

**COMPUTERIZATION OF RANKING OF  
COMPANIES THROUGH MARKET  
CAPITALIZATION**

**A case study of Securities and Exchange  
Commission Abuja**

**BY**

**IBRAHIM, ABDULKABIR  
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## CERTIFICATION

This is to certify that this project has been read and approved by the undersigned as meeting one of the requirements of department of mathematics/computer, Federal University of technology Minna, Niger state.

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Dr. N. I. Akinwade  
Project supervisor

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Date

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Mr. L. N. Ezeako  
Head of department

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Date

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External Examiner

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Date

ABSTRACT

The financial market in general and the capital market in particular have been wide catalytic to the socio-economic development of the Nigerian economy and the world economy at large. This explains why this sector of the economy has been globally subjected to constant reforms and modernization efforts. The performance and contribution of capital market to economic development can be measured through the dealings in equities of listed companies in the stock exchange via several criteria among which is market capitalization used in this research work.

The automation of market capitalization which constitutes the major part of this work revealed the various benefits accrued to the capital market as it can easily be used to rank individual performance of companies and the contribution at the various sectors of the economy to the Gross Domestic product (GDP).

PROJECT TOPIC

Automated Ranking of Companies  
through Market Capitalization

(A Case Study of Security and Exchange  
Commission Abuja)

## CHAPTER 1

### 1.1 INTRODUCTION

Corporate bodies as well as various tier of government rely on the Nigeria capital market as a vital source of long-term funds for financial viable projects for the nation's socio-economic growth and development. The Nigerian capital market is the market for the buying and selling of newly issued shares and existing shares. It is the mechanisms through which long-term funds with maturity of more than one-year are sourced.

The capital market is divided into primary and secondary market. While the primary market is the market for newly issued shares, the secondary market on the hand is the market for the exchange of existing shares of companies. The main objective of the capital market is to facilitate the efficient channelisation of long-term funds for project financing. Instruments traded in the capital market include equities, debentures, stocks, gill-edges securities, state and municipal bonds and financial derivatives such as options, futures and warrants.

In assessing the performance of the capital market, a number of criteria can be used. This include the size (value) and number of primary market issues, new listings on the stock exchange(s), volume and value of trading, market capitalization, stock price index turnover ratio, etc. In this research work, market capitalization as a tool for measuring the performance of stock exchange market is used.

The secondary market where market capitalizations take place form a major part of this research work. Functionally, the secondary market provides liquidity to investors by enabling them to convert their securities into cash. However, securities transaction in the secondary market take place under the supervision of securities and exchange commission whose mission statement is to promote the Nigerian capital market to respond to the socio-economic development needs of the nation.

The Securities and Exchange Commission Abuja, where this research work was conducted in the is the statutory regulatory body for the Nigerian Capital Market. The commission is vested with the primary responsibilities of investor protection and maintains market stability. Securities Commission in developing markets are however, charge with the additional responsibility of developing the capital market. The need to sustain and maintain market integrity and public confidence which are vital to the mobilization and channeling of saving for productive investment had made vitally all countries with formal capital market to establish such bodies.

## 1.2

### THE COMPUTER SYSTEM

Computer system consist not only of the device which can perform computations without human intervention, but also device which allow data to be made available for processing and devices on which data can be displayed or printed for use by human beings. Any

computer system, regardless of the size, is capable of performing only a relatively few number of operations. These operations include:

- (i) Arithmetic operations, such as the addition, subtraction, multiplication and division of data.
- (ii) Logical operations, such as determining whether one number is greater than another number.
- (iii) Input/output operations, such as accepting data for processing or causing data to be printed on a report.

Even though these operations seem minimal and infant not very powerful, it is through the ability of the computer system to perform these operations quickly and reliably that the power of the computer system is derived. The purpose of a computer system is to accept data, process data, and as a result of the processing, produce output in the form of useful information.

The computer system is capable of processing data at very rapid speeds to produce results which are useful to people. In order to understand how a computer system can do this, it is necessary to examine the three primary units of the computer system. These include:

1. The input unit, which present data to the processor unit of the computer system for processing of the data.
2. Processor unit, which stores the data and contains the electronic circuitry necessary to carry out the processing of the stored data.

3. Output unit, which can display, print or otherwise make available to people the results of the processing of the data.

The processing unit of a computer system is normally composed of two -distinct parts, the central processing unit (CPU) and main computer storage. The central processing unit contains the electronic circuits which actually cause processing to occur by interpreting instruction to the computer performing calculations if necessary and performing the input and output operations of the system. The data which is to be processed must be stored in main computer storage before it can be processed. Main computer storage consists of components which can electrically store letters of the alphabet number and special characters such as decimal points or naira signs. The data stored in main computer storage can be referenced by the central processing unit so that processing can occur.

### 1.3 THE SECURITIES AND EXCHANGE COMMISSION ABUJA

The principal agency for capital market regulation is the Securities and Exchange Commission (SEC), which was established by the SEC Act 1979 re-enacted in 1988 as Decree in 1973, market the beginning of statutory regulation for the Nigerian capital market. The capital issues commission later metamorphosed into the present day SEC.

The Nigerian Security and Exchange Commission Abuja is guided by its enabling legislation which empowers it to formulate rules and regulations to guide the conduct of securities business. The Security

and Exchange Commission regulates the Nigerian Stock Exchange to which it is at liberty to regulate powers. The commission is also empowered to regulate all market operations as well as securities and approve all mergers and acquisitions and any other form of business combination. In performing its oversight role, the Security and Exchange Commission adopts the traditional securities market regulatory tools of registration, surveillance, investigation, enforcement and rule making. Its developmental role is necessitated by the low level of development of the country's capital market to meet the challenges posed by rapid modernization of the economy.

Like the Central Bank of Nigeria (CBN), the commission is given wide powers to exercise the provisions of its enabling Decree. As the apex regulatory agency, the commission has under its purview all institutions and persons operating in the capital market such as stock exchange, stock brokers, registrars, investment advisers, etc. In addition to its regulatory and developmental function, the commission is mandated to determine the price of all securities issued in the country involving all public enterprises or private companies with alien ownership interest. The commission's final function is in the allotment of securities and it is determined by its Allotment committee under section 20 of Security and Exchange Commission Decree 1988.



#### 1.4 AIMS AND OBJECTIVE OF THE STUDY

The major aim of this study is to develop a computer program which will be able to compute the market capitalization of equities of listed companies in the capital market and away in their order of market capitalization the leading companies in the stock exchange market.

The study will also measure the performance of companies in the Nigerian Stock Exchange via market capitalization as compared to other criteria like the earning per share, dividend yield, etc.

#### 1.5 SIGNIFICANCE OF THE STUDY

- (i) To examine the role of capital market in the Nigerian economy.
- (ii) To study market capitalization in the Nigerian capital market as a tool used in measuring the performance of companies trading in the stock market.
- (iii) To measure the performance of the Nigerian stock exchange market via market capitalization.
- (iv) To study the role of Security and Exchange Commission in ensuring fair play and justice in the capital market

#### 1.6 SCOPE AND LIMITATION OF STDY

The research work is concerned with market capitalization method of measuring the equities of listed companies in the Nigerian stock

exchange market obtained from Security and Exchange Commission Abuja as at December 31<sup>st</sup> 2001.

## 1.7 WHY AUTOMATION OF MAKET CAPITALIZATION

Automation within the capital market context is to considerably reduce manual execution of capital market transactions. Automation can be referred to as any system or method that uses self operation equipment, electronic device, etc to replace human beings in doing routine or repetitive work. In other words, automation refers to all processes in which machines are used to perform tasks that previously required manual skills.

The financial market in general and the capital market in particular has been widely catalytic to the socio economic development of Nigeria. This explains only this segment of the economy has been subjected to constant reforms and modernization efforts. The objective of this work is to examine the trend of market capitalization of listed equities of companies in Nigerian capital market, design a program that will compute their market capitalization and finally rank the companies according to their capitalization which will be used at the end of the year to measure their performances and contributions to the Nigeria capital market and the economy at large.

## 1.8 DEFINITION OF TERMS

**BONDS:** These are long-term debts owed the holder of the instrument by the issuer.

**SHARES (EQUITIES):** These are ownership rights in a company.

**ORDINARY SHARES:** This is the type of equity whose holder becomes a part owner of the company and benefits from the distributed profit of the company.

**PREFERENCE SHARE:** This is a type of equity that has a debt feature. The holder of preference share gets dividend whether the company makes profit or not and are settled first before other types of shareholders.

**DATA:** A data is a presentation of facts, concepts or instructions in a formalized manner suitable for communication interpretation and processing by humans or automatic machines.

**DIVIDEND:** An individual share of earnings distributed among shareholders of a company to their holdings and as determined by the class of their holdings.

**STOCK BROKERS:** These are agents who buy and sell securities on behalf of investors.

## CHAPTER TWO

### 2.1 REVIEW OF LITERATURE

The history of financial markets in Nigeria would probably confirm that they must have emanated from the existence of deficit and single financial units within the economy. If every unit (government, business enterprises and individuals) has adequate funds to meet its financial requirements, there would have been no financial gap in any sector that would necessitate resource in financial markets to bridge. Consequently, financial markets (capital market in particular) might not have evolved to become so vital to the economy without such gaps.

However, finance position in the real world is not as simplistic as earlier illustrated where every unit is financially self sufficient to carry out needed investment, meet its day to day requirements and/or purchase desired consumer goods and services. While certain units have finance gaps to fill, some other units have surplus funds, which they are willing to part with temporarily. The interaction of the two must have been the single most important reason responsible for the development of financial markets.

According to Miss Daisy Ekineh, deputy director of SEC Abuja, an entrepreneur restricted to personal savings, loans and plough back profits will get to a stage of business in life when all these sources of funds become quite inadequate to meet the present and future requirements to enterprises. To meet these requirements, the entity

may have to seek other sources of funds through the capital market vis-à-vis money market financing.

From the review of issues in capital market development (a publication of SEC), the Nigeria capital market, through relatively young and largely underdevelopment has made some reasonable strides particularly in the 1990s.

From the annual report of SEC 2001, it was observed that the Nigerian capital market does not only serve the industrial sector being also an important source of funds to the government for the financing of infrastructure and other projects critical to societal prosperity. Specifically, the market is designed to provide funds to government and their agencies to finance and improve roads, bridges, water, healthcare etc. These are building block for development, which can hardly be financed by the money market. The publication revealed that ₦12.02 billion was raised in 1999 from the capital market by various entities to finance different fixed assets as well as to strengthen their capital base. This amount sourced rose in 2000 to ₦17.21 billion and ₦ 36.8 billion in 2001. It was also observed that the market capitalization of securities listed on the Nigerian Stock Exchange was impressive during the year 2001 as experienced in the preceding year. The aggregate market value of all securities quoted on the Exchange stood at ₦662.2 billion as at December 31, 2001 as against ₦472.3 billion in the previous year. This represented an increase of 40.20%.

Following the trends in the global capital market, Hakeem Bola-Osagie (Chairman, UBA Plc), during the paper he presented at a workshop on “Accessing the global capital market, benefits, challenges and prospects for Nigerian entities”, he stressed that Nigeria cannot afford to be left out of the current cross-border securities transactions. According to him, Nigerian perspective of cross-border securities transactions should essentially involve facilitating the access of foreigners to the Nigerian capital market as opposed to the direct participation of foreigners in business in Nigerian. For this reason, he concluded that foreign interest in Nigerian business entities should be assessed not by the number of business structures put up by foreigners, but by the level of foreign investment in the securities of Nigerian enterprises.

Wole Adetunji (Acting Director-General , SEC Abuja) also during the above workshop, highlighted the benefits which are accruable from participating in the global capital market as capital sourcing, flexibility of the market as it provides various type of financing instruments prestige, corporate governance and enlarged shareholder base as it enable a company to broaden its size diversity and sophistication. He however identified some challenges facing Nigerian entities in the capital market as their ability to meeting the entry requirements of the jurisdiction(s) concerned, method of entering the market and the appropriate instrument of issues to deal in (e.g equity, bond or hybrids).

In conclusion, the Director General of SEC Abuja (Mall. Suleyman Ndanusa), in appraisal at the commission during his 2001 annual report speech said the traditional tools of registration, surveillance, investigation, enforcement and rule making were employed to regulate the capital market, in order to build an efficient, effective and transparent market thereby ensuring investors confidence in the capital market.

## 2.2 THE NIGERIAN CAPITAL MARKET

The Nigerian capital market is the market for the buying and selling of newly issued shares and existing shares. The capital market is divided into primary and secondary markets. While the primary market is for newly issued shares, the secondary market on the other hand is for the exchange of existing shares of companies. For the purpose of this research work, emphasis will only be on the secondary market.

The secondary market is an important arm of the securities market and perhaps the better known aspect of the market. Its basic function is fostering and formalizing transfers of existing securities among investors. It is in essence a resale market where securities originally issued in the primary market are bought and sold.

Functionally, the secondary market thus provides liquidity to investors by enabling them to convert their securities into cash. The ease with which securities can be converted into cash is an important determinant of the efficiency of the secondary market. The secondary

market indirectly facilitates the saving and investment process and ultimately the economic growth and development of a nation. The existence of a secondary market invariably gives investors' confidence that the securities acquired in the primary market could be easily disposed of whenever they wish to do so. Further more, the presence of a formal secondary market (stock exchange) could encourage issuers of securities to seek fresh capital in the primary market since public reception of new issues attracting quotation possibilities, usually commanded greater public confidence. Beside the provision of liquidity in the Nigerian capital market, secondary market provides real-time information on listed securities and promotes price discovery.

### 2.3 SECONDARY MARKET IN SECURITIES TRANSACTION

Under this section, the five basis elements that are prerequisite to the functioning of a secondary market will be discussed. This includes market, market instruments, issuers, investors, operators and regulations.

#### THE MARKET (FACILITIES)

This refers to the device, facilities, arrangements and the mechanism through which issued securities can be bought or sold by investors. There are two basic types of markets, the organized and unorganized markets.



The organized market is symbolized by a stock exchange, which may or may not have a physical trading place. Prio to the mid 1980s, all stock exchanges had physical trading floors (location) where stockbrokers gathered, bought and sold securities on behalf of their client (the public). However, with the stock market reform in the United Kingdom (popularly referred to as the “big bang”), off-floor trading of securities, was for the first time introduced. Since then, remote trading in securities has been introduced by a good number of stock exchanges (including Nigeria), with trading flour becoming irrelevant and computer network located in offices of operators taking over trading. In this process, operators receive and execute orders from their offices via electronic and computerized screen-based system, which links together all brokerages firms and the stock exchange.

The unorganized market, which is popularly refereed to as the over-the-counter market, also trades without a trading floor, basically through telephones and computer stations. Although the market is traditionally called unorganized, it is induced well organized and regulated in countries where it operated.

### **MARKET INSTRUMENTS**

While the market can be referred to as the playing filed, market instruments are the products which are necessary for the game to be played. Thus, without the instruments there would be exist.

These are two main categories of instruments traded in the capital market. These are Equities which are ownership right in a Company and Bonds Equities can be in the form of debt instruments like ordinary shares and preference shares.

### **OPTION**

An important credit instrument traded in most developed and some emerging stock market is the options contracts. An option is a contract between a buyer and a seller which gives the holder of the contract the right but not the obligation to buy or sell an existing security of a specified price and period. The instrument is called an option because it gives the holder of the contract the option to exercise or not to exercise his right. A call option is an option to buy while a put option is an option to sell. Most option trades are institutional investors and professional trades such as speculators who carry block (substantial) holdings of securities in their portfolio. Options are not limited to securities or equities only. In many countries option markets have developed in interest bearing securities, stock index, currency, commodities and future contracts.

### **INVESTORS**

Investors, issues and operators can be regarded as the players in the market place. Investors are the clients of market operators (intermediaries) on whose behalf they buy and sell securities. The level of business of operators is therefore highly dependent on the level of investor's participation in the market which itself is influence

by factors such as the level of confidence by factors such as the level of confidence in the financial market and the prevailing socio-economy variables. When an investors wishes to liquidate his investment he sells the securities through a stockbroker to another investor who is willing to buy. The amount he gets for the disposal is a factor of the current value of the securities which may have appreciated or depreciated against the value of the securities at the time original purchase.

## **REGULATION**

Regulation of secondary market usually takes two forms. The first been self regulation is formulated by industrial groups and imposed on their members. Self regulation in the secondary market is provided by stock exchange and association of securities dealers. These agencies draw-up rules, which guide the business conduct of members and enforce the rules.

Statutory regulations been the second are regulations introduced by statute and usually administered by government agencies such as securities and exchange commissions.

### 2.4 **RELEVANCE OF MARKET CAPITALIZATION IN CAPITAL MARKET**

To asses and rank quoted companies and indeed any self of companies, a number of criteria can be used. These criteria are known to include turnover, profit, net worth, price earning ratio, trade value,

etc. But the most popular and perhaps globally accepted criterion for assessing companies either quoted on an exchange or traded over the counter is the market capitalization.

Market capitalization is the worth of a company as determined by market forces. That is the demand for and supply at its securities. The market capitalization of a company can therefore be said to be its value as perceived by the market (investors). It is a function of a company's share price and its outstanding shares (paid-up capital) at a given date and would rise under the following circumstances:

- (i) Outstanding shares increase but share price remains unchanged;
- (ii) Share price increase but outstanding shares remain unchanged;
- (iii) Both outstanding shares and share price increase; and
- (iv) A drop in share price but an increase in outstanding shares, which is significant enough to off-set the decline in share price.

By contrast, a decline in a company's market capitalization will usually arise only from an adverse price movement of its shares as it is not usual for a company to reduce its outstanding shares. Since the market value of a company's equity is influenced by investor's perception, then it will fluctuate with changing perception which is reflected in its share price, its ranking could accordingly change. Ranking could also change if a company's market capitalization remains the same whereas the market value of some of the companies in the group changes.

In view of the relevance of market capitalization in assessing the size and performance of a company, the SEC quarterly, will on regular basis, features the top 50 quoted companies ranked by market capitalization.

## CHAPTER THREE

### 3.1 PROGRAM DESIGN AND ANALYSIS

The operations of input, process and output which take place in a computer system must be controlled. These operations are controlled by a computer program. A computer program is a series of instructions which are stored in main computer storage and specify which processing operations are to occur in computer system. For the purpose of this research work, Database Management Software (DBMS) shall be used as business software that can keep many type of information. This type of application software keep the file size smaller, makes data access faster, and reduced the chance of incorrect information by recording only once.

### 3.2 DATABASE MANAGEMENT SYSTEM

The rapid development of computer technology in recent years has been accompanied by dramatic new applications of computers for solving problems in both science and business. Since many of these problems are dependent on the collection, storage, manipulation and distribution of vast quantities of information the ability of computer hardware and software to handle these functions efficiently and economically is a crucial aspect of system design.

However, the ability to store large amount of data on auxiliary storage and the ability to communicate with terminals and computer over long

distances gives users of computers many varied options concerning the way they will process data and produce information from the computer system.

The key to successfully using this computing power is to analyse the need of a company or organization and then organize both the data and the computing power in such a way that it reflects the structure of the company. The best method of organizing this is the database.

The database is the collection of interrelated data stored together with a minimum of redundancy to serve multiple applications, with the data stored so that it is dependent of the programs which use it and is independent of the type of hardware on which it is stored. When a database is organized and stored on auxiliary storage, application programs can reference data in the database independent of how the data is stored or organized.

A data base is created, accessed and updated by a data base management system. The database management system consists of a series of programs written by a computer manufacturer or by features:

- (1) Establishment of data relationship within the database;
- (2) Data independence;
- (3) Comprehensive data security;
- (4) Recovery capabilities; and
- (5) Query language capability.

### 3.3 PROGRAM DESIGN (MICROSOFT ACCESS)

#### STEP 1

In activating or selecting Microsoft program software in database management system, database Access 2000 is first activated.

#### STEP 2

Save database and a database dialogue box appears with the tool bar, left and right pane as shown in appendix i.

#### STEP 3

Select table from the left pane. Click on creates table design view to highlight it and then click on the open bottom to start the table design.

#### STEP 4

Design dialogue box appears which has filed name, data type and descriptions in the upper pane, and field properties in the lower pane, see appendix ii.

#### STEP 5

Field names used in this research work like name of company, outstanding shares, market price, nominal value, earning per share and dividend yield in the previous year are filled in simultaneously with data type. The corresponding field properties like field size, caption and format are filed in the lower pane according to filed names as shown in appendix ii.

The table is then saved and called up in the view window.



## STEP 6

The view window will then display the table with field names and the data are filled in accordingly. The status bar located at the bottom of the table keeps the record of the number of data fields that have been entered as show in appendix iii.

## QUERY LANGUAGE

Most data base management system provides a query language, as well as the organization and access of the data in the base. A query language is a very high-level language which allows user to specify their information requirements. Using the request from the user in the query language, the database management system will search the database, acquired and return the information to the user.

In the query language used, the main objective in this research work is to calculate the market capitalization which is the product of outstanding number of shares and their corresponding market values.

## STEP 7

On the window table, click on the design view button on the bar and click on the new object auto form button. From its drop down menu, select query and a new query dialogue box appears. Highlighting the design view, click O.K. and a query window is opened as shown in appendix iv.

## STEP 8

Inside the query window, the upper pane shows the tabulated design view where all the fields are listed and the lower pane shows the table properties arranged in rows. The corresponding fields are set in the query table fourth column and the query formula for the calculation of market capitalization is entered as shown in appendix v.

## FORMULAR

**Market Capitalization:  $[OutstShares]*[MktPrz]$ .**

Where *outstShares* is outstanding shares, *MktPrz* is market price and \* is the multiplication sign. That is, market capitalization is the outstanding shares of companies multiply by their market prices. The remaining fields are filed in the query table and saved using the “save as” button from the file menu.

Click finally on the view query button, the query table operation is confirmed and the resultant reports are generated as presented in chapter four.

## CHAPTER FOUR

### 4.1 DATA PRESENTATION

This chapter is particularly concerned with the data collected from Securities and Exchange Commission Abuja and it contains only equities of 100 quoted companies see table 1.

### 4.2 PROGRAM APPLICATION

The query language program designed is used in this chapter to compute the market capitalization as shown in table 2. The computed market capitalization is used to rank the companies. The rank table presented in this chapter represents only the first 20 companies with highest market capitalization arranged in ascending order.

Table 1

Name of Company	Outstanding shares (m)	Market Price	Norminal Values	Earning Per Shares	Dividend Yeild(2000)
Inland Bank	2,000.00	1.19	0.13	8.40	
Liberty Mer. Bank Plc	1,600.00	2.11	0.22	4.74	
Livestock Feeds	24.76	3.45	0.00	8.70	
Trans Nation Wide	100.00	1.10	0.06	9.09	0.00
Impresit Bakolori	189.00	2.69	0.00	2.60	0.00
Bewac	15.00	0.51	0.00	9.80	0.00
National Oil Co. Plc	343.00	29.80	2.27	3.36	0.00
Ellah Lakes	60.00	0.50	0.00	0.00	10.63
Universal Trust Bank	1,865.22	3.02	0.56	8.28	
Cappa & D'Alberto	98.44	8.10	1.78	4.94	8.67
CAP Plc	126.00	2.82	0.36	14.18	7.83
FSB International Bank Plc	1,220.33	8.30	1.28	4.34	21.04
Champion Brew.	38.78	0.10	0.00	20.00	10.00
Hallmark Bank Plc	1,400.00	3.45	0.76	7.25	12.50
M-Net Supper Sport	282.99	93.00	0.00	3.67	18.33
Cooperative Dev. Bank Plc	1,024.00	1.29	0.27	9.30	
Guaranty Trust Bank	2,000.00	6.70	0.44	4.18	0.00
Nig. Wire Ind. Plc	15.00	2.55	0.24	3.92	0.00
Guinness Nig. Plc	707.96	34.46	5.80	6.97	0.00
Beverages (W.A)	6.00	0.82	0.53	121.91	8.92
Mobil Nig Plc	192.32	64.70	4.66	8.95	5.60
Interlinked Tech.	33.38	1.43	0.23	4.20	10.11
Texaco Nig Plc	151.18	67.00	5.38	0.00	9.96
IPWA	84.12	1.20	0.12	10.83	6.31
Premier Brew	126.00	1.30	0.00	4.62	9.49
Golden Guinea	136.00	1.00	0.06	25.00	31.35
Cooperative Bank Plc	2,000.00	1.90	0.23	5.26	0.00
ATLAS	17.42	0.13	0.00	0.00	4.55
Julius Berger	225.00	43.00	2.38	1.16	0.00
African Express Bank Ltd	1,500.00	1.45	0.06	0.00	0.00
Union Dicon	140.00	17.10	1.32	2.92	18.07
CFAO	312.03	3.63	1.12	5.51	2.71
Totalfinaelf Nig. Plc	297.08	72.50	5.19	5.52	6.22
IMB	1,752.61	1.05	0.17	4.76	1.55
PZ Industries Plc	1,452.06	10.70	0.44	1.40	2.99
UACN	908.64	3.70	0.39	3.78	12.66
John Holt	389.15	2.29	0.23	6.55	
Chartered Bank Plc	2,263.51	4.35	0.57	4.60	12.57
Cadbury Nig. Plc	661.00	32.99	2.39	3.33	0.00
DN Meyer Plc	134.15	10.10	0.48	3.96	7.81
Benue Cement	495.00	4.79	0.00	3.34	0.55

Table 1

Name of Company	Outstanding shares (m)	Market Price	Normal Values	Earning Per Shares	Dividend Yeild(2000)
Nig. Ropes	33.18	1.92	0.00	6.77	12.98
Arican Paint Nig Plc	130.00	0.72	0.00	0.00	0.00
Foremost Dairies	4.44	0.47	0.00	42.55	0.00
WTN	81.00	1.40	0.25	7.14	0.00
Lion Bank	1,070.00	1.35	0.27	6.67	0.00
Flour Mills	546.00	16.20	1.28	4.32	0.00
Eko International Bank Plc	1,126.85	2.40	0.34	2.92	0.00
Ferdinand	100.00	0.97	0.33	20.62	0.00
Nigeria Breweries Plc	1,890.59	35.00	2.28	4.51	0.00
Chellarams	90.37	1.95	0.32	5.13	0.00
W.A. Portland Co Plc	1,143.42	22.00	0.19	2.27	0.00
First Bank Of Nigeria Plc	2,032.45	23.55	4.02	5.52	0.00
Access Bank Nig Plc	1,500.00	1.30	0.06	3.85	0.00
Afri Bank	1,104.17	8.55	1.50	1.75	0.00
Nal Mechant Bank	1,068.63	3.92	0.52	6.38	0.00
A.G. Leventis	878.33	0.91	0.09	10.99	0.00
Ashaka Cement Plc	585.00	20.89	1.84	2.39	0.00
Rietzcot Nig. Co.	128.00	0.68	0.23	14.71	0.00
Hallmark Paper	50.00	0.83	0.00	6.02	0.00
Agip Nig Plc	426.50	34.62	2.75	4.91	0.00
Arbico	13.50	1.25	0.00	8.00	0.00
Incar	133.75	1.47	0.00	3.40	0.00
Manny Bank Plc	1,800.00	1.36	0.22	3.68	0.00
Berger Paints	217.00	2.60	0.30	3.85	0.00
Intra Motors	30.00	0.57	0.33	8.77	0.00
G. Cappa	125.00	5.13	1.28	3.90	0.00
7-Up	327.98	5.00	0.77	10.00	0.00
UBA Plc	1,700.00	11.50	0.75	2.17	20.41
Costain	140.41	0.70	0.00	28.57	8.70
Grommac	40.00	0.49	0.00	20.41	10.29
Onwuka Hi-Tech	68.17	0.10	0.00	20.00	10.08
Footwear and Accessories	186.40	0.39	0.00	25.64	9.29
Cement Co. of Nig.	648.56	3.07	0.00	0.65	3.40
Omega Bank	1,020.00	2.34	0.48	7.26	5.33
Int. Brew.	300.00	1.29	0.00	6.20	14.71
Nig. Wire & Cable Plc	168.00	2.17	0.31	4.61	3.85
Unilever Nig Plc	1,210.65	27.30	0.87	1.65	1.75
Trans Int'l Bank	1,351.50	2.18	0.16	1.38	0.00
UTC	280.31	0.99	0.87	70.71	4.60
Dumez	208.00	2.80	0.20	3.57	9.30
R.T. Briscoe	120.00	3.38	0.45	5.33	5.26
Nigerian-German Chem.	148.75	3.15	0.16	1.90	2.92

Table 1

Name of Company	Outstanding shares (m)	Market Price	Normal Values	Earning Per Shares	Dividend Yield(2000)
Wema Bank	1,350.03	3.76	0.93	6.65	4.34
NCR Nig. Plc	54.00	1.99	0.00	10.05	8.40
Premier Paints	62.50	1.00	0.08	7.00	9.59
P S Mandrides	60.00	4.06	0.52	6.16	5.00
Nigercem	111.35	0.54	0.00	12.96	6.18
Roads	20.00	1.03	0.38	14.56	7.54
Nig. Bottling Co.Plc	974.46	26.99	0.76	1.11	4.88
Okitipupa Oil Palm Plc	96.00	0.68	0.07	10.29	10.82
Okomu	317.97	9.92	2.01	10.08	13.63
Union Bank Nig Plc	1,704.32	24.91	0.50	4.14	6.02
Tripple Gee	261.90	1.07	0.12	14.02	5.39
Trade Bank	1,020.00	1.19	0.11	8.40	4.04
Jos Int. Brew.	168.50	0.76	0.47	0.00	
Ceramic Man	123.40	0.25	0.00	12.00	0.00
SCOA	398.40	2.65	0.42	22.64	1.62
Nestle Foods	422.75	64.00	4.79	3.52	0.00
Dunlop	604.80	3.36	0.22	4.46	0.00

Source: SEC Abuja.

Table 2

a:libro Query						
Name of Company	Outstanding no of shares (million)	Market Price	Market Capitalization	Nominal Values	Earning Per Shares	Dividend Yield(2000)
Inland Bank	2,000.00	1.19	2380	0.13	8.40	
Liberty Mer. Bank Plc	1,600.00	2.11	3375.99975585938	0.22	4.74	
Livestock Feeds	24.76	3.45	85.422004699707	0.00	8.70	
Trans Nation Wide	100.00	1.10	110	0.06	9.09	0.00
Impresit Bakolori	189.00	2.69	508.410003662109	0.00	2.60	0.00
Bewac	15.00	0.51	7.64999961853027	0.00	9.80	0.00
National Oil Co. Plc	343.00	29.80	10221.3994140625	2.27	3.36	0.00
Ellah Lakes	60.00	0.50	30	0.00	0.00	10.63
Universal Trust Bank	1,865.22	3.02	5632.96435546875	0.56	8.28	
Cappa & D'Alberto	98.44	8.10	797.364074707031	1.78	4.94	8.67
CAP Plc	126.00	2.82	355.319976806641	0.36	14.18	7.83
FSB Int'l Bank Plc	1,220.33	8.30	10128.7392578125	1.28	4.34	21.04
Champion Brew.	38.78	0.10	3.87800002098084	0.00	20.00	10.00
Hallmark Bank Plc	1,400.00	3.45	4830	0.76	7.25	12.50
M-Net Supper Sport	282.99	93.00	26318.068359375	0.00	3.67	18.33
Coop. Dev. Bank Plc	1,024.00	1.29	1320.9599609375	0.27	9.30	
Guaranty Trust Bank	2,000.00	6.70	13400	0.44	4.18	0.00
Nig. Wire Ind. Plc	15.00	2.55	38.25	0.24	3.92	0.00
Guinness Nig. Plc	707.96	34.46	24396.30078125	5.80	6.97	0.00
Beverages (W.A)	6.00	0.82	4.92000007629395	0.53	121.91	8.92
Mobil Nig Plc	192.32	64.70	12443.103515625	4.66	8.95	5.60
Interlinked Tech.	33.38	1.43	47.7333984375	0.23	4.20	10.11
Texaco Nig Plc	151.18	67.00	10129.0595703125	5.38	0.00	9.96
IPWA	84.12	1.20	100.944007873535	0.12	10.83	6.31
Premier Brew	126.00	1.30	163.799987792969	0.00	4.62	9.49
Golden Guinea	136.00	1.00	136	0.06	25.00	31.35
Cooperative Bank Plc	2,000.00	1.90	3800	0.23	5.26	0.00
ATLAS	17.42	0.13	2.26460003852844	0.00	0.00	4.55
Julius Berger	225.00	43.00	9675	2.38	1.16	0.00
African Exp. Bank Ltd	1,500.00	1.45	2175	0.06	0.00	0.00
Union Dicon	140.00	17.10	2394	1.32	2.92	18.07
CFAO	312.03	3.63	1132.6689453125	1.12	5.51	2.71
Totalfinaelf Nig. Plc	297.08	72.50	21538.298828125	5.19	5.52	6.22
IMB	1,752.61	1.05	1840.24035644531	0.17	4.76	1.55
PZ Industries Plc	1,452.06	10.70	15537.0419921875	0.44	1.40	2.99
UACN	908.64	3.70	3361.96801757813	0.39	3.78	12.66
John Holt	389.15	2.29	891.153442382813	0.23	6.55	
Chartered Bank Plc	2,263.51	4.35	9846.2685546875	0.57	4.60	12.57
Cadbury Nig. Plc	661.00	32.99	21806.390625	2.39	3.33	0.00
DN Meyer Plc	134.15	10.10	1354.9150390625	0.48	3.96	7.81
Benue Cement	495.00	4.79	2371.05004882813	0.00	3.34	0.55
Nig. Ropes	33.18	1.92	63.7056007385254	0.00	6.77	12.98
Arican Paint Nig Plc	130.00	0.72	93.6000061035156	0.00	0.00	0.00
Foremost Dairies	4.44	0.47	2.08680009841919	0.00	42.55	0.00
WTN	81.00	1.40	113.400001525879	0.25	7.14	0.00
Lion Bank	1,070.00	1.35	1444.5	0.27	6.67	0.00
Flour Mills	546.00	16.20	8845.2001953125	1.28	4.32	0.00
Eko Int'l Bank Plc	1,126.85	2.40	2704.43994140625	0.34	2.92	0.00

Table 2

a:libro Query						
Name of Company	Outstanding no of shares (million)	Market Price	Market Capitalization	Nominal Values	Earning Per Shares	Dividend Yield(2000)
Ferdinand	100.00	0.97	97	0.33	20.62	0.00
Nigeria Breweries Plc	1,890.59	35.00	66170.6484375	2.28	4.51	0.00
Chellarams	90.37	1.95	176.22151184082	0.32	5.13	0.00
W.A. Portland Co Plc	1,143.42	22.00	25155.240234375	0.19	2.27	0.00
First Bank Of Nigeria Plc	2,032.45	23.55	47864.1953125	4.02	5.52	0.00
Access Bank Nig Plc	1,500.00	1.30	1949.99987792969	0.06	3.85	0.00
Afri Bank	1,104.17	8.55	9440.654296875	1.50	1.75	0.00
Nai Mechant Bank	1,068.63	3.92	4189.02978515625	0.52	z6.38	0.00
A.G. Leventis	878.33	0.91	799.280334472656	0.09	10.99	0.00
Ashaka Cement Plc	585.00	20.89	12220.6494140625	1.84	2.39	0.00
Rietzcot Nig. Co.	128.00	0.68	87.0400009155273	0.23	14.71	0.00
Hallmark Paper	50.00	0.83	41.5	0.00	6.02	0.00
Agip Nig Plc	426.50	34.62	14765.4296875	2.75	4.91	0.00
Arbico	13.50	1.25	16.875	0.00	8.00	0.00
Incar	133.75	1.47	196.612503051758	0.00	3.40	0.00
Manny Bank Plc	1,800.00	1.36	2448	0.22	3.68	0.00
Berger Paints	217.00	2.60	564.199951171875	0.30	3.85	0.00
Intra Motors	30.00	0.57	17.1000003814697	0.33	8.77	0.00
G. Cappa	125.00	5.13	641.25	1.28	3.90	0.00
7-Up	327.98	5.00	1639.90002441406	0.77	10.00	0.00
UBA Plc	1,700.00	11.50	19550	0.75	2.17	20.41
Costain	140.41	0.70	98.2870025634766	0.00	28.57	8.70
Grommac	40.00	0.49	19.6000003814697	0.00	20.41	10.29
Onwuka Hi-Tech	68.17	0.10	6.81699991226196	0.00	20.00	10.08
Footwear and Accessories	186.40	0.39	72.6959915161133	0.00	25.64	9.29
Cement Co. of Nig.	648.56	3.07	1991.0791015625	0.00	0.65	3.40
Omega Bank	1,020.00	2.34	2386.7998046875	0.48	7.26	5.33
Int. Brew.	300.00	1.29	387	0.00	6.20	14.71
Nig. Wire & Cable Plc	168.00	2.17	364.559997558594	0.31	4.61	3.85
Unilever Nig Plc	1,210.65	27.30	33050.74609375	0.87	1.65	1.75
Trans Intl Bank	1,351.50	2.18	2946.27001953125	0.16	1.38	0.00
UTC	280.31	0.99	277.506896972656	0.87	70.71	4.60
Dumez	208.00	2.80	582.399963378906	0.20	3.57	9.30
R.T. Briscoe	120.00	3.38	405.600006103516	0.45	5.33	5.26
Nigerian-German Chem.	148.75	3.15	468.5625	0.18	1.90	2.92
Wema Bank	1,350.03	3.76	5076.11279296875	0.93	6.65	4.34
NCR Nig Plc	54.00	1.99	107.459999084473	0.00	10.05	8.40
Premier Paints	62.50	1.00	62.5	0.08	7.00	9.59
P S Mandrides	60.00	4.06	243.599990844727	0.52	6.16	5.00
Nigercem	111.35	0.54	60.1290016174316	0.00	12.96	6.18
Roads	20.00	1.03	20.5999984741211	0.38	14.56	7.54
Nig. Bottling Co.Plc	974.46	26.99	26300.67578125	0.76	1.11	4.88
Okitipupa Oil Palm Plc	96.00	0.68	65.2799987792969	0.07	10.29	10.82
Okomu	317.97	9.92	3154.26245117188	2.01	10.08	13.63
Union Bank Nig Plc	1,704.32	24.91	42454.609375	0.50	4.14	6.02
Tripple Gee	261.90	1.07	280.233001708984	0.12	14.02	5.39



Table 2

a:llbro Query						
Name of Company	Outstanding no of shares (million)	Market Price	Market Capitalization	Nominal Values	Earning Per Shares	Dividend Yield(2000)
Trade Bank	1,020.00	1.19	1213.80004882813	0.11	8.40	4.04
Jos Int. Brew.	168.50	0.76	128.059997558594	0.47	0.00	
Ceramic Man	123.40	0.25	30.8500003814697	0.00	12.00	0.00
SCOA	398.40	2.65	1055.76000976563	0.42	22.64	1.62
Nestle Foods	422.75	64.00	27056	4.79	3.52	0.00
Dunlop	604.80	3.36	2032.1279296875	0.22	4.46	0.00

## 4.2 RANKING

Table 3

Field1	Field2	Field3	Field4
Position	Company	Mkt Cap (Billion ₦)	% of Top 20
1.	Nigerian Breweries Plc	66.1	13.76
2.	First Bank of Nigeria Plc	47.9	9.97
3.	Union Bank Nig. Plc	42.5	8.85
4.	Unilver Nigeria Plc	33.0	6.87
5.	Nestle Foods Nig Plc	27.1	5.64
6.	M-Net Supper Sports	26.3	5.47
7.	Nig. Bottling Co. Plc	26.3	5.47
8.	W.A. Portland Co Plc	25.2	5.25
9.	Guinness Nig. Plc	24.4	5.08
10.	Cadbury Nig. Plc	21.8	4.54
11.	Totalfinaelf Nig Plc	21.5	4.48
12.	UBA Plc	19.6	4.08
13.	PZ Industries Plc	15.5	3.23
14.	Agip Nig Plc	14.8	3.08
15.	Guaranty Trust Bank	13.4	2.79
16.	Mobil Oil Nig. Plc	12.4	2.58
17.	Ashaka Cement Plc	12.2	2.54
18.	National Oli & Chem Plc	10.02	2.12
19.	Texaco Nig. Plc	10.1	2.10
20.	FSB Int'l Bank Plc	10.1	2.10
	Sub Total	480.4	100.00%
	Others	168.0	
	Grand Total	648.4	

## CHAPTER 5

### DISCUSSION & FINDINGS

From table 3 at the end of December 2001, Nig. Breweries Plc not surprisingly recorded the highest market capitalization of 66,170 million with a share price of N33.00k and outstanding 1890.59 million shares. This level of capitalization is influenced primarily by its share price which was the highest on the Nigerian Stock Exchange during this period. On the other hand, its number of outstanding shares was not the highest in the group as it fell below those of Chartered Bank Plc and first Bank of Nigeria Plc.

First Bank Nig Plc had the second highest market capitalization of 47,864.20 in the group. In both earning per share and dividend yield in the previous year, it has higher figures than Nigerian Breweries Plc.

Although, Union Bank Nig. Plc registered a much smaller outstanding shares of 1,704.32 million in comparison with a number of companies in the group, its share price of 2491k considerably enhanced its market capitalization placing the company third on the table. Unilever Nig Plc, Nestle Foods, M-NET Super Sport, NBC Plc, W.A. Portland co. Plc, Guinness Nig Plc and Cadbury Nig. Plc occupied the fourth to tenth position respectively.

Totalfinaelf Nig. Plc which occupied eleventh position with a market capitalization of 21,523.30 had a higher earning per share and dividend yield

more than Cadbury Nig. Plc that occupied the tenth position with a higher market capitalization.

UBA Plc, PZ, Agip, Guarantee Trust Bank, Mobil Oil, Ashaka Cement, National Oil, Texaco and FSB International Bank occupied from 12<sup>th</sup> to 20<sup>th</sup> position respectively in the group. Texaco Nigeria Plc that occupied the 19<sup>th</sup> position had the most impressive earning per share for the year under review but with a lower market capitalization of 10,129.06.

From the ranked table (table 3), it can be seen that the Nigerian Breweries Plc ranked 1 has 13.76% of the first 20 companies in the market. This has clearly shown that of the 20 leading companies in Nigerian Stock Exchange market, Nigerian Breweries Plc has contributed 13.76 to the Gross domestic product (GDP) of the year more than any other company in the market. This company ranking by market capitalization is easily used to determine both a company's contribution to economic development of a nation and sectoral contributions as can be seen in figure 6A.

In aggregate, although the top 20 companies represented only 10.3% of the number of quoted companies on the Nigerian Stock Exchange at the end of December 2001, they accounted for 74.09% of the total equity market capitalization.

As depicted in fig. 6A in terms of sectoral groups, the "banking sector" accounted for 27.79% at the total market capitalization of the top 20 companies quoted on the Nigerian Stock Exchange. "Breweries Sector" took up 24.31%, the "Food and Beverage Sector" 17.05% and "Petroleum Marketing Sector" 14.36%. Other sectors were not too significant in terms of percentage contribution to the top 20 companies.

## CONCLUSION

In measuring the performance of leading companies on the Nigerian Stock Exchange, market capitalization which is determined by the demand and supply of companies securities is deemed best among other criteria like profit, turnover, price earning ratio etc. The most important arm of the Nigerian Capital Market where market capitalizations take place is the secondary market. The market deals mainly with equities of listed companies and stimulates investors' interests in the capital market as a whole. The secondary market therefore indirectly facilitates the savings and investment process and ultimately the economic growth and development of a nation.

The necessity for automating the Nigerian Capital Market can be seen as to foster the mobilization of savings for the purpose of buying securities issues by government and companies to finance development. Automation also provides the secondary market for trading securities and facilitates the fora for all individuals to invest their savings in a high range of risk and reward opportunities. The government, other than relying on taxation, easily source and generate enough revenue through automation in the capital market.

It is clear that automation of the Nigerian Capital Market will pave ways to assessing the performance of numerous companies that are operating in the market through various criteria among which is the market capitalization used in this research project. The relevance of market capitalization automation is paramount as the performance and contribution of individual company and sector of the economy can be ascertained.

## **RECOMMENDATIONS**

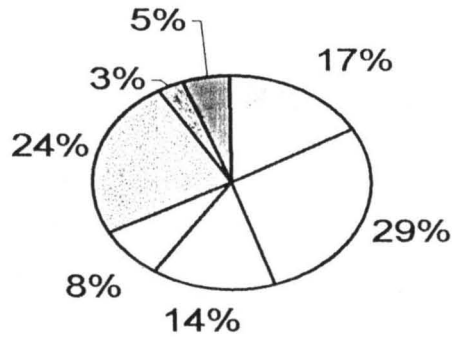
Automation of market capitalization in the Nigerian Stock Exchange market has been seen as a basic necessity as the performance at listed equities can easily be measured vis-à-vis the performance of the various sectors of the economy.

It is hoped that the federal government will give adequate attention to the capital market in view of its relevance in economic growth and development.

The government should indeed resort to the market in funding some of its long-term needs like the automation of the entire capital market to the standard of the "National Associations of Securities Dealers Automated Quotation (NASDAQ) in the United State of America.

By automating the entire capital market, financial institutions particularly banks will utilize the market to strengthen their capital base & boost operations as part of the ongoing statutory requirement of Central Bank of Nigeria (CBN).

**Sectorial Distribution of top 20 companies on the NSE by Market Capitalization**



- Food Beverages
- Banking
- Petroleum Marketing
- Building Materials
- Breweries
- Ind/domestic Products
- Entertainment/Broadcasting

Fig 6A

**Graphical Representation of top 20 Companies by Market Capitalization**

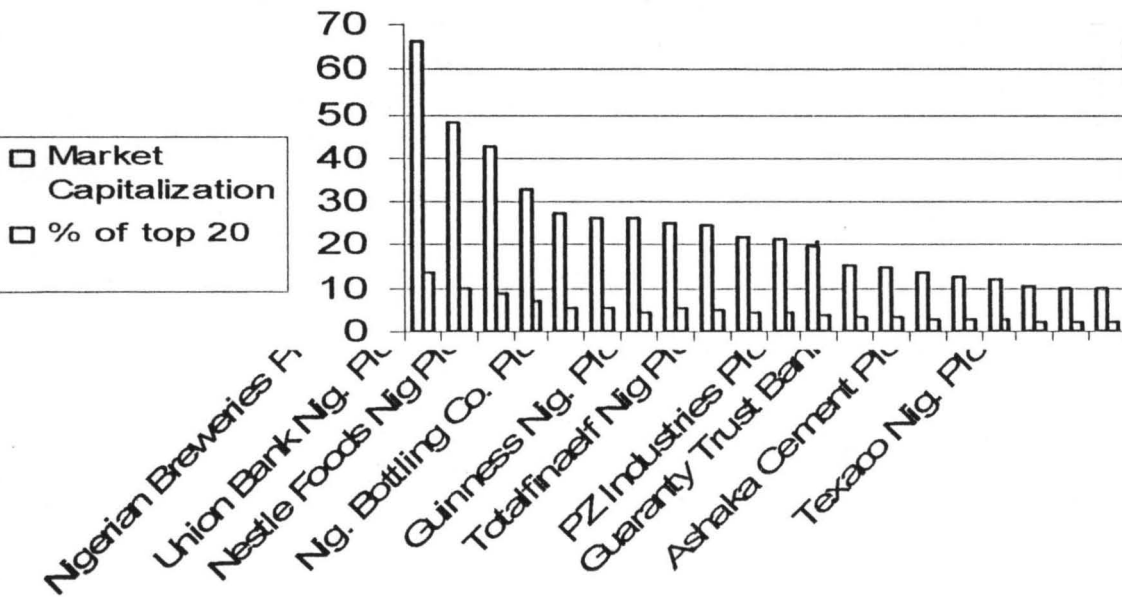
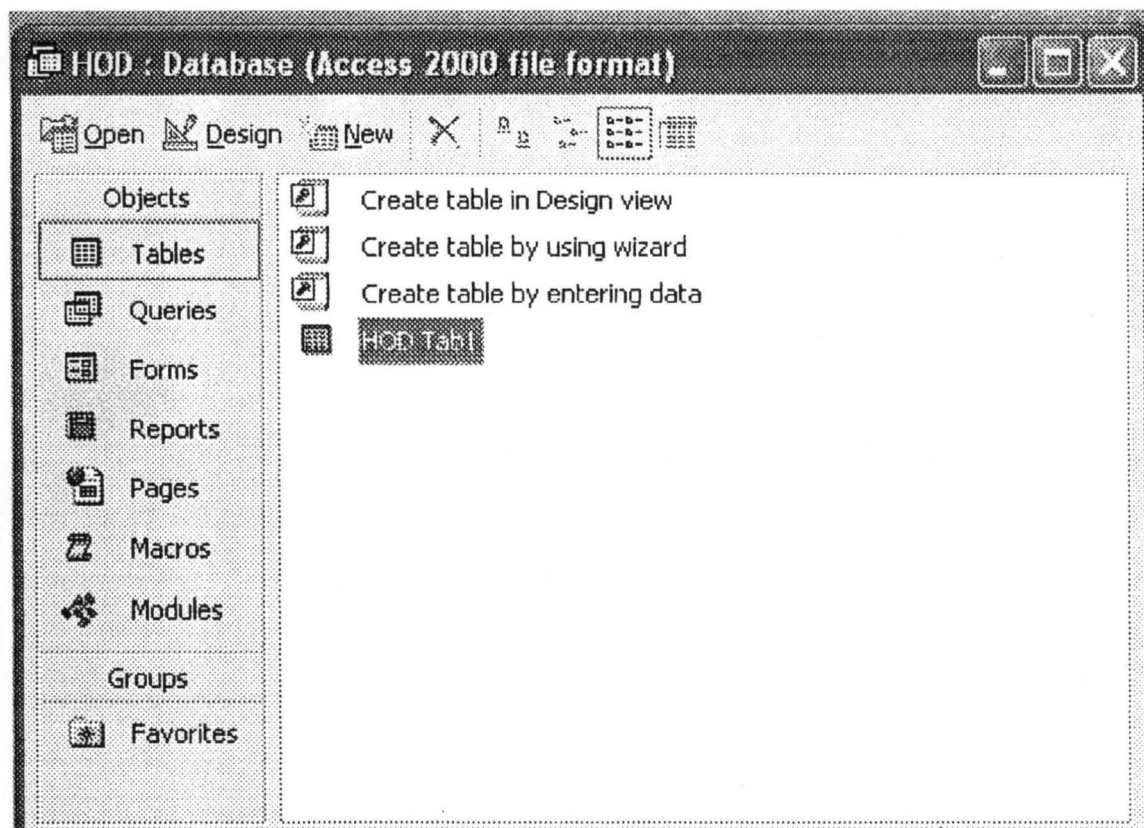


Fig 6B







### Data base table

Name of Company	Outstanding shares (m)	Market Price	Normal Values	Earning Per Shares	Dividend Yield(2000)
Inland Bank	2,000.00	1.19	0.13	8.40	
Liberty Mer. Bank Plc	1,600.00	2.11	0.22	4.74	
Livestock Feeds	24.76	3.45	0.00	8.70	
Trans Nation Wide	100.00	1.10	0.06	9.09	0.00
Impresit Bakolori	189.00	2.69	0.00	2.60	0.00
Bewac	15.00	0.51	0.00	9.80	0.00
National Oil Co. Plc	343.00	29.80	2.27	3.36	0.00
Ellah Lakes	60.00	0.50	0.00	0.00	10.63
Universal Trust Bank	1,865.22	3.02	0.56	8.28	
Cappa & D'Alberto	98.44	8.10	1.78	4.94	8.67
CAP Plc	126.00	2.82	0.36	14.18	7.83
FSB International Bank Plc	1,220.33	8.30	1.28	4.34	21.04
Champion Brew.	38.78	0.10	0.00	20.00	10.00
Hallmark Bank Plc	1,400.00	3.45	0.76	7.25	12.50
M-Net Supper Sport	282.99	93.00	0.00	3.67	18.33
Cooperative Dev. Bank Plc	1,024.00	1.29	0.27	9.30	
Guaranty Trust Bank	2,000.00	6.70	0.44	4.18	0.00
Nig. Wire Ind. Plc	15.00	2.55	0.24	3.92	0.00
Guinness Nig. Plc	707.96	34.46	5.80	6.97	0.00
Beverages (W.A)	6.00	0.82	0.53	121.91	8.92
Mobil Nig Plc	192.32	64.70	4.66	8.95	5.60
Interlinked Tech.	33.38	1.43	0.23	4.20	10.11
Texaco Nig Plc	151.18	67.00	5.38	0.00	9.96
IPWA	84.12	1.20	0.12	10.83	6.31
Premier Brew	126.00	1.30	0.00	4.62	9.49
Golden Guinea	136.00	1.00	0.06	25.00	31.35
Cooperative Bank Plc	2,000.00	1.90	0.23	5.26	0.00
ATLAS	17.42	0.13	0.00	0.00	4.55
Julius Berger	225.00	43.00	2.38	1.16	0.00
African Express Bank Ltd	1,500.00	1.45	0.06	0.00	0.00
Union Dicon	140.00	17.10	1.32	2.92	18.07
CFAO	312.03	3.63	1.12	5.51	2.71
Totalfinaelf Nig. Plc	297.08	72.50	5.19	5.52	6.22
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Cadbury Nig. Plc	661.00	32.99	2.39	3.33	0.00
DN Meyer Plc	134.15	10.10	0.48	3.96	7.81
Benue Cement	495.00	4.79	0.00	3.34	0.55



Zoom



Market Capitalisation: [OutStShares]\*[MktPrz]



OK

Cancel



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