NO. ~~21~~ 23

THE NIGERIAN JOURNAL OF FINANCE

Published by Johnkens and Willy Int' Ltd., Lagos for the Deparment of Banking and Finance, Enugu State University of Science and Technology, Enugu

THE NIGERIA JOURNAL OF FINANCE

NJF VOL. 4 NO. 1 ISSN 1595 - 5230 JUNE, 2015

published by Johnkens and willy Int'l Ltd., Lagos for the Department of Banking and Finance, Enugu State University of Science and Technology, Enugu

ISSN 1595 - 5230

ARTICLES CONTENTS PAGES

The Global Stock Market Crash of 2008, Causes and Implications on the Growth of Nigerian Economy

Agu, Bertram Onyebuchi Ph.D and Simon N.P. Nwankwo ph.d

1. **Department of Banking and Finance Enugu State University of Science and Technology +2340837031824**

2. **Department of Banking and Finance, Godfrey Okoye University, Ugwuomu Nike, Enugu. +2348033391887**

ABSTRACT

This paper discusses the causes and the implications of the 2008 global stock market crash on the economic growth of Nigeria. Simple multiple regression model was adopted and the market capitalization was the proxy of the global stock market crash, while capital inflow and foreign Exchange Rates are the proxy of global stock market crash on the Nigerian stock exchange. The stock market is an organized market where brokers meet to buy and sell stocks and shares. The market is the aspect of the financial system which mobilizes and channels long term funds for economic growth. The stock market crash are social phenomena where external economic events combine with crowd behaviour and psychology in a positive feedback loop where selling by some market participants drives more market participants to sell. It is a sudden dramatic decline of stock prices across a significant cross-section of a stock market, resulting in a significant loss of paper wealth. Paper wealth means wealth as measured by monetary value as reflected in the price of assets. Crashes are driven by panic as much as by underling economic factors. They often follow speculative stock market bubbles. The sell offs and plunging stock prices have resulted in massive destruction of equity wealth around the globe The result of the study reveals that policy regulators had deepened the recession on the Nigeria Stock Exchange. Government is advised to put up measures to stem up investor's confidence and activities in the market so that it could contribute significantly to the growth of Nigerian economy.

keywords: Global Stock Market Crash, Economic Growth, Paper Wealth, Nigerian Stoc Exchange, Stock Market.

Introduction

It is said that the stock market is the mirror of a country's economic growth and prosperity. Als the economy of a country is largely depends on the conditions prevailing in the stock market. positive sentiment in a stock market helps big as well as small players in the industry set optimis performance target which results in increased revenue and profit. The world knows how a cra can affect the economy which it already experienced in the Great Depression of 1929 and t crash of 2008. In both these situations, the economic conditions went from bad to worse affecti

- High risk loans and
- Government polices. *(Adamu 2009 in Sanusi 2011:4)*

The financial crisis stemming from the bust of the housing and credit bubble lead to a shutdown of the credit markets and spread around the globe, with the resultant massive destruction of equity and real estate wealth. Senbet and Gande *(2009:1)*, observe that the dramatic crisis of investor confidence triggered massive selloffs in the stock markets around the world. The global crisis is unlike anything we have witnessed since the Great Depression, and every region of the globe has been hit.

On September 16, 2009, massive failure of financial institutions in the United States, due primarily to exposure of securities of packaged subprime loans and their issuers, rapidly devolved into a global crisis resulting in number of bank failures in Europe and sharp reductions in the value of equities (stock) and commodities worldwide. The failure of the banks in Iceland resulted in a devaluation of the Icelandic krona and threatened the government with bankruptcy. Iceland was able to secure an emergency loan from the International Monetary Fund in November 2008. In the United States, 15 banks failed while several others were rescued through government intervention or acquisition by other banks. On October 11, 2008, the head of the International Monetary Fund (IMF) warned that the world financial system was teetering on the brink of systematic Meltdown (*Canada.com, 2009:21*). The economic crisis caused countries to temporarily close their markets.

On October 8, 2008, the Indonesian stock market halted trading, after a 10% drop in one day. The times of London reported that the meltdown was being called the crash of and older traders were comparing it with Black Monday of 1987. The fall that week of 21 percent was not as large a drop as the 2.8 percent fall 21 years earlier, but some traders were saying it was worse. At least then it was a short, sharp, shock on one day. This has been relentless all week (*Business.timesonline.co.uk, 2010*). Business week also referred to the crisis as a "stock market crash" or the "Panic of 2008"

Beginning October 6 and lasting all the week, the Dow Jones Industrial Average closed lower for all 5 sessions. Volume levels were also record breaking. The Dow Jones Industrial average fell over 1,874 points, or 18%, in its worst weekly decline ever on both a point and percentage basis. It has been noted that recent daily stock market drops are overall nowhere near the severity experienced during the last stock market crash in 1987. Others have suggested that the media is manipulating and over- inflating stock market drops and calling them "Crashes" in order to create the perception of a great depression.

Virtually all emerging- market economies have been hit by the financial turmoil, as high income-country, banks and investment funds withdraw from emerging markets and converted a wide range of risk assets into more liquid holdings. Igbatayo *(2011:1)*, observes that the sell-off in risky financial assets impacted dramatically on equity prices, bond spreads and currencies in virtually all emerging market economies, contributing to tighter domestic credit conditions in larger countries, including Russia, India and Brazil, as well as smaller economies, including Thailand and the Philippines.

The problem which this study addressed therefore is ex-ray the causes and implications of the global stock market crash on the growth of Nigerian economy.

Objectives of the study

Specifically the study sought;

- To determine the effects of changes in the number of stock on market capitalization
- To ascertain the remote causes of global stock maeket crash of 2008

- To find out the effects of the global crash on the economy of Nigeria
- To proffer solution to the identified challenges.

CONCEPTUAL FRAMWORK/ LITERATURE REVIEW

COURSES OF GLOBAL STOCK MARKET CRASH.

Senbet et al (*2009:3*), observe that the root causes of the global crisis are still being debated. said that some key factors have emerged that have contributed to the build-up of the excesses t devolved into the Largest financial crisis in recent memory.

The collapse of the venerable financial institution, Lehman Brothers, and its filing bankruptcy on September 15, 2008 sparked a massive loss of confidence in the credit and st markets. This leads to a complete shutdown of the credit market. Many have argued that sudden reversal of fortunes in the financial markets in September 2008 was rooted in unsustainable housing bubble that began bursting in 2006. The housing bubble was accidental, and it was accompanied by a credit (mortgage boom), excessive leverage in financial sector, an era of low interest an easy money, complex securitization of mortgage bac securities fueled by credit rating boom, and other derivatives factors. The crisis, although rooted in the US, has spread around the globe. The global dimension of the crisis is astoun (Senbet,et al 2009:3). It is related to the exposure of the rest of the world to the US housing ma through holdings of mortgage backed securities.

These mortgage backed securities (MBS) derive value from the underlying mortgages were sold around the world. Through this vehicle, the US housing market got globalized, financial institutions and investors around the global had exposure to the booming market thr holdings of mortgage backed securities.

Shares Explained.com (*2012:1*), opined that the mean cause of the stock market crash of was Subprime Mortgage Crisis in the US. Companies were lending to people with bad c ratings, and basically, to people who would struggle to pay back the loans (if at all). US b were exposed to these loans and eventually collapsed. This was because they were lending money than they had in their own bank. This is called a debt to equity ratio.

Jenrola and Daisi (2012: 3), observe that the genesis of Global Financial Crisis was largely the financial liberalization that took place in the last two decades, which had unde practically unquestioned US leadership style since the 1990s for economic diversification g The last two decades witnessed information and communication technology (ICT) innovat financial markets and this arguably became the driving force of banks profitability- off ba sheet activities.

The resultant of the financial crisis spread to other sectors of the world economy includes and liquidity crunch, weaken consumer demand, job losses, and collapse of the stock m decline output and host of other macroeconomic instability indicators.

At first, it was argued that the global stock market crash has no effect on Nigerian's capital m But that initial response according to Yakubu and Akerele (*2012: 1*), was put mildly naiv country's dependence on the export sector is very significant. 99% of foreign earnings and local revenues are directly derived from activities related to export of a single commodity, is at the centre of the current financial crisis, oil. It is estimated that 58.4% of Nigeria's exp US bound and up to 25% to the Europe zone. 67% of our non-oil exports go to Western E 20% to Asia while ECOWAS accounted for only 11% in 2007. They noted that the s Nigerian foreign earning reserves is kept in European capital markets where financial m have tumbled and bank distressed. Sanusi (*2011:3*), states that the impact of the crisis st show by mid 2007 with the fall of major stock market prices. The crisis entered a new pha the collapse of Lehman Brothers in September 2009 and spread across economic sectors in advanced, emerging and developing economies, Nigeria inclusive.

CAUSES OF STOCK MARKET CRASH IN NIGERIA.

According to Jenrola et al (*2012:8*), the equity market crash of 2008 has been attributed to many causes. They are as follows;

- **The global financial crisis;** The 2008 financial crisis could be traced back to the sub-prime mortgage loan crisis in the USA in 2007. The first stage of the crisis emerged from the prolonged surge in oil and other commodity prices, which eroded households spending power and affected companies' profit margins. As a result many economies gradually slowed down towards the end of 2007 and continued through 2008. Incidentally, the Nigerian stock market was witnessing massive credits driven by the recapitalization of the banks. Prices of equity rose to become one of the highest in the world. This resulted in a massive inflow of funds into the Nigerian equity market up to the first quarter of 2008. (*Olaoye, 2010:35*).
- The economic outlook took a dramatic turn by the last quarter of 2007 when some big banks and companies in the US and UK collapsed. This according to Mordi (*2009:10*), triggered banking crisis, and shock public confidence. Consequently, the measures of financial market risk and uncertainty ballooned. The resulting contraction in the supply of credit had a significant impact on the ability of households and companies to borrow spend and invest. The crisis caused panic in financial markets and spur investors to divest out of risky mortgage bonds and equities into commodities as stores of values. The economic crisis resulted in the debts and other obligations in the various countries. The foreign investment banks were therefore required to seek funds from wherever they could to service maturing obligations in their home countries. The commencement of their funds withdrawal from Nigeria triggered the equity market crash in Nigeria.(Jenrola et al 2012: 12).
- **Illiquidity in the banking System;** Tight liquidity in the Nigerian banking system was also responsible for the crises. The liquidity problems were attributable to net foreign exchange outflows arising from divestment and repatriation of capital and dividend by foreign investors. Added to this according to Soludo (2009:12), was the lower monetization of oil earnings owing to the crash of oil prices in the international market Foreign credit lines hitherto enjoined by Nigerian banks were recalled. Some underwriting to various issues and institutions, loans created by banks with equities as collateral were crystallizing. The combined effect of these issues were the depression of the capital market and drop in the quality of part of the credit extended by banks for trading in the capital market.
- **Granting of Margin Loans;** These were loans granted by banks to stockbrokers and institutional investors to trade in equities. The equity market boom in Nigeria between 2005 and early 2008 were driven by banks lending to stock brokering firms primarily to buy their (the bank's) shares in order to sustain demand pressure on their stocks such that its prices continue to rise.

However, as the international investors continued withdrawal of funds from Nigeria, this triggered an increased in the holdings of bank shares particularly by these foreign investors who reckoned that the Nigerian market was indeed heading to experience exactly what other global markets were facing at that period. The total amount lent by banks to stockbrokers and investors to invest in shares in the market has been estimated at

N 1 trillion by end December. The significant part of the money given out buy banks as margin loans has been trapper in the market. The efforts by banks to recover these loans have led to further crisis in the market. Many banks sold the shares pledged by the stock broking firms as collateral without recourse to the terms of the agreement in order to cut losses and reduce exposure. The fact that the banks control over 50.0 percent of total equity market transactions impacted negatively on value of investor's wealth. These developments had taken its toll on total market capitalization has shed N136 billion falling from N6.104 trillion in December 2008 to N5.967 trillion in August 2009 (Olaoye,2010:36).

- **International exposure;** Another reason for the downturn in the market is the internationalization of the Nigerian capital market in order to boost international competitiveness, that is, attracts foreign investors. The stock exchange through the introduction of CSCS collapses its borders (by allowing per cent of their returns). This singular action according to Anuforo (2009:4), made it possible for foreign investors to bring in their funds into the market, make profits and remit both principal and interest made in the market back to their home countries. However, this singular factor is believed to have contributed to the continuous fall of the Nigerian stock market. Many foreign investors that already have troubles in their home economies have pulled out of the Nigerian stock market leading to dumping of shares beyond the ability of domestic investors to contain. Supply of equities has, in consequence of this, overwhelmed demand, leading to price fall. The Director General of the NSE, Prof. Ndi Okereke-Onyiuke, states shows purchase by foreign investors during 2008 to be in excess of N150.135 billion representing 6.3% of the aggregate turnover. This is a decline when compared with the N256 billion recorded in 2007. Concurrently, total sales during the year were in excess of N556.93 billion, culminating in a net outflow of about N406.8 billion.
- **Administrative Shake-up;** Coincidently, when the initial feeling of 2008 market crash was filtering into the Nigerian stock market, the council and management of the Niger Stock Exchange (NSE) was jolted by the Securities and Exchange Commission (SEC through the removal of former President of the NSE, Alhaji Aliko Dangote and the the Director General, Prof. NDI Okereke-Onyiuke among other principal officers of the NS This had its own effect on the Nigerian stock market. Would-be investors- both foreig and local held back their funds because, according to them, the market was unstab Existing shareholders/investors resorted to dumping their shares which they have boug over the years. To them, the market has become very unstable. At each of this instance, market was worst of even as the forces of demand and supply were at play. There we excess supply of shares against the demand for them; hence at each point price persisten fall.
- **CBN sanitization exercise;** The Central Bank of Nigeria (CBN) reform agenda also to its toll in the stock market. All the banks operating in Nigeria as of 2008 were quoted the stock market. They contributed almost 70% of the total market capitalization whatever impact the banks had, whether positively or negatively, has overall effect o market. So, when the CBN came up with its sanitization policy on the banks, the loca foreign shareholders panicked and began to dump their shares, resulting in price There after, the CBN issued an ultimatum to affected banks to recapitalize o revocation of licenses. This policy also took its toll on the prices of shares in the market. Shareholders in the nationalized banks lost all their investments in this pr

Intending shareholders were repelled by this singular action by the CBN. The spill-over effect to other sectors of the stock market is still being felt up till today.

THE IMPACTS OF STOCK MARKET CRASH ON THE NIGERIAN ECONOMY

- **Low investment;** A significant reduction in investments from common as well as high net worth individuals is the direct result of such an event. The prices of stock trade at all time lows after a crash hence, most investors are afraid of making direct investments. So, they prefer to sit on cash till the situation becomes normal. Lack of inflow from investors directly affects the economic growth of the country.
- **Reduced corporate Earnings;** Less consumption from people directly affects the sales and profits of corporate firms. Companies belonging to almost all sectors are affected by stock market crashes and most of them report huge losses and increased liabilities during this period. Lower incomes of companies' ultimately lead to less corporate tax collection by the government which can prove to be a hindrance in implementing public welfare schemes. In such situations, companies are in desperate need of finance to fund their operations. However, raising money from primary and secondary markets is extremely difficult after a market crash. When most companies are not living up to the expectations, the overall Gross Domestic product (GDP) of the economy also decreases significantly, (Charlie, 2011:1).
- **Job losses;** The impact on the economy is highest due to the job losses caused after a stock market crash. In the period of recession, companies' trend cut to costs by laying off employees. With no guarantee of a fixed income, people will not be able to spend money on luxury items. Thus, job losses ultimately affect the consumer durable and real sectors greatly. Prices of residential as well as commercial real estate can fall sharply because of a lack of demand which is a loss for people who have already invested in real estate.
- **Problems for banks and financial Institution;** Banks and financial institutions are among the worst affected sector in a financial crisis. Because of job losses, chances of defaulting on loans are very high which in-turn affects the earnings of banks. The asset quality of banks reduces drastically and the percentage of non-performing assets increases. Many banks go bankrupt in such conditions. They find it hard to get potential customers to increase their business and this is a deterrent for economic growth. Since the banking sector is the backbone of the economy, its non-performance affects the economy for a long time.
- **Low Foreign Investments;** When the macroeconomic scenario is difficult, it is very hard to get foreign investments. It has been observed that foreign institutional investors sell their stakes in huge qualities when there is a market crash. For an economy to strengthen foreign flows are a must, in the absence of which, GDP targets cannot be met.

Low Confidence in investors; This is mostly, this is mostly because of the losses suffered by people in a stock market crash. Because of low confidence, investors tend to miss out on investment opportunities in stocks and real estate. Even if the situation improves gradually, the economic growth will not

➢ get back to the levels immediately as restoring the lost confidence is a long process.

RESEARCH METHODOLOGY

The study makes use of secondary data. The data were obtained from the Nigerian Stock Exchange (NSE) of the Central Bank of Nigeria Statistical bulletin 2009, for the period of Pre-Global Stock Market Crash and Post- Global Stock Market Crash which time series spanned from 2000-2008. Both descriptive and inferential statistical techniques were employed to demonstrate the implecations of Global Financial Crisis on the Nigerian stock market indicators. The study therefore adopts a simple multiple regression model to examine the implication of global financial crisis on the Nigerian capital market performance, using the econometric package of SPSS (17.0) version for empirical result computation.

Model Specification

The specification of the model is based on the empirical work of *Jenrola and Daisi, (2012:812)*, as well as theoretical frameworks which are largely derived from the neo-classical framework. The work of Adebiyi in Jenrola and Daisi (2010:810) only captures the linkage between capital market performance and economic growth in Nigeria, using Real Gross Domestic Product (RGDP) as dependent variable while Number of Stocks (NOS), Value of Trade (VOT), and Market Capitalization (MC) respectively as independent variables, although the relationship was very weak, implying that capital market indicators are insignificant to the economic growth of Nigeria.

An econometric Analysis, of which the market capitalization is proxied as Nigerian capital performance as dependent variable while the independent variables like Number of stocks (NOS), Value of Trade (VOT), Dummy variable for Global Stock Market Crash (GSMC) (DGSMC) and All Share Index (ASI) respectively.

The model is expressed functionally and econometrically in the equations below as:

MC = F (NOS, VOT, DSMC, ASI) ------------------------ (eq i)

MC = $\beta o + \beta 1NOS + \beta 2VOT + \beta 3DGFC + \beta 4ASI + \mu$------- (eq ii)

Where;

MC = Market Capitalization is proxied as Nigerian capital market performance a dependent variable.

NOS = Number of Stocks

VOT = Value of Trade

DGSMC = Dummy variable for pre and post Global Stock market Crash (ie 0 for pe and 1 for post GSMC).

ASI = All Share Index

βo= constant intercept

$\beta 1, \beta 2, \beta 3, \beta 4$ are coefficients of the explanatory variables

U = Stochastic.

DATA PRESENTATION.

YEAR	MC	VOT	NOS	DGSMC	ASI
2000	472.30	28153.10	256523.0	.00	8811.00
2001	662.50	57683.80	426163.0	.00	10963.10
2002	764.90	59406.70	451850.0	.00	12137.70
2003	1359.30	120402.6	621717.0	.00	20126.90
2004	2112.50	225820.0	973526.0	.00	23844.60
2005	2900.10	262935.8	1021967	.00	24085.80
2006	5121.00	470253.4	1361954	.00	35189.30
2007	13294.60	1076020	2615020	1.00	57990.20
2008	9516.20	1679139	3535631	1.00	31450.78

SOURCE: CBN STATISTICAL BULLETIN, 2009.

Where;
MC – Market Capitalization
NOS- Number of Stocks
VOT – Value of trade
DGSMC – Dummy variable for Global stock market Crash
ASI – All Share Index

SPSS RESULT OF THE MODEL

Variables Entered/ Removed

Model	Variable Entered	Variables Removed	Method
1	ASI,VOT,DGFC, NOS	-	Enter

a. **All requested variables entered**
b. **Dependent Variable: MC**

Model Summary

					Change Statistics					
Model	R	R square	Adjusted R square	Std. Error of the Estimate	R square change	F change	df1	df2	sig F change	Durbin-Watson
1	.998^a	.995	.991	429.4328	.995	221.145	4	4	.000	1.854

a. **Predictors: (constant), ASI, VOT,DGSMC,NOS**
b. **Dependent Variable: MC**

ANOVA^b

Model	Sum of square	df	mean square	F	sig
1 Regression	1.63E+08	4	40781906.02	221.145	.000^a

Model	Sum of square	df	mean square	F	sig
1 Regression	1.63E+08	4	40781906.02	221.145	.000[a]
Residual	737650.0	4	184412. 497		
Total	1.64E+08	8			

a. **Dependent Variable: MC**

Coefficients[a]

Model	Unstandardized Coefficient		Standardized coefficients			Collinearity Statistics	
	B	Std. Error	Beta	t	sig	Tolerance	VIF
1 (Constant	-635.490	598.881		-1.061	.348		
NOS	-3.31E-03	.002	-815	-1.394	.236	.003	303.322
VOT	7.372E-03	.005	.925	1.587	.188	.003	301.957
DGSMC	3548.196	1147.428	.346	3.092	.036	.090	11.106
ASI	0 .910	.027	.646	7.023	.002	.133	7.512

a. **Dependent Variable: MC**

The above tables show the regression result using ordinary least square (OLS) technique on time series data covering 2000-2008. Also the econometric computer software package used for estimation is the statistical Packages for Social Science (SPSS) Version 17.0.

MC = -635.5 -3.31NOS + 7.372VOT – (-0.061) (-1.394) (1.587)

3548.196DGSMC+0.0190ASI-- (Eq 3)

(3.092) (7.023)

$R = 0.998$, $R^2 = 0.995$, R^2 -0.991,

F-STAT = 221.45 DW = 1.854.

The result shown in equ 3 revealed that of all the included independent variables only Number of Stocks (NOS) is not consistent with a priority expectation of negative impact o[n] Market Capitalization (MC).

The co-efficient of (NOS) is -3.331E-03. This implies that there is a negative relationsh[ip] between Number of stocks (NOS) and Market Capitalization (MC) in the short-run such th[at] one percent change in NOS leads to decrease change in Market Capitalization (MC) by 33 percent, all other variables being held constant. However, the remaining co-efficient of th[e] independent variables, such as Dummy variable for Global Stock Market Crash (DGSMC value of Trade (VOT), and All Share Index (ASI) are in a priority expectation with Mark[et] Capitalization (MC).

The co-efficient of Value of Trade (VOT) is 7.372. This implies that there is a positive relationship between Market Capitalization (MC) and Value of Trade (VOT) is such that unit changes in Value of Trade (VOT) will increase the market capitalization (MC) by 7

Model	Sum of square	df	mean square	F	sig
1 Regression	1.63E+08	4	40781906.02	221.145	.000[a]
Residual	737650.0	4	184412.497		
Total	1.64E+08	8			

a. **Dependent Variable: MC**

Coefficients[a]

Model	Unstandardized Coefficient B	Std. Error	Standardized coefficients Beta	t	sig	Collinearity Statistics Tolerance	VIF
1 (Constant	-635.490	598.881		-1.061	.348		
NOS	-3.31E-03	.002	-815	-1.394	.236	.003,	303.322
VOT	7.372E-03	.005	.925	1.587	.188	.003	301.957
DGSMC	3548.196	1147.428	.346	3.092	.036	.090	11.106
ASI	0.910	.027	.646	7.023	.002	.133	7.512

a. **Dependent Variable: MC**

The above tables show the regression result using ordinary least square (OLS) technique on time series data covering 2000-2008. Also the econometric computer software package used for estimation is the statistical Packages for Social Science (SPSS) Version 17.0.

MC = -635.5 -3.31NOS + 7.372VOT – (-0.061) (-1.394) (1.587)
3548.196DGSMC+0.0190ASI------------------------------- (Eq 3)
(3.092) (7.023)

$R = 0.998$, $R^2 = 0.995$, R^2 -0.991,
F-STAT = 221.45 DW = 1.854.

The result shown in equ 3 revealed that of all the included independent variables only Number of Stocks (NOS) is not consistent with a priority expectation of negative impact on Market Capitalization (MC).

The co-efficient of (NOS) is -3.331E-03. This implies that there is a negative relationship between Number of stocks (NOS) and Market Capitalization (MC) in the short-run such that one percent change in NOS leads to decrease change in Market Capitalization (MC) by 33.1 percent, all other variables being held constant. However, the remaining co-efficient of the independent variables, such as Dummy variable for Global Stock Market Crash (DGSMC), value of Trade (VOT), and All Share Index (ASI) are in a priority expectation with Market Capitalization (MC).

The co-efficient of Value of Trade (VOT) is 7.372. This implies that there is a positive relationship between Market Capitalization (MC) and Value of Trade (VOT) is such that one-unit changes in Value of Trade (VOT) will increase the market capitalization (MC) by 7.372.

all other variables remained constant. This implies that the value of trade in the Nigerian stock exchange increases and had a multiplier effect on market capitalization in Nigeria from 2000-2008.

The coefficient of the Dummy variable for Global Stock Market Crash (GSMC) is 3548. It implies that there is positive relationship between DGSMC and market capitalizations in the short-run such that a change in DGSMC will decrease the Market Capitalization (MC). This means that the presence of DGSMC had slow-paced the development of Nigerian Stock Exchange (NSE) by -3548 percent.

Furthermore, the coefficient of (ASI) is 0.910. This implies that the result is in line with a priority expectation theoretically. That is, the higher the ASI, the greater the size of the marke Capitalization (MC) and vice-versa.

In the above result, the co-efficient of determination (R^2) is given as 0.995. This means that 99.5% of the variations in the Market Capitalization (MC) in Nigeria are accounted for by th included explanatory variables of DGSMC, ASI, VOT and NOS respectively during the peri of the study. This shows that there exist a very strong deterministic variables, hence, the included variables had explained the model very well and implies that the included variables had captured the implication of Global Stock Market Crash on growth of Nigerian economy.

SUMMARY AND CONCLUSION

The global Stock Market Crash has shaken economic activities in both industrialized and developing economies, in a development that is acknowledge as the severest since the Great Depression. The emergent crisis has undermined economic growth, trade, investment and credit, creating a deep concern in the global community. From the results, we can infer that stock market crash has a significant effect on Nigerian's economic growth.

This is indicative that its side effect on Nigerian's economy is negative but there could b way out depending on the Nigerian investors of the Nigerian stock exchange that make beneficial decisions in this present state of the crisis. The global stock market crash had adversely reduced the number of Stock as well as market capitalization value because of instability of macroeconomic factors like inadequate infrastructural facilities, problem of security, ineffective monetary policy, and unstable market prices.

Central Bank of Nigeria and other regulators should be effective in their supervisory functions for strict compliance of their monetary policy and change from loose monetary policy to tight monetary policy as advocated by Mallam Sanusi to letter.

Government should encourage domestic investment through equity capital financing.

According to market analysts, only physical injection of funds can change the direction of market. With the present liquidity crunch and investors loss of confidence, it is not reason to expect salvation from individual and institutional investors. A strong government bail-o obtains in USA, Russia, Britain and Singapore, is the magic wand needed for the stock m recovery. The issues of government intervention should not be politicized.

Regulators in the stock markets and the finance ministry should take prompt steps to avoi recession- this will help the country achieve continuous economic growth.

Government should provide enabling business environment and friendly atmosphere for domestic investors' such as constant power supply, good network and others.

Government is advised to put up measures to stem up investor's confidence and activitie the market so that it could contribute significantly to the Nigerian economy.

REFERENCE

Anuforo, C. (2009). Stock market crisis: Causes and effects. Internetnet copy: *The Economy Magazine.*

Central Bank of Nigeria, (2009). *Statistical Bulletin, 50 years special Anniversary Edition* Abuja: CBN Nigeria.

Charlie, S. (2011). Impact of a stock market crash on Economy. *Retrieved fro http://www.buzzle.com/ articles/impact-of-a-stock-market-crash-on-the economy.html.*

Eshiobo, S. S., (2010)."Building up Financial Fortune from Stock investment in a developing Economy: A Treatise on Nigeria. Benin: *University of Benin at* http://ww..icennig.org/Bstock. *Htm.*

Igbatayo, S. (2011). The challenges of the Global Economic, crisis and Nigeria's Financial Market's stability. Okada: *College of Business and Management Studies.Igbinedion University Okada. Journal of Emerging Trends in Economic and Management Sciences (JETEMS).*

Jenrola, O. A and Daisi, O.R (2012). The impact of Global Financial Crisis on the Nigerian capital Market performance. Internet copy: *European Journal o Humanities and Social Sciences vol 16, N0.1*

Mordi, C. (2009). The Global Financial Crisis and the Financial System: The way Forward. Makurdi: *A paper delivered at the 14th Seminar for Finance Correspondents and Business Editors,* at Benue Hotels, Makurdi. July, 16

Olaoye, F.O. (2010). The crash of Nigerian Capital Market: Explanation beyond the Global Meltdown. Retrieved from internet: *International Busines Management, vol.2*

Sanusi, L.S. (2011). The impact of the Global Financial Crisis on the Nigeria capital market And the reforms.Lagos: *Paper presented at the 7th Annual Pear Awards and Public Lecture Held at Muson Centre,* Onikan, and Lagos.

Senbet, L.W.and Gande,A. (2009). Financial Crisis and Stock Market Issues impact and polices. Maryland: *University of Mary land and Southern Methodis University. Journal of Institute of International Finance.*

Wikipedia (2013).Stock Market Crash. *Retrieved from* http://en.wikipedia.org/w/index.php?

Yakubu, Z. and Akerele, A. O. (2012). An Analysis of the impact of Global Financial Crisis on the Nigeria Stock Exchange. Internet copy: *Current Research Journal of Sciences 4(6).*