



The equities market capitalisation-GDP ratio for Nigeria is less than 10% but it is higher for some comparable markets such as South Africa (352%), Malaysia (145%), Morocco (62%) and Egypt (20%). This suggests Nigeria needs to attract more companies to be listed on its stock exchanges to reflect both the size and productive sectors of the economy. This Policy Brief is written to provide a background analysis on the historical trends and patterns of listing and delisting on the Nigerian Stock Exchange. The Brief analyses the frequencies of listing and delisting, years companies spend prior to being listed, duration of listing and reasons for delisting. It is expected that this analysis will inform policy decisions towards attracting new listing and retaining already listed firms.

1. Background

The Nigerian Stock Exchange (NSE) started operation at the enactment of the Lagos Stock Exchange Act No. 14 of 1961, having 19 securities listed in June 5, 1961. The 19 listed securities comprised 3 equities, 6 Federal Government Bonds and 10 industrial loans. From 3 equities in 1961, the NSE has attracted a total of 318 equities on its platform in almost 6 decades. Figure 1 shows growth in the number of listed equities in each of the years, rising to a peak of 217 in 2010. However, the trend thereafter has been declining, indicating we are back to the figure recorded in the early 1990s.

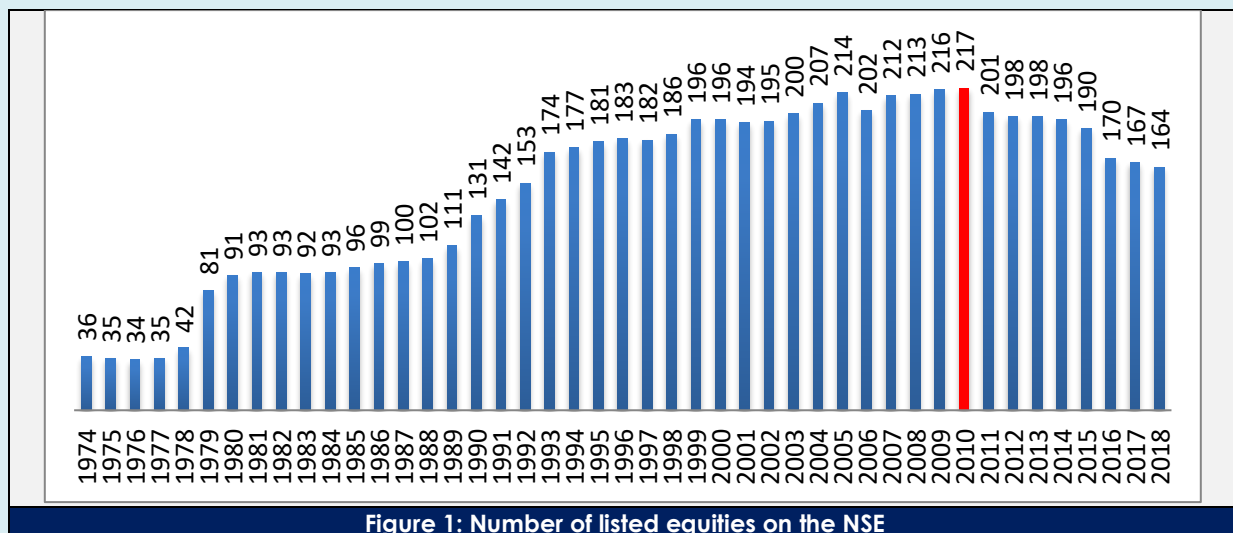


Figure 1: Number of listed equities on the NSE

2. Frequency of Listing

Analysis of equities listing by sectors¹ on the NSE shows the Banking sector accounting for the highest frequency of listings with 54 equities while Conglomerates have the least with 7. The initial period of trading in the 1960s produced the least number of equities listing while the boom period was in the 1990s

¹ Note that to ease comparisons, attempts have been made to use the NSE New sector classification introduced in 2011 to classify firms that had been delisted earlier based on the last information on their nature of business. Also note that Financial Services is classified into 3 to distinguish between banks and insurance companies.

with 106 equities listed. The Banking sector listed its highest number of equities (25) in the 1990s while Consumer Goods had its highest listing of 22 equities in the 1970s. However, since 2010, listings have remained within single digits with "Other Financial Services" listing the most with five equities. The Services and Consumer Goods sectors are the only sectors to have had activity in every period since the inception of trading.

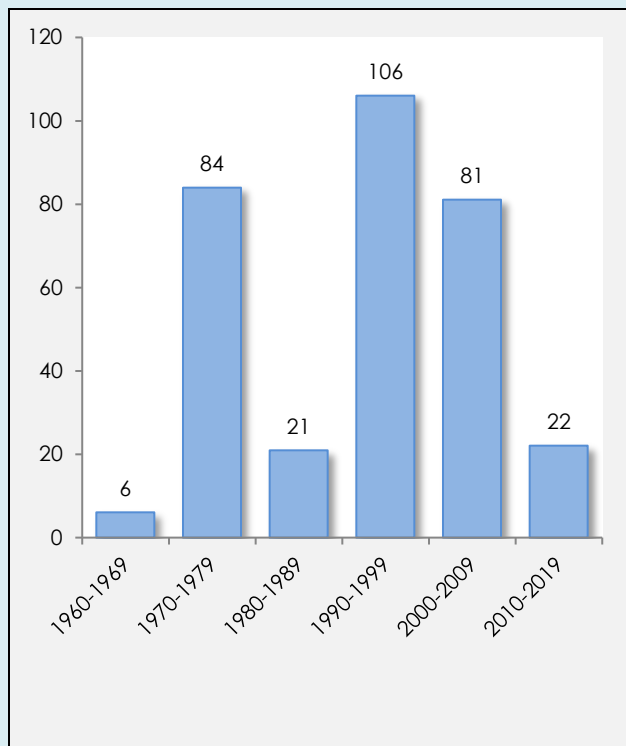


Figure 2a: Listing by period

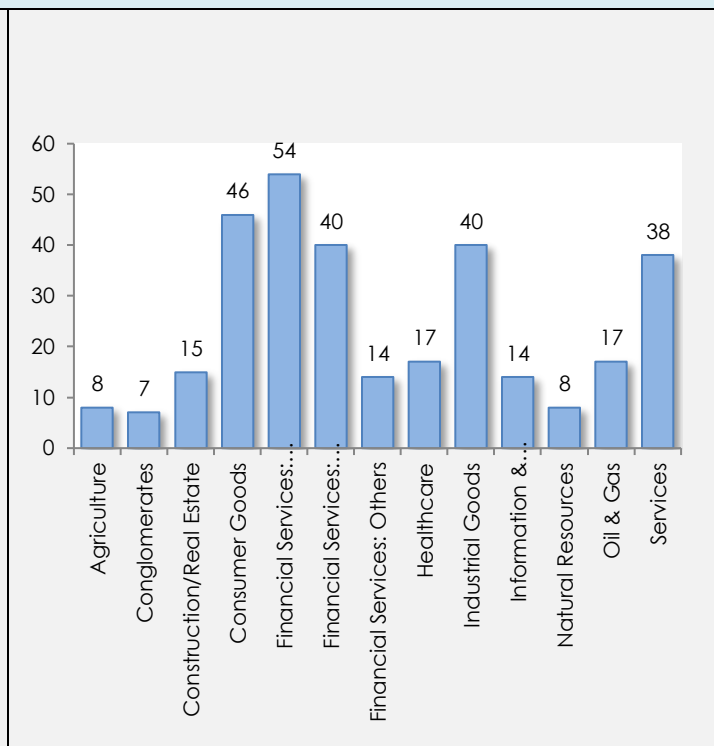


Figure 2b: Listing by sector

Table 1: Frequency of listing

Sector	1960-1969	1970-1979	1980-1989	1990-1999	2000-2009	2010-2019	Total
Agriculture		2	2	2	2		8
Conglomerates		6			1		7
Construction/Real Estate		6	1	6	2		15
Consumer Goods	4	22	4	10	5	1	46
Financial Services: Banking		4	3	25	19	3	54
Financial Services: Insurance		1	2	17	20		40
Financial Services: Others	1			3	5	5	14
Healthcare		10		5	2		17
Industrial Goods		14	4	16	2	4	40
Information & Communication Technology		2		3	8	1	14
Natural Resources		3	1	3	1		8
Oil & Gas		5	2	7	2	1	17
Services	1	9	2	9	12	5	38
Total	6	84	21	106	81	22	318

3. Frequency of Delisting

Available information on the 150 equities that have been delisted from the NSE shows that majority were from the Banking sector (41). Other notable sectors are Industrial Goods and Consumer Goods with 26 and 25 respectively. The period with the highest frequency of delisting was the 2010-2019 period; while the Banking sector had most of its delisting during the banking consolidation era of 2000-2009. The frequency of delisting for the Services sector has been consistent since 1961 with at least one delisting per period. For conglomerates, there has been only one delisting which was in the 2000-2009 period.

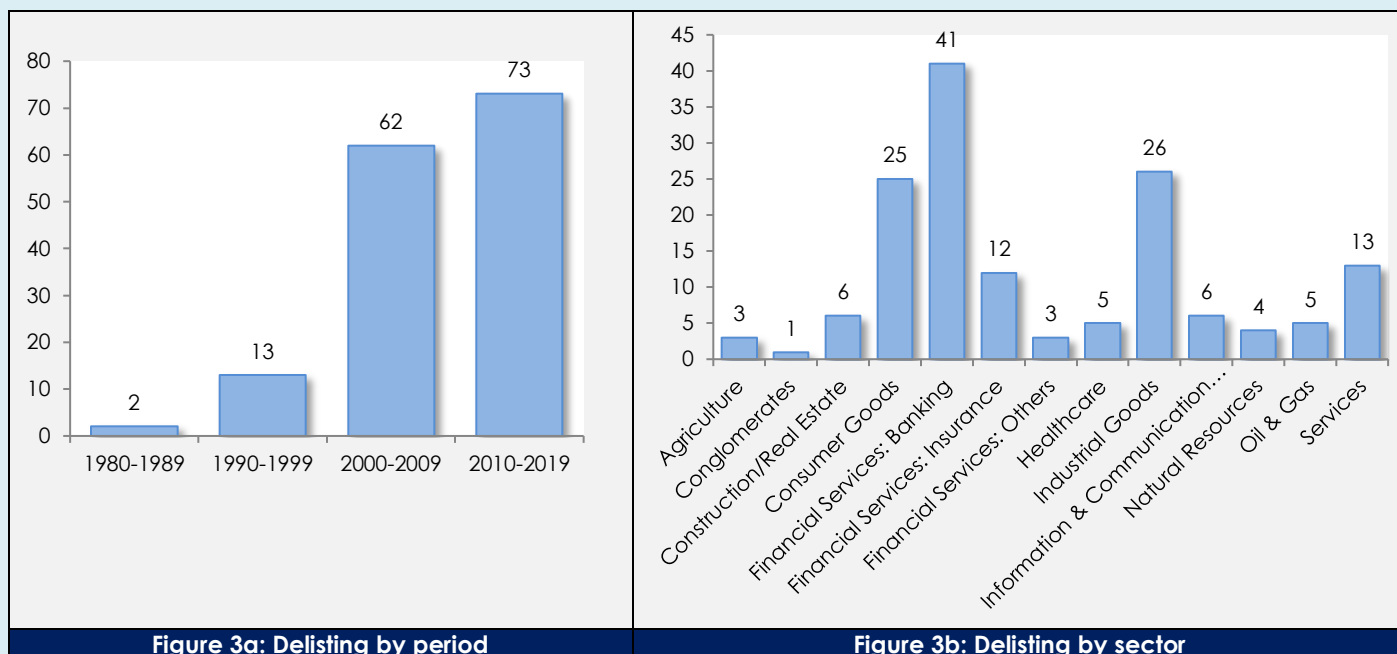


Figure 3a: Delisting by period

Figure 3b: Delisting by sector

Table 2: Frequency of delisting

Sector	1980-1989	1990-1999	2000-2009	2010-2019	Total
Agriculture			1	2	3
Conglomerates			1		1
Construction/Real Estate			2	4	6
Consumer Goods		3	10	12	25
Financial Services: Banking		6	23	12	41
Financial Services: Insurance		1	6	5	12
Financial Services: Others	1		1	1	3
Healthcare			4	1	5
Industrial Goods		1	5	20	26
Information & Communication Technology			1	5	6
Natural Resources			1	3	4
Oil & Gas			1	4	5
Services	1	2	6	4	13
Total	2	13	62	73	150

4. Years Prior to Listing

Table 3 shows that the average number of years it takes a company from incorporation² to listing is 16 years. Further, delisted companies' average is less (15 years) than those not delisted (17 years). Equities in the insurance sector had the highest prior years at an average of 22 years for delisted and listed equities while other financial services average the least years at 10 years.

Table 3: Average number of years between incorporation and listing

Sector	Delisted	Not-delisted	Both
Agriculture	21	13	16
Conglomerates	2	19	16
Construction/Real Estate	21	13	16
Consumer Goods	14	15	14
Financial Services: Banking	14	17	15
Financial Services: Insurance	21	22	22
Financial Services: Others	4	12	10
Healthcare	13	17	16
Industrial Goods	17	20	18
Information & Communication Technology	16	12	14
Natural Resources	12	16	14
Oil & Gas	14	14	14
Services	13	19	17
Total	15	17	16

5. Duration of Listing

For delisted equities, the average duration spent on the NSE was 20 years. This duration was highest during the period of 2010-2019 at 23 years and lowest at 12 years in the period 1990-1999. Generally, the average durations were highest for delisted Conglomerates (36years) and Consumer Goods (28years), while lowest for the Banking and Insurance sectors at 11 years and 12 years respectively.

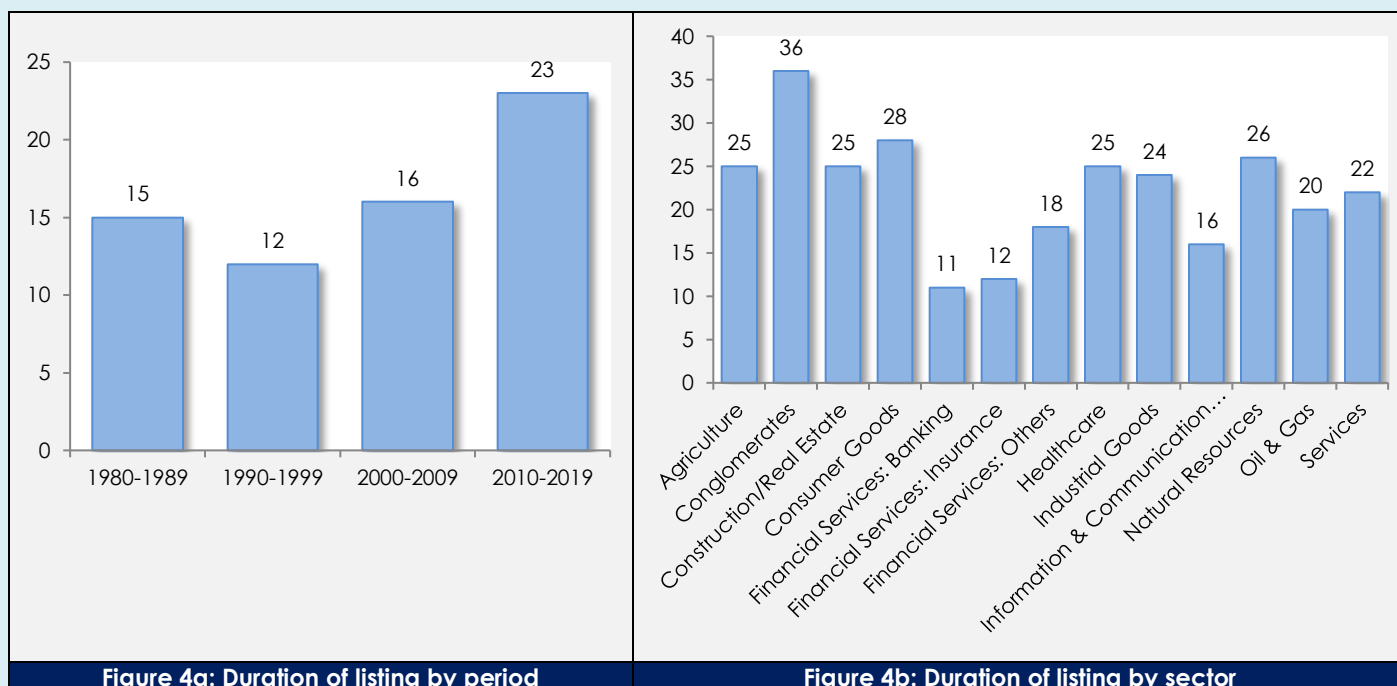


Figure 4a: Duration of listing by period

Figure 4b: Duration of listing by sector

Table 4: Average listing duration on the NSE

² Date of incorporation in Nigeria is used to reduce outlier. This matters especially for First Bank which was incorporated outside Nigeria in 1894, but in Nigeria in 1969.

Sector	1980-1989	1990-1999	2000-2009	2010-2019	Total
Agriculture			21	27	25
Conglomerates			36		36
Construction/Real Estate			16	30	25
Consumer Goods		18	25	32	28
Financial Services: Banking		8	9	15	11
Financial Services: Insurance		4	12	13	12
Financial Services: Others	24		12	18	18
Healthcare			25	26	25
Industrial Goods		16	20	25	24
Information & Communication Technology			16	16	16
Natural Resources			18	29	26
Oil & Gas			24	19	20
Services	6	18	22	30	22
Total	15	12	16	23	20

6. Reasons for Delisting

The reason for equities delisting can be broadly classified into 6. The highest frequency of 70 delisting is regulatory action from NSE often due to non-compliance with its post-listing rules and company's dormancy. This is followed by Merger & acquisition (33), Voluntary delisting (23), bank failure necessitating CBN action (15), NAICOM regulatory action in the Insurance sector (5) and re-listing (4), especially banks that were delisted and later re-listed as holding companies.

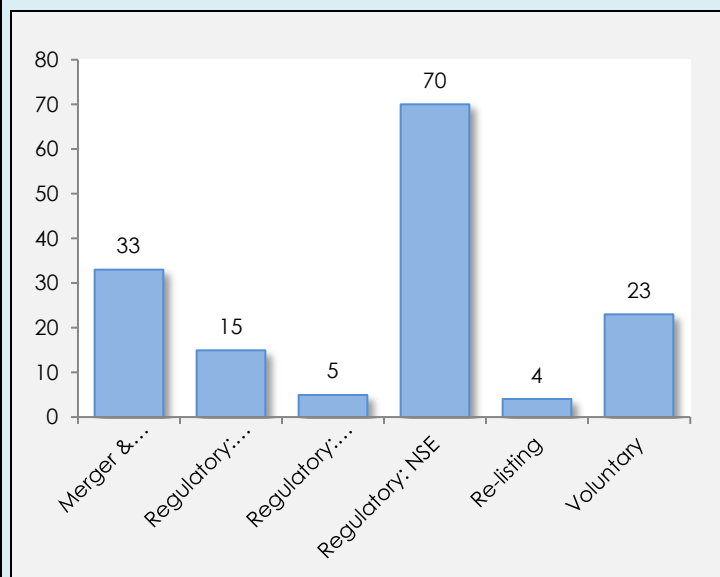


Figure 2a: Reason by for delisting

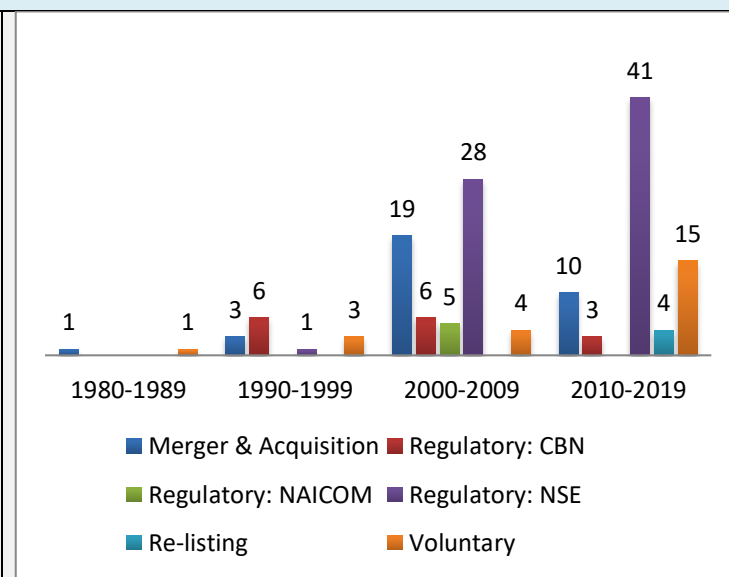


Figure 3b: Reasons by period

Table 5: Reason for delisting by Sector

Sector	Merger & Acquisition	CBN	NAICOM	NSE	Re-listing	Voluntary	Total
Agriculture				3			3
Conglomerates						1	1
Construction/Real Estate				3		3	6
Consumer Goods	1			15		9	25
Financial Services: Banking	22	15			4		41
Financial Services: Insurance	4		5	2		1	12
Financial Services: Others				2		1	3
Healthcare				5			5
Industrial Goods	3			18		5	26
Information & Communication Technology				5		1	6
Natural Resources				4			4
Oil & Gas	1			3		1	5
Services	2			10		1	13
Total	33	15	5	70	4	23	150

Implications

Increasing the relevance of the Nigerian capital market requires more companies to be listed while those already listed should be encouraged to stay. The efforts of the capital market-wide committee on New Listing, and other initiatives, are laudable and should be sustained. Registration and listing rules should be made to attract new and emerging businesses as well as exert minimal burdens on listed companies with additional benefits to being listed.

Sources of data

- NSE Factbook (various years)
- NSE Market Review and Outlook (various years)
- NSE Annual Report (various years)
- NSE Website
- Companies' Annual Reports (various companies and years)