

Effects of the Consolidation of the Banking Industry on the Nigerian Capital Market

Donwa Pat* and Odia James**

*Department of Accounting, University of Benin, P.M.B 1154 , Benin City 300001, Nigeria
Telephone: 234-8056157977; E-mail: pdonwa@yahoo.com*

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ABSTRACT The paper investigates the impact of the consolidation of the banking industry on the Nigerian Capital Market between 2004 and 2008 using primary (questionnaires) and secondary data from the Nigerian Stock Exchange. When the data was analyzed with the chi-square test and ANOVA, it was found that bank consolidation affected significantly the primary market as most of the banks had to go to the capital market to raise the required amount by issuing securities. The secondary market was negatively affected initially due to fall in bank stock prices. However, as market confidence rekindled and the consolidation deepened with realistic prospects, the secondary market also revived. Bank consolidation has increased public awareness and operations of the Nigerian capital market just as the capital market has continued to be an easy and cheap source of funds for banks in the post- consolidation era. Also, the consolidation of the Nigerian Banking sector has positively impacted on the market capitalization and the all-share Index of the Nigerian Stock Exchange. Based on the findings, it is recommended that the bank and capital market regulatory authorities should continue to monitor and institute reforms program that will better reposition the banking industry as a major player in the Nigerian Capital Market and the economy.