BOWEN UNIVERSITY, IWO, NIGERIA
FACULTY OF SOCIAL AND MANAGEMENT SCIENCES
DEPARTMENT OF BANKING AND FINANCE

B.Sc. DEGREE PROGRAM

SECOND SEMESTER EXAMINATION, 2013/2014 SESSION

COURSE TITLE: BUSINESS POLICY AND STRATEGIC MANAGEMENT

COURSE CODE: BFN 427 TIME ALLOWED: 2 HRS: 30 MINUTES

ANSWER QUESTION ONE AND ANY OTHER THREE QUESTIONS

1. NIGERIAN CAPITAL MARKET ON A CROSS-ROAD

The Nigerian Capital Market was established fifty-two years ago to complement the banking system in providing vehicles for mobilizing formal savings and financing government initiatives and private enterprises. Before 1059, nearly all formal savings and deposits in Nigeria were in the banking system. The country's capital market came into being with the establishment of the Lagos Stock Exchange (LSE) in 1960, which began actual trading in 1961. The Lagos Stock Exchange was changed to the Nigerian Stock Exchange (NSE) IN 1977, following recommendations of the government's Financial System Review Committee in 1976.

Nigeria's capital market had recently enjoyed a decade of unprecedented growth. Until early 2000, total market capitalization was approximately N280billion, during which the stock market recorded unparalleled growth. The banking sector stocks which accounted for 36% of total market capitalization in 2002 had risen to about 60% by the end of 2008, indicating that the capital market impact on the real sector of the country's economy was rather limited. Despite impressive growth in the equities market, there were still only 213 equities listed in the Nigerian Stock Exchange, compared with an estimated 6000 Public limited liability companies registered with the Corporate Affairs Commission. This confirmed a significant room existing for growth both in the debt and equity capital markets.

Industry observers believed that the strong growth in trading activity had been prompted by market deregulation which gave rise to market –determined pricing, socio-political stability since 1999, financial sector reforms leading to consolidation of the banking sector (2004-2007) and to a lesser extent, the insurance sector (2006 – 2007), while some of the major domestic entrepreneurs started opening up their companies to public ownership for the first time. However, from a peak in March 2008, market capitalization began to go into a spiraling decline, dropping to 45.8% by the end of the year.

Although the 2008 decline in capitalization coincided with the global financial crisis, several analysts believe that external factors were not the sole cause. Other contributors to the general fall in investors' confidence were believe to include: ineffective market regulation and supervision, weak institutions and corporate governance, lack of regulatory cohesion and pro- activeness, cumbersome processes, narrow range of investment products etc. There had been a dearth of corporate bond issuances with only 7 corporate bonds issues between 2000 and 2008. While SEC must be commended for its efforts in reviving the bond market, the Nigerian Capital Market remains dominated by equities.

The growth story of the Nigerian capital market reflected factors such as improved outlook in the country's overall macro-economic environment and socio- political stability, market liquidity arising from increased portfolio and foreign direct investments due to improved fiscal policy, stable naira and inflation, the enactment of Pension Reform Act of 2004, and tougher anti-corruption measures which led to the removal of Nigeria from the list of non-compliant nations of the Financial Action Task Force. Despite the weakness and challenges, the inherent potential for growth in Nigeria's capital market is unprecedented. The country has a rapidly diversifying economy, a strong entrepreneurial spirit and speaks the global language of commerce. Building on these strengths, Nigeria's capital market could become a world-class capital market that is efficient, transparent and innovative, while contributing to and facilitating the growth and development of Nigerian and other African economies. With globalization and rapid adoption of technology, individual and corporate investors can access foreign capital markets.

Regrettably, the Nigerian capital market has experienced a very slow and sluggish growth over the past few years caused by low government expenditures, tight monetary policies et cetera. The consequence

is loss of confidence in the local capital market and repatriation of funds for investments to the foreign capital markets by indigenous investors. The Nigerian capital market is no doubt at a cross road. Puzzled by the dismal performance of the Nigerian capital market in the global industry, the Honorable Minister of Finance in Nigeria has approved the interventions of your financial firm as advisors, with a mandate to present viable options on how to reposition the Nigerian capital market for global competitiveness.

In the light of the information presented in this case, you are requested to:

I) Present a SWOT Analysis of the Nigerian capital market. (15 marks)

II) Identify any five options considered viable for achieving the strategic intents of the Nigerian capital markets. (10 marks)

2. (a) How do you justify the claim that all profit- oriented and non- profit oriented organizations are surrounded by six environmental domain? (10 marks)
   (b) Outline the benefits of evaluation of the external environments of an organization to management (5marks)

3. Write short notes on the following Delphi Techniques :
   (a) Delphi Technique
   (b) Brainstorming
   (c) Management by Objective (5 marks each)

4. (a) Why are policies made in an organization? Give six reasons. (8 marks)
   (b) State six benefits of strategies in financial institutions? (7 marks)

5. Someone once said that what the nation's banks need to radically implement in corporate governance best practices are integrity, transparency and whistle- blowing. Discuss (15 marks)

6. (a) Distinguish between the three possible conditions: (certainty, Risk and uncertainty) under which managers make decisions.(9 marks)
   (b) Discuss FOUR (4) basic steps of managerial decision making. (6 marks)