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ANALYSIS OF THE PERFORMANCE OF SELECTED AGRO-BASED COMPANIES ON THE NIGERIAN STOCK EXCHANGE

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ABSTRACT

In view of the significance and potential of the stock market to provide the agro-based companies, a time series analysis of the performance of selected companies in the Nigerian Stock Exchange (NSE) was carried out. Monthly returns of shares traded (VOL) as well as its determinants such as Current Market Capitalization (CMP), Dividend (DIV), Earnings Per Share (EPS), Price Earning Ratio (PER), Earnings and Dividend Yield (YIELD) were obtained from the NSE as an indicator of performance over a time frame of 10 years (1998 – 2008). Due to the non-stationarity of the data, the economic model was re-conceptualized as a Vector Autoregressive (VAR) allowing for the possibility of cointegration among the endogenous variables. The results established that more than one cointegrating vector existed in the data. The VAR test, we estimated the restricted VAR using the Vector Error Correction Mechanism (VECM) imposing normalization of VOL and PER. The result of the analysis revealed that VOL is positively related to EPS and CMP while it is inversely related to Earnings and Dividend Yield. On the other hand PER increases with increasing EPS and DIV but reduces with increasing VOL and CMP. Short run adjustment coefficients were generally large ranging from 0.1 to 0.9 years. However, variables coefficients were more elastic in the long run. Investment in agriculture was recommended. Investors were equally advised to raise their price earnings ratio which has been identified as a very important indicator of performance.

KEY WORDS: Performance, Agro-based, Stock Exchange, Nigeria

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continue to be academic. The role of the agricultural sector in contributing to economic development is not only in creating a conducive financial environment but also in providing a variety of services. Such activities must be extended to develop conditions that support the growth of the agro-industrial sector which takes on the excess that is not in the country. The growth of these industries depends to a large extent on access to finance from a variety of sources, but to a large extent from the equity shares sold on the stock market. The activities of the stock market are therefore of interest to both the consumer and the investor in planning their decisions. The performance of the Nigerian Stock Exchange is an important indicator of the ability of the economy to withstand shocks in the future. This study thus attempts to give a picture of the price, quantity and volume of shares in selected agricultural based companies in order to determine their economic performance. In addition, short run and long run elasticities of performance volume

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and Granger (1987), which permits incorporation of both the long-run and short-run relationships between variables in a group of non-stationary series into econometric models. ; or e&a" ! le, ;

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