaction of investors to development in the domestic economy which was perhaps reinforced by information on what looked like a looming disaster in the global economy – the possible spill-over effect of the global financial crisis. These forces were sufficient to cause investors to see the future as rather gloom. Hence, decisions might be taken to reduce the size of their investment in corporate stocks (especially by reducing the size of their holdings) and this might contribute significantly to the plunge in the stock prices. Remarkably, the decline in the stock market prices was more severe for the commercial banks that were troubled. Furthermore, the results of the tests of the research hypothesis glaringly revealed that the differences in stock market performance were between the banks adjudged by the regulatory authorities as financially sound/healthy on the one hand and those considered as troubled on the other hand. It would therefore not be out of place to presume that investors most probably had a loss of confidence in the future prospects of the troubled banks in particular. Hence, the depressed state of the Nigeria’s capital market had a spill-over effect on the banking industry.

Some critical questions that seem to beg for answers are: Are firms vulnerable to economic downturn?; Could poor or declining performance be attributed or associated to unexpected development in the macro environment such as the global financial crisis? No attempt has been made in this study to provide definite answers to these questions. However, Clessens, Djankov and Xu (2000) in their study of corporate performance in the East Asian Financial Crisis, concluded by declaring that “it appears that firm-specific weaknesses already in existence before the crisis were important factors in the deteriorating performance of the corporate sector”. In their view, industry-specific shocks and the institutional environment also contributed to the decline in profitability, and financing patterns had a strong influence on operational performance. Notably, the Nigerian banking industry was already experiencing difficult times before the global crisis; the global economic phenomenon only served to escalate the crisis in the financial sector.
5. Conclusions and Recommendations

The findings of this research tend to suggest that the fear of the uncertainty that beclouded the fortune of investment in shares of commercial banks was most likely a factor that has lead to the slump in the market performances of shares of commercial banks. Given an understanding of the fact that an average investor would be concerned about the stability of the investment environment and would most likely desire to minimize the risk associated with his investment, there is the need for managers of the economy to constantly scan the environment and monitor developments in such a way as to reduce environmental threats to investment security to the barest minimum. In this regard, developments in the global economic environment should not be taken for granted or assumed to be of little or no consequence to the national economy. There is thus the need for the government and relevant agencies (concerned with the management of the national economy) to be proactive rather than being just reactive.

References


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