THE IMPACT OF AUTOMATION ON THE EFFECTIVE TRANSFER OF SHARES IN THE NIGERIAN CAPITAL MARKET: APRIL 1997 – APRIL 2001.

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ABSTRACT

For the 38 years of the establishment of the Nigerian Capital Market, activities involving transfer of shares were manually done. As it is common in manual operations, there existed loopholes for people to exploit.

Apart from delayed and failed trades, there was fraud involving stealing/diversion of share certificates by some personnel of stobckbroking firms and Registrar firms with the collusion of their external collaborators.

Since it took between six months and one year for investors to receive their share certificates (as evidence of membership of a company), they lost so many opportunities to take advantage of returns on their investments, particularly in capital appreciation. These bottlenecks made the market very unattractive to both local and foreign investors.

For it to be attractive, therefore, there arose the need for the trading mechanism to be scientific, that is, automated to meet the standards of the other emerging markets, if not those of advanced

economies. The Nigerian Stock Exchange (NSE) then established the Central Securities Clearing Systems Limited (CSCS) which is a Depository and Settlement system in April, 1997, and the Automated Trading System (ATS) in April, 1999, an electronic mode of trading in shares on the floor of the Exchange.

These systems are aimed at reducing transaction circle from 4 months to 3 days, sanitising the market, reducing cost of transaction and winning investor's (local and foreign) confidence in the market thereby exploiting the benefits of the market.

Using Primary and Secondary data, personal observations and practical experience, this research has proved that automation of the capital market has made it more efficient and transparent than it was prior to the introduction of automation.

Chapter One of the work deals with Introduction; Chapter Two treats Literature Review; while Chapters Three, Four and Five treat Methodology, Data Analyses and Summary, Recommendations and Conclusion, respectively.