Full Length Research Paper

The impact of share market capitalization on a company's performance: A case study in the Nigerian confectionary industry

Oluwatoyin, Matthew[1] and Gbadebo, Olusegun Odularu[2*]

[1]Department of Economics and Development Studies, College of Business and Social Sciences (CBS), Covenant University, P. M. B. 1023, Km 10 Idiroko Road, Ota, Ogun State, Nigeria. [2]Regional Policies and Markets NSF, FARA, Roman Ridge, Accra, Ghana.

This article focuses on the impact of companies' shares on their performance, using one of the largest confectionary companies in Nigeria as a case study. In other words, the article analyses the correlation between the sales of shares and the growth of the company. While it adopts the Ordinary Least Square (OLS) analytical technique, using the company's annual data for 20 years, it recommends that the confectionary company should implement policies that will encourage increase in their profit after tax, dividends and turnover as these variables have positive and statistically strong significance on the changes in the company's performance and the value of its market capitalization.

Key words: Shares, performance, OLS.

INTRODUCTION

According to the Statistical / Monthly publication of the World Federation of Exchanges, the twenty major stock exchanges in the world (in terms of market capitalization and year-to-date turnover at the end of January 2009) include Johannesburg Securities Exchange, National Association of Securities Dealers Automated Quotation (NASDAQ), Sao Paulo Stock Exchange, Toronto Stock Exchange, New York Stock Exchange, Australian Secu-rities Exchange, Bombay Stock Exchange, Hong Kong Stock Exchange, Korea Exchange, National Stock Ex-change of India, Shanghai Stock Exchange, Shenzhen Stock Exchange, Tokyo Stock Exchange, Euronext, Frankfurt Stock Exchange (Deutsche Borse), London Stock Exchange, Madrid Stock Exchange (Bolsas y Mercados Espanoles), Milan Stock Exchange (Borsa Italiana), Nordic Stock Exchange Group OMX (includes the Copenhagen, Helsinki, Iceland, Stockholm, Tallinn, Riga and Vilnius Stock Exchange), and the Swiss Ex-change. The NASDAQ system is a computerized market linking dealers throughout the United States and, to some extent, Europe. NASDAQ remains one of the largest and fastest growing US stock exchanges, and facilitates the trading of "over -the-counter" (OTC) securities which tend to be issued by somewhat less established companies as well as the shares of large companies.

By using alternative trading systems it is sometimes possible to reduce transaction costs and also avoid some of the regulations that formal stock exchanges inevitably impose. Similarly, there is much competition between the stock exchanges of different countries. For example, it is possible to buy and sell French shares on the London market, using the Stock Exchange Automated Quotation International (SEAQ International) system. SEAQ Interna-tional has been dramatically successful in capturing mar-ket share from the domestic stock exchanges of many countries, to the extent that, for some countries, a larger proportion of trades take place in London than on their own exchanges.

As the global economic crisis deepens, stock exchan-ges around the globe are facing competition both from each other and from new high-tech entrants. It seems likely that there will be a continued trend towards concen-tration of share trading in a few leading centers, with domestic stock exchanges in some countries becoming increasingly irrelevant. Within Europe, for example, there have been moves to develop a pan-European stock

---

*Corresponding author. E-mail: gbcovenant@yahoo.com.

change, although to some extent this already exists in the form of SEAQ International. Individual countries seem loath to give up their domestic stock exchanges, although as financial markets are now so liberalized, and as information technology develops further, there is nothing to stop individual investors using whichever stock exchange system is the cheapest or most efficient.

The capital market in any country is one of the major pillars of long term economic growth and development. The market serves a broad range of clientele including different levels of government, corporate bodies, and individuals within and outside the country. For quite some time, the capital market has become one of the means through which foreign funds are being injected into most economics, and so the tendency towards a global economy is more feasible/ visible there than anywhere else. It is, therefore, quite valid to state that the growth of the capital market has become one of the barometers for measuring overall economic growth of a nation. Thus, an increase in the market share of a public limited liability company through the sales of its shares increases its capital base and encourages expansion leading to a higher level of growth and productivity. This study will try to clarify these and related issues. This study will deal with the impact of sales of a company's shares through the Nigerian Stock Exchange on its growth. Though, the growth of companies is a multivariate function, one major factor of interest to this study is impact of the sale of shares and stocks in public limited liability companies on their performance. Many banks use shares to create more capital for themselves with which they use to run their banks and make more money, thereby increasing wealth and encouraging their institutions to grow.

The problem of this study is on how public limited liability companies sell their shares to the public and use this to ensure a higher level of productivity and growth in their company, which in the long run will have a positive effect on economic growth. This study will analyze the trend of events pertaining to the sales of shares in relation to the rate of growth of the confectionary company. The trend to be considered will be between the past 20 years, that is, between 1985 and 2005. Some of the justifications for undertaking this study include:

i.) It would lead to more exposure about the stock market, the way it operates and runs and the benefits the companies stand to get if they make use of it.
ii.) It would also show how investment in the stock exchange market helps the various firms and industries to grow.
iii.) It will enlighten the investing public on how to monitor
iv.) The fluctuations of the stock exchange prices and how to make good judgments for investments.

The objectives of the study include the following:

i.) To understand how the stock market is run, particularly as it pertains to the sale of shares and stocks of public limited liability companies.
ii.) To analyze the effects that the sales of these shares have on the overall performance of the company.
iii.) To analyze the effects the performance of the company, in terms of turnover, profit after tax and other such variables have on the price of the company's shares.
iv.) To make concrete and justifiable conclusions and recommendations based on the findings of the study.

In view of the study objectives, the study tends to provide answers to the following research questions: Does the sale of shares of a company have any impact on its performance? What effect does the public ownership of a firm have on its productivity? Thus, the study hypotheses include:

H_0: The value of a company's shares or stocks has no effect on its performance and productivity.
H_I: The value of a company's shares or stocks has an effect on its performance and productivity.
H_0: The performance of a company in terms of turnover, profit after tax, bonuses and dividends history has an effect on the price of its shares.
H_1: The performance of a company in terms of turnover, profit after tax, bonuses and dividends history has no effect on the price of its shares.

Section 1 gives a brief introduction to the study, its justification, objectives and research questions. While section 2 discusses the study background, section 3 presents the literature review, theoretical framework and research methodology. Section 4 analyses and interpretes the data, while the last section discusses the summary, conclusion and recommendations.

STUDY BACKGROUND

Nigerian capital market

The Nigerian capital market, which is a member of the Nigerian financial system, is a market that provides an avenue for the mobilization of long term funds. This market serves the needs of industries, the commercial sector, government and local authorities, which are big borrowers of funds. The Nigerian capital market consists of two markets (primary and secondary markets) and some operational institutions. The main institutions in the Capital Market are the Securities and Exchange Commission (SEC), which is at the apex and represents the regulatory authority for the market, the Nigerian Stock Exchange (NSE), the issuing houses and the stock-broking firms. The secondary market in Nigeria is the NSE. In general, the Nigerian capital market helps to stimulate industrialization and development in the Nigerian economy. It also improves the gearing of domestic corporate sector and helps to reduce dependence

on borrowing. Access to finance for new and smaller companies and also the encouragement of institutional development are based on the framework provided by the Nigerian capital market.

According to Claessens (1995), the existence of the NSE entails a number of benefits for the Nigerian economy. These benefits are in line with the general role of stock market in the development process. First, the stock market has been a source of capital for the corporate sector. With market capitalization of about US $4billion, the market represents a viable mechanism for resource allocation. The mere presence of a stock market in the country boosts the international investment climate as it raises the chances of additional local financing for both foreign and loan direct investment. Secondly, the stock market has provided opportunity for investment diversification. A large part of wealth currently invested in Nigeria would have been diverted to foreign countries but for the presence of the stock market. It, therefore, remains a viable institution for holding back capital flight thereby reducing underdevelopment of the economy. Thirdly, the stock exchange enabled mass participation in the privatization exercise as it did during the implementtation of the indigenization programme, thereby ensuring that a large number of Nigerians benefited from the ownership of the divested assets. The sale of public wealth through privatization would have benefited a few rich persons, thereby worsening income inequality if a stock market was absent.

Theoretical framework and model

specification Literature review

A capital market, unlike a money market is a financial market for raising medium and long term capital. A capital market is not a single entity, but a network of specialized financial institutions linking suppliers and users of medium to long term funds. It provides resources for financing the growth of industries. A capital market is a barometer with which to measure the state of a national economy. It comprises both primary and secondary markets. A primary market is meant for new issues of securities. According to Fosback (1991) and Raghbendra Jha (2003), "new issues comprise a category of stocks which falls outside the usual evaluation technique." A new issue can be said to be the first sale of stock by a company to the public. Companies sell their stocks to the public when their physical resources have been utilized to the maximum and they need new capital for expansion and other related purposes. However, the need for this market arises when business prospects become bright and more capital is raised to meet these prospects. As a nation's economy grows and develops, the volume of new issues of securities also increases. The modes of offers of securities traded in this market include offer for subscription, right issue, offer for sale and private placement.

Offer for subscription involves the use of a prospectus.

It is done when a company on its own makes a direct offer to members of the public. Offer for sale involves the sale of shares by a company to an issuing house, which will in turn issue a prospectus inviting members of the public to subscribe for the shares. The issuing house sells at a higher price and retains all the profit. Private placement is defined as the sale of shares or other securities by a company to a few selected investors, particularly institutional investors. It takes less time to raise funds and is also less expensive when compared with public issues of securities. A right issue involves the sale of ordinary shares to existing shareholders of a company in the proportion of their existing shareholding at a price called the 'right price', which is usually lower than the market price per share, but higher than the nominal value of the share.

A secondary market is a market for trading in existing securities. It is a channel through which trading is done in securities after their issuance in the primary market. Fosback (1991) and Raghbendra Jha (2003) observe that "the primary intent of sellers in the secondary market is to dispose of the block of shares at a price above that which could be obtained if stocks were offered at piecemeal in the regular auction market." In other words, the need for secondary markets arises when one or several shareholders that have a large block of stock want to convert their shares into cash or transfer them from one person to another. Therefore there is an arrangement through which securities can be bought and sold on the exchange floor and over-the-counter markets.

According to Pandey (1999), capital markets perform two major functions which are liquidity and pricing securities. Liquidity can simply be defined as the ability of the stock market to convert assets to cash and transferring assets from one person to another without any loss in value. Capital markets make securities liquid by facilitating the buying and selling of securities by a large number of investors without incurring any significant cost. In the capital market, forces of demand and supply determine prices. All information on securities is made known to all investors and this provides a platform for determining fair prices of securities.

While the level of economic activities influences the stock market, the stock market also influences the level of economic activities. A capital market is an acknow-ledged leading indicator of the general economic cycle. Few Ekanem (2003) and Raghbendra Jha (2003) have argued that stock markets might even be a good predict-tor of the economy of a nation, since stock prices may be a leading indicator of the general economic expansion and contraction.

However, Raghbendra Jha (2003) notes that the importance of the stock exchange lie in the fact that it promote businesses and the economy in the following ways:

i.) The stock exchange helps companies and businesses

to raise capital needed for operation, production, expansion and development.

ii.) The Government, which is a big borrower of funds, can raise money through the stock exchange when she issues and sells government stocks or bonds.

iii.) The stock exchange also encourages investment in the economy, since it provides an avenue that makes it easy for shareholders to buy and sell shares on the floor through stock brokers who work directly on the exchange. Also, since shares can be reconverted easily to cash by selling them on the exchange, investment is thus promoted.

iv.) Likewise in other nations, the Nigerian Stock Exchange provides a financial market for investors to buy and sell their shares and other securities easily.

v.) The stock exchange provides professional advice on the selection and management of investments in the country. With the investing public professionally advised on investments, they are encouraged and mobilized to invest and this raises living standards in the long run.

vi.) Through the activities of the exchange, companies are compelled to perform well and competitively. Only viable, efficient and profitable companies can have their stocks listed on the exchange. Also, the exchange requires regular reports from the companies and this encourages proper financial management and accounting. Therefore, companies strive hard to perform well and this generally helps to enhance economic development.

vii.) In order to secure the confidence of investors in part and the economy in general, the stock exchange establishes rules and regulations, guidelines and procedures which make sure dealings are done or carried out properly, professionally, transparently, efficiently and not fraudulently.

Without exaggerating the contributions or importance of a capital market, it is clear that the degree to which government succeeds in achieving its objectives depends in part, on the current use of capital market, the responsiveness of market players and participants to policy initiatives, regulatory regime and moral suasion. It is also well known that capital markets greatly facilitate a nation's privatization process. According to Okechukwu (2003), a stock market contributes to economic growth in the following ways:

Freedom to transfer funds: Almost all economies with vibrant emerging capital markets have relaxed restriction on the transfer of funds and, in respect of foreign investment, on direct and portfolio investment. In other words, foreign investors are allowed to bring in as well as repatriate capital and income without undue restrictions. This promotes growth, hence the development of the economy.

Availability of infrastructure: A modern capital market thrives on the availability of accurate and reliable data and information that are disseminated to all interested parties. This therefore ensures efficient telecommunications, equipment to link buyers and sellers, and the availability of computers for processing transactions rapidly.

Theories of stock markets, privatization and economic growth

Specifically, some literatures have produced a positive relationship between these variables, while others suggest that stock market development has a negative effect on growth. As cited by Gregario and Gudiotti (IMF), Goldsmith (1969), McKinnon (1973) and Shaw (1973) made some pioneering contributions and since then, the issue of the relationship between stock market and economic growth has become a debate. The ongoing debate exists as to whether stock markets are like casinos, where more and more players are coming to place their bets are actually linked to economic growth. The role of stock markets in economic growth suggests that the functioning of equity markets affects liquidity, risk diversification, acquisition of information about firms, corporate control, and savings mobilization. By altering the quality of these services, the functioning of stock markets can alter the rate of economic growth (Raghbendra Jha, 2003).

Demirguc-Kunt and Levine (1996) developed three distinct ways to characterize stock market development and considered it to be a multifaceted concept involving issues of market size, liquidity, and integration with world capital markets. They carried out their research using data from 44 developing countries between the period of 1966 and 1973 which pointed out that financial structure evolves with economic development and stock market development is an integral part of this evolution. Though, they did not provide a unique measure of stock market development, but suggested that stock market size, liquidity, and integration with world capital markets may affect economic growth.

Specifically, some literatures that produce a positive relationship between stock market developments also show a negative effect on growth. In fact, they do not provide a unique measure of stock market development but they suggest that the market size liquidity and integration with world capital market may affect economic growth. The specific role of stock market in economic growth suggests that the functioning of equity market affect liquidity, risk diversification, acquisition of information about firms, corporate control and savings mobilization. By altering a quality of these services, the functioning of stock market can alter the rate of economic growth. The entire concept of stock market efficiency comprises three types of efficiencies:

Allocation efficiency: This role of capital market is to allocate scarce savings to productive investments in a way that benefits everyone.

Capital efficiency: A market whose intermediation provides the services of channeling fund savers to investors

at a minimum cost that provides a fair return.

Pricing efficiency: A market is efficient when prices are used as signals for capital allocation. These prices set by the forces of demand and supply. A market that is price efficient implies efficiency in the processing of information. The prices of capital assets at anytime are based on the correct evaluation of all information available.

There is also the issue of stock markets, privatization of public enterprises, and economic growth. Privatization provides additional listing on the stock market, enlarges equity shares, and injects new life into the market. The stock market, therefore, speeds up economic growth by facilitating the restructuring of ownership of one time public enterprises. These enterprises can now function appropriately and as expected because they now have access to funds raised in the stock market and are run by profit seeking individuals. Privatization provides investors with a wider variety of stock, thereby increasing competition, and the volume of securities and transactions in the stock market. Increase in transactions and stocks increases the efficiency of the stock market which in turn boosts GDP growth. Thus, there is no contesting in the fact that the stock market is a corner stone in any privatization program. Equally, privatization holds a special place in stock market for three reasons.

First it provides additional listing on the stock market; secondly, the floatation through privatization helps to inject new life into the market; and thirdly, it gives diversity and measure of maturity to the stock market. Privatization could thus revitalize the stock market to a point where it would be efficient.

Therefore, privatization increases the volume of securities and transaction in the stock market. This provides investment with an extended variety of stock from which to choose from firms on the other hand, to compete with each other to attract the funds of investors and thus have to increase their efficiency. Therefore, funds will be efficiently allocated thus increasing productivity and hence GDP.

Privatization has led to an increase in the size of stock markets. The widening of the ownership base of the capital market through the issuance of public enterprises share to the public provides a boost to stock market operations. Thus, a wide capital base and efficient stock market would also boost GDP growth.

MODEL SPECIFICATION AND RESEARCH METHODOLOGY

Model specification

The main aim of the study is to examine the role of the stock exchange in the performance of public companies and to evaluate the impact of the company's performance on market capitalisation in the stock exchange.
This study therefore specifies its models as follows:

$$TNO = f (PAT, PI, DIV, MKTCAP) \qquad [1]$$

Re-specifying equation 1 in an explicit form gives equation 2:

$$TNO = \beta_0 + \beta_1 PAT + \beta_2 PI + \beta_3 DIV + \beta_4 MKTCAP + e. \qquad [2]$$

Where, $\beta_0 > 0$, $\beta_1 > 0$, $\beta_2 > 0$, $\beta_3 > 0$, $\beta_4 > 0$, and e = error term

$$MKTCAP = f (TNO, PAT, DIV). \qquad [3]$$

Re-specifying equation 3 in an explicit form gives equation 4:

$$MKTCAP = \beta_0 + \beta_1 TNO + \beta_2 PAT + \beta_3 DIV + e. \qquad [4]$$

Where, $\beta_0 > 0$, $\beta_1 > 0$, $\beta_2 > 0$, $\beta_3 > 0$, and e = error term

Where:
TNO: Turnover
PAT: Profit after Tax
PI: Price Index
DIV: Dividends
MKTCAP: Market Capitalisation

Regarding the a priori expectations for the model 1:

$$\beta_1 = \partial TNO / \partial PAT > 0$$

This says that there is a positive relationship between turnover and profit after tax. Increases in the profit after tax of this year will most likely lead to an increase in the turnover of a company in the following year and this helps to improve the performance of the company.

$$\beta_2 = \partial TNO / \partial PI > 0$$

One expects a direct relationship between turnover and the price index of a company's shares in the stock exchange. Where the price index is high in a certain year and market capitalisation is high, then more funds can be used to expand and this will most likely lead to a higher turnover for the company in the coming year, therefore showing a positive relationship between turnover and price index.

$$\beta_3 = \partial TNO / \partial DIV > 0$$

The relationship between turnover and dividends is also positive. When the company offers good dividends, it encourages a rise in the price index and market capitalisation of its shares in that year and this has a positive impact on the turnover in the coming year.

$$\beta_4 = \partial TNO / \partial MKTCAP > 0$$

A high market capitalisation available to a company in a particular year, probably due to a good dividend history which leads to an increase in the price index, will most probably further result in an increase in the company's turnover in the coming year, therefore showing a positive and direct relationship between the two variables.

On the basis of a priori expectations for equation 3:

$$\beta_1 = \partial MKTCAP / \partial TNO > 0$$

The relationship between the market capitalization of a company in the stock market and its turnover is positive. The higher the market capitalization of a company, the higher the funds available for the company and its turnover, ceteris paribus.

$$\beta_2 = \partial MKTCAP / \partial PAT > 0$$

There is a positive relationship between the market capitalization

and the profit after tax of a company. When the PAT of a company is high, there is a tendency for the company to give out good dividends in that year and this will lead to a higher share price, also leading to a higher market capitalization.

$_3 = $ MKTCAP / DIV >0

The relationship between the dividend history of a company and its market capitalization in the stock exchange is a positive one. A good dividend history will encourage a rise in the company's share price and will therefore also encourage a rise in the company's market capitalization.

Research methodology

The time series data collected over a period of twenty years was estimated using the Ordinary Least Square (OLS) technique. The technique possesses the unique property of Best Linear Unbiased Estimator (BLUE) when compared to other estimating techniques. The OLS estimator also possesses the desirable qualities of unbiasness, consistency, and efficiency.

i) The parameter estimates obtained by OLS has optimal properties.
ii) The computation procedure of the OLS is fairly simple compared to other econometric techniques of estimation.
iii) OLS is mostly used by most researchers.
iv) They always have a fairly statistical result.

MODEL ESTIMATION AND PRESENTATION OF RESEARCH FINDINGS

Empirical analysis

This section is concerned with the econometric testing of the models in order to verify hypotheses, using the case of a confectionary company and the Nigerian stock exchange. The regressed result from equation 1 is stated in equation 5:

TNO = 4.6668(3.8516) + 0.49923PAT(1.4551) + 0.0082682PI(0.83297) + 0.28027DIV(1.1865) + 0.035969MKTCAP(0.13182)   [5]

R-Squared = 0.98132
R-Bar-squared = 0.96637
F (4, 5) = 65.6644
SEE = 0.11732
M-Dep-Var = 15.7230
D-W Statistic = 2.0695

The regressed result from equation 3 is stated in equation 6:

MKTCAP = 4.2350(1.2207) + 0.013383TNO(0.024623) + 0.00000008495PAT(0.32199) + 0.55616DIV(2.6617) [6]

R-Squared = 0.99549
R-Bar-squared = 0.98646
F (6, 3) = 110.3223
SEE = 0.11282
M-Dep-Var = 15.4948

D-W Statistic = 2.1497

On the basis of the individual significance of the parameter estimates, almost all the slope coefficients are statistically significantly different from zero, but none of them is equal to zero. Model 5 shows that the PAT co-efficient passed the test of significance at the 20% level because the t-value of 1.4551 is greater than the table value of 1.332 at this level, which is accommodating of low t-statistic values. This shows that profit after tax is significant in the determination of the turnover of a company in a year, though at a minimal level. However, the coefficients of the other variables, PI, DIV and MKTCAP, with t-values of 0.183297, 1.1865 and 0.13182 respectively failed the test of significance even at the 20% level whose table value is 1.332. This implies that these three variables are not significant in the determination of the turnover of a company.

Model 6 reveals that the DIV co-efficient passed the test of significance at the 5% level because its t-value of 2.6617 is greater than the table value of 2.101 at this level. This shows that dividends are strongly significant in the determination of the market capitalisation of a company. Other variables in model 6 – TNO and PAT- fail the test of significance even at the 20% level. This implies that these two variables are not significant in the determination of the market capitalization of a company in the stock exchange.

DISCUSSION OF RESULTS

Model 5 shows that on the basis of the a priori specification, all the slope coefficients meet the expected signs. The coefficient of the profit after tax has a minimal significance in the determination of the exogenous variable, turnover. The coefficient of the other variables, price index, dividends and market capitalisation are not significant but they are positive. This means that they can influence the turnover but are not statistically significant to explain changes in the turnover. From the estimated results, the coefficient of determination value of 0.98132 implies that 98% of the variations in the turnover are explained by changes in the independent variables, that is, market capitalisation, profit after tax, dividends and price index. The remaining 2% is explained by other factors. The coefficient of the constant implies that if all explanatory variables are assumed to be zero, then other factors will still contribute and explain 4.67 units of the variations in the dependent variables. If there is a unit increase in PI, there will be a 0.0083 unit increase in turnover. The logged variations imply that if there is a 1% increase in MKTCAP, then LTNO will increase by 0.036%. Also, a 1% increase in PAT and DIV will increase LTNO by 0.499 and 0.008% respectively. The adjusted coefficient of determination value of 0.96637 shows that about 96.637% systematic variation of the GDP is explained by changes in all the exogenous variables. This is surely a good fit as only about 3.363%

systematic variation is left unaccounted for by the model, which we may attribute to the error term (e). A comparison of the standard error of estimate with the mean of dependent variable shows that the model is preferable as the M-Dep-Var value of 15.7230 is greater than the S.E.E. value of 0.11732.

A test of the overall significance of the model shows that the overall model is because the calculated f-statistic of 65.6644 is greater than the table f-values at the 5 and 1% levels of significance. This being higher than 10, shows that the model is strong enough to explain the changes in the dependent variable. This also indicates that all the slope coefficients taken together are simultaneously significantly different from zero. The D-W value of 2.0695 is indicative of the likely absence of first-order positive or negative auto or serial correlation, that is the problem of autocorrelation has been corrected.

Model 6 reveals that on the basis of the a priori specification, all the slope coefficients had the expected signs. While dividend has a minimal significance in the determination of market capitalization, turnover and profit after tax are not significant but they are positive. This means that they influence the turnover but are not statistically significant to explain changes in the turnover.

The coefficient of determination value of 0.99549 means that 99.5% of the variations in market capitalization are explained by changes in the independent variables, that is, market capitalization, profit after tax and dividends. The remaining 0.5% is explained by other factors. The coefficient of the constant implies that if all explanatory variables are assumed to be zero, then other factors will still contribute and explain 4.235 units of the variations in the dependent variables. If there is a one unit increase in PAT, there will be a 0.000000085 unit increase in market capitalisation. The logged variations imply that if there is a 1% increase in turnover and dividend, then market capitalisation will increase by 0.0134 and 0.556% respectively. The adjusted coefficient of determination value of 0.98646 shows that about 98.65% systematic variation is explained by changes in all the exogenous variables. This is surely a good fit as only about 1.35% systematic variation of GDP is left unaccounted for by the model, which we may attribute to the error term (e). A comparison of the standard error of estimate with the mean of dependent variable shows that the model is preferable as the M-Dep-Var value of 15.4948 is greater than the S.E.E. value of 0.11282.

A test of the overall significance of model 6 shows that the overall model is significant because the calculated f-statistic of 110.3223 is greater than the table f-values at both 5 and 1% levels of significance. This being higher than 10, shows that the model is strong enough to explain the changes in the dependent variable. This also indicates that all the slope coefficients taken together are simultaneously significantly different from zero. The D-W value of 2.1497 is indicative of the likely absence of first-order positive or negative auto or serial correlation, that is the problem of autocorrelation has been corrected.

Findings and Recommendations

Findings

The specific findings that were noted in this study include:

i) Our hypothesis that there is a positive relationship between the value of a company's shares and its perfor-mance has been found to be valid.
ii) In a similar way, it has been found that our hypothesis of a positive relationship between the performance of a company and its value in terms of market capitalization also has been validated.
iii) It can also be validated that both the performance of a company in terms of turnover, profit after tax and dividends and the value of a company in the stock exchange in terms of price index and market capitalization are dependent on one another.

Recommendations

When a company has a high turnover, it usually records a high profit after tax. Given a high profit after tax, if such a company declares a good bonus and dividends for its shareholders, this will also lead to an increase in its share price index. Investors will be attracted if a good dividend and bonus history is maintained and this will then increase the value of the market capitalisation of the company. Consequently, more funds would be at the company's disposal for growth purposes and this will then lead to an increase in its turnover in an ever-flowing cycle.

Thus, this study recommends that the confectionary company should create policies that will encourage increases in its profit after tax and their dividends as these variables have been statistically proven to have strong significances on the changes in the company's performance and the value of its market capitalisation.

Furthermore, it should improve on the policies relating to its dividends, market capitalisation and turnover since they have some form of influence on each other, even though they are not statistically significant in the analysis.

REFERENCES

Ekanem W (2003), Stimulating the Growth of Indigenous Enterprises: The NSE Market Annual.
Ekanem W (2003), Investment Opportunities in the Capital Market: The NSE Market Annual.
Fosback V G (1991), Stock Market Logic: A Sophisticated Approach to Profits on Wall Street, New York: Florida Dearborn Financial Publishing Incorporated.
Okechukwu Z (2004), Shareholding: Steps to Financial Empowerment, Lagos: Phil gad International Limited, 1st Edition.
Pandey IM (1999), Financial Management, New Delhi, Vikas Publishing House, PVT Ltd, 8th Edition.
Raghbendra Jha (2003), Macro Economics for Developing Countries, London: Routledge, 2nd Edition.
World Federation of Exchanges – Statistics / Monthly (http://www.world-exchanges.org/statistics/ytd-monthly).