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Capital market intermediation and manufacturing sector financing in Nigeria

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ABSTRACT: *This paper assesses the intermediary role of the Nigerian Capital Market in financing the manufacturing sector, by examining the relationships between proxies of capital market intermediation and manufacturing output. To examine the relationships, secondary data covering a 13-year period from 2008 to 2020 were obtained from the Statistical Bulletin of the Central Bank of Nigeria. The secondary data included manufacturing output (MANUF), market capitalization (MCAP), equities (EQUITY) and corporate bonds (CORPBD). Manufacturing output was used as dependent variable, while capital market instruments, namely, equities and corporate bonds were proxies for capital market intermediation. Market capitalization was also included as proxy for capital market intermediation. Analysis was carried out using a multiple regression model and ordinary least squares technique. Results showed that market capitalization has positive and significant impact on manufacturing output; corporate bonds have negative but insignificant impact while equities have significant negative impact on manufacturing output. These findings have shown that although the Nigerian capital market possesses the potential to mobilize funds from the economy, it was not a source of finance for the manufacturing sector. It is therefore recommended that effort should be made by policy makers to remove all identified impediments that would deter entrepreneurs and manufacturing firms from accessing funds from the capital market.*

Key words: *Capital market, Corporate bond, Financing, Equity, Manufacturing sector, Nigeria.*
JEL Classification: *E02; E44; O43.*

1. Introduction

The capital market is a very important and integral part of the financial system of a country which is primarily responsible for the mobilization of long-term funds from savers or surplus units of the economy, namely units such as individuals, households and business firms and allocating these funds to users or deficit units that require financing. This intermediation process of moving idle funds to producing sectors is critical if an economy is to achieve high levels of industrialization. Since the economic units which save are different and usually not in contact with those units that use the funds for investment, the intermediation process is very important and must be carried out efficiently and effectively to ensure any meaningful outcome. Therefore, the extent to which this intermediation process is carried out by the capital market is dependent on how developed the market is. Thus, for a developing country like Nigeria, there is the need to increase its capacity to mobilize funds efficiently and also channel same effectively to producing sectors like the manufacturing sector. The critical function of financial intermediation according to Beck, Levine, and Loayza (2000) is not just pure capital accumulation, but that of allocating society's savings to their best uses to ensure economic growth and development. The capital market therefore, provides the mechanism by which the nation's

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financial resources are mobilized and in turn allocated to those industries and companies that will make the best use of them.

The financing of the acquisition of physical assets such as buildings, machinery and that of working capital are fundamental to manufacturing, which by its very nature is long-term. The long-term nature of the funds required for manufacturing financing points in two directions: First, the fund could come in form of capital provided by the promoters or shareholders of the firm and second, the funds could come in the form of borrowed funds, which are better if they are long-term in nature- matching the need for long-term funds (Adedipe, 2006). Distortions are bound to occur where long-term needs are met with short-term funds which according to Adedipe (2006) can lead to counter-productive consequences.

Companies that have large investment projects with long gestation periods like manufacturing firms, resort to the capital market for their financial needs. To access the capital market, these companies issue new equity shares for subscription by the public and for subsequent trading on the Stock Exchange. When new equity shares are issued by companies to raise investment funds, they expand permanently the ownership of the companies. The advantage of funds obtained in this way for investment purposes is that no repayment is needed. Companies that do not want to dilute ownership by expanding their ownership structure, may instead issue corporate bonds (also called debentures) which are certificates issued by companies to raise financial capital through borrowing from the public. Corporate bonds are instruments which pay interest to the subscribers or holders and are redeemable after a fixed number of years (Ayagi, 2006).

Manufacturing firms are considered vital to economic growth and development and they have the greatest potential for diversification and expansion of industrial production. As pointed out by De Carvalho (2009) a meaningful gauge of the state of development or under-development of a country can be seen in the level of industrialization of that country, that is, the proportion of manufacturing in the country's total output. Industrialization is practically synonymous with development. Loto (2012) notes that in most advanced countries, high overall growth has been positively associated with the share of manufacturing (activity). Also growth in the manufacturing sector enables growth in other sectors and as a result, more jobs and investments are created.

A number of indices which have been used to assess manufacturing performance in Nigeria have continued to show a downward trend. These indices include manufacturing production index, capacity utilization, manufacturing export and share in gross domestic product (GDP). For instance, in 1960 the share of manufacturing value-added in GDP in Nigeria was just 3.2%. Although manufacturing increased at an annual average rate of 15.6% from 1974 to 1977and its share of GDP rose from 5.4% in 1977 to 13% in 1982, manufacturing output decreased by an average of about 3% between 1981 and 1986, due mainly to a reduction in foreign exchange inflow which lessened the ability of the manufacturing sector to import required inputs. By 1998, share of manufacturing in GDP was 6.2%, while agriculture accounted for almost half of the GDP growth rate of 6.4% in 2008, contributing about 2.8%, industry (manufacturing inclusive) as a group, made a negative contribution of 0.5% (Central Bank of Nigeria, 2008). In 2015, industrial output fell by 1.3% due to decreased activities in the manufacturing sector (Central Bank of Nigeria, 2015). By 2019, index of manufacturing output increased by 2.6% over the 2018 level and average manufacturing capacity utilization showed a marginal increase of 1.6 percentage points. The development was ascribed to overall improvement in domestic demand, which showed significant increase especially in the last quarter of the year as a result of the border protection policy of the Federal Government. Other factors which enabled this development were sustained accessibility to the foreign exchange market by manufacturers and low input prices (Central Bank of Nigeria, 2019).

From the foregoing, there is the need to revive the manufacturing sector so that it can contribute more to the economy and productive employment and also reduce the country's over-dependence on imports, especially as the country is endowed with an abundance of human and natural resources. Inadequate finance has often been touted as a major problem confronting the manufacturing sector. For instance, Onuoha (2013) highlighted insufficient finance as one of the major challenges that the manufacturing sector hs had to grapple with. In order to bring about rapid growth and development of the economy, the Nigerian capital market was set up to provide long-term funding for the producing sector. The present study is designed to assess how far the capital market has gone in achieving this purpose by examining its impact on the funding of the manufacturing sector.

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A number of studies have been conducted to investigate the role of capital markets on the growth and development of the economy, fewer studies have addressed the part played by the market in financing specific sectors of the economy. This study deviates slightly from previous studies in that it separates the debt financing from equity financing aspect of the Nigerian capital market and assessing their individual impact on the manufacturing sector. The question is to what extent has the Nigerian capital market been able to impact the manufacturing sector through its intermediation role? The findings are expected to be an aid to policy development in both the capital market and the manufacturing sector in Nigeria.

2. Review of Related Literature

2.1. Conceptual Issues

Financial markets in general deal in financial assets and liabilities of differing maturities and consist of institutions, instrument, rules and regulations which govern how funds are mobilized from the surplus units (savers) of an economy to the deficit units (users). Financial markets by convention can be classified into money and capital markets. The money market is concerned with short-term funds (one year maturity or less), while the capital market provides for longer-term needs of users and suppliers (Abudu, Bamidele, Okafor, & Adamgbe, 2004).

Odife (1984) views the capital market as the framework of institutions that organize the transactions in long-term financial assets like shares, debentures, stocks and mortgages. Primary market institutions like issuing houses and secondary market institutions like the stock exchange make up this framework. Nwankwo (1991) sees the capital market as a system comprising of specialized financial institutions that bring together the providers and users of long-term funds, while Onyido (1994) describes the capital market as the means through which deficit units transform the savings of surplus units into long-term investments. According to Carmichael and Pomerleano (2002) capital markets as an integral part of the financial system are able to mobilize long-term capital efficiently by attracting funds from a large number of savers in a cost-efficient manner and by converting the resources of short-term investors into long-term capital.

The capital market is categorized into two segments – the primary market and the secondary market. New funds are raised in the primary market, while existing securities that are already in people's hands are sold and purchased in the secondary market. This way, savers who purchased securities when they had surplus funds are able to recover their money when they need cash. This is perhaps one of the most important functions of the capital market. This singular role of the capital market ensures that the market remains liquid and the liquidity of the market is a pointer to the level of development of the market. Thus, a liquid market is synonymous with a developed market. A developed capital market is that in which an investor can easily get in and out of whenever he or she wishes. The availability of a liquid secondary market, according to Elakama (2004) is a vital aspect of the capital market, as investors are more willing to place their funds in the primary market if they know that they can easily convert their holdings to cash.

A security that is illiquid or unpopular in the secondary market may signal lack of investors' confidence in the company's financial performance which means that investors are unlikely to be interested when new issues of that company are offered for sale in the primary market. It is the flexibility and the lowering of risks that a liquid secondary market offers investors that ensures the deepening of the primary market. Accordingly, investors can switch between investments, and by so doing, allows the capital market to allocate resources more efficiently. This aspect of the capital market has been identified as a vital element in determining the efficiency of the economy.

In the process of transferring funds from savers to users, market instruments (also referred to as securities) of various types come into existence, and are the financial assets which are traded in the capital market. They are of two broad categories. The two broad categories of instruments that are traded in the capital market are equities and bonds. Equity holders are part-owners in a company, while bond holders are long-term lenders to the issuer. These instruments are proof that funds have been transferred and the right to the ultimate repayment of the capital (in the case of debt) and to the resulting periodic income in the interim. Adedipe (2006) points out that equity capital being perpetual capital means that business organizations that raise capital this way do not have to worry about maturity date. Essentially, there is no repayment obligation, the major challenge being to maintain attractive stock price and acceptable dividend that only good performance can guarantee.

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Various types of institutions are also necessary in the funds transfer process. These institutions include the stock exchange, stockbrokers, issuing houses, registrars, share distribution agents (e.g. deposit money banks), underwriters, institutional investors and the Securities and Exchange Commission. All of these institutions carry out one function or the other in the transfer process, even though they are not found in one location. The stock exchange provides the platform where all the various players in the capital market are brought together.

A stock exchange performs a number of functions. First, it is an avenue through which colossal and permanent capital needed to operate huge industrial and commercial corporations are raised cheaply in the primary market. Second, it provides a secondary market place where stockholders can trade in stocks of listed companies. Third, it provides dealing members with continuous information to enable them perform their functions. Fourth, it helps to allocate resources effectively within the economy (Nigerian Stock Exchange, 2001).

The stock exchange as a financial institution is central in the capital market because it forms the locus where all the activities in the market revolve (Alile & Anao, 1986). It is not just crucial but also central to the whole capital mobilization process. This stems mainly from providing the platform where continuous trading in securities issued by fund users takes place. Without this facility, there probably would be no motivation or incentive to invest in securities, as investors would not be able to liquidate their investment or rebalance their portfolio whenever they wish to do so. It is this marketability feature that the stock exchange imparts on listed securities that encourages a would-be investor to part with his hard-earned money, thereby facilitating an unhindered flow of funds into productive uses by way of share acquisition.

Security prices are set by the issuer and issuing house in the primary market, whereas in the secondary market- where securities originally issued in the primary market are bought and sold – security prices are determined by the interplay of supply and demand. Supply and demand are subsequently dependent on how attractive the share is with regards to the returns it offers investors and the riskiness of the earnings. Therefore, investors will want to buy undervalued shares for maximum returns and less risk and dispose of overvalued stock with high risk and lower returns. Efficient capital markets through the stock exchange function to provide the information which investors will use to make this decision. In the making of this decision to invest in those shares where investors believe that they will have maximum returns, funds are allocated to those companies that are seen to be most promising. The high prices commanded by shares of such companies put them in an advantageous position to source for additional funds in future when the need arises. As there is no obligation by issuers to repay equity funds mobilized, the major challenge is for them to maintain attractive stock prices and acceptable dividends that only good performance can guarantee (Adedipe, 2006).

The sensitive pricing mechanism of the stock exchange is the characteristic that enables available funds to be efficiently allocated to the different users in the economy. Through this channel, it ensures that each firm within an industry is allocated its fair share of the total available capital resource relative to how much they have contributed to the overall societal wealth (or satisfaction) compared to other firms or industries (Alile & Anao, 1986). Capital markets are regarded as efficient when they are able to mobilize savings and allocate same to companies in direct proportion to the expected rates of return after making due provision for risk. The general growth of the economy is dependent on this allocation function. If funding does not get to those economic units, especially industries which have the capability of increasing production and productivity and where demand is growing, the rate at which the economy expands will be adversely affected. The pricing mechanism of the stock exchange enables it to be a reliable indicator of the health of the economy and a facility for the orderly mobilization and allocation of capital for attaining modernization, growth and business expansion. In line with this knowledge, many countries have been propelled to use stock exchanges to channel long-term funds for their producting sectors (Elakama, 2004).

Manufacturing firms, by their nature, need long-term capital which can best be sourced from the capital market. Adverse shocks to information structure or to firms' performance or profitability or to the capital market's ability to mobilize funds will all impact on firms' access to funds and hence to investment.

2.2. Empirical Literature

Empirical studies have shown that compared to developing countries, most developed countries have well-developed financial systems and that their capital markets have been able to pool domestic savings and allocate them efficiently and effectively to the real sector. Initial studies were cross-country studies which investigated the link between capital markets and economic growth. For instance, Levine and Zervos (1996)

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working with data from 14 countries for the years 1976 to 1993, examined the connection between capital market development and economic growth. They defined capital market development in terms of a compound index that combined liquidity, volume and diversification indicators. Real growth rate in per capita GDP was used to proxy economic growth. They found very strong positive correlation between capital market development and economic growth

Other scholars have examined the association between capital market and economic growth in specific countries. Vazakidis and Adamopoulos (2010) analyzed data for Italy for the period 1965 to 2007. They employed a Vector Error Correction Model (VECM) and the results indicated a unidirectional causality between capital market development and economic growth with direction moving from economic growth to capital market development.

In some less developed economies, capital markets have been shown to mobilize and allocate domestic savings efficiently. Shahbaz, Ahmed, and Ali (2008) used time series data for the period 1971 to 2006 and Engle- Granger causality tests and showed that Pakistan has been able to mobilize capital for real sector investment. Similarly, Mishra, Mishra, Mishra, and Mishra (2010) investigated the impact of capital market efficiency on the economic growth of India from 1991 to 2010. They used time series data on stock price index, market capitalization and total market turnover. Their study revealed a linkage between capital market efficiency and economic growth in India. A contrasting finding by Mieno (2006) reported that capital markets are not effective sources of funds in many developing countries. He reported that although organized capital markets exist in developing countries, their role in fund mobilization for firms is limited in many countries. He specifically reported that with regards to its role in funds mobilization, the capital market in Thailand did not promote investment in manufacturing firms.

Yartey and Adjasi (2007) examined the economic importance of capital markets in some countries in Africa and found that capital markets have been able to contribute to the financing of large companies in Ghana, South Africa, Mauritius and Zimbabwe. They used 3 capital market indicators which included value of shares traded relative to GDP, market capitalization relative to GDP and turnover ratio (value traded/ market capitalization). The analysis failed to show conclusively the impact of capital markets on growth, although market value traded seemed to have positive and significant association with growth.

A number of scholars in Nigeria have undertaken studies on the association between capital market and real sector growth. Okpara (2010) and Okafor and Arowoshegbe (2011) reported that the capital market has insignificant positive impact on real sector growth. They noted however that the Nigerian capital market possesses great potential to impact the economy more than it has done. Ibi, Joshua, Eja, and Olatunbosun (2015) analyzed the relationship between industrial sector development and the Nigerian capital market covering the period from 1980 to 2012. They employed three capital market variables, namely, market capitalization, number of deals and value of transactions as explanatory/independent variables and industrial output as dependent variable. Using the error correction mechanism (ECM), co-integration test and Granger causality test, they found a long-run equilibrium relationship existed among the variables. Number of deals and market capitalization had significant positive impact on industrial output in the short run, whereas value of transactions exhibited significant negative impact on industrial output. A bi-directional relationship was observed between industrial output and market capitalization and between industrial output and number of deals. However between industrial output and value of transactions there existed a unidirectional causality relationship running from industrial sector development.

Kawode (2015) investigated the part played by the capital market in financing the Nigeria manufacturing sector from 1970 to 2012. They used market capitalization (MCP), value of transactions (VT), total new issues (TNI) and total listed securities (TL) as capital market variables and index of manufacturing sector as the dependent variable. Employing ordinary least squares (OLS), ECM and Granger causality test they reported that the manufacturing sector was not significantly impacted by the Nigerian capital market during the review period. They attributed the inefficiency and ineffectiveness of the capital market in mobilizing funds for the growth and development of the manufacturing sector to the various challenges confronting it, such as high fees, weak corporate governance amongst others.

Offum and Ihuoma (2018) examined the relationship between the capital market and industrial sector performance in Nigeria during the period covering 1985 to 2015. They adopted market capitalization ratio and total value of shares traded ratio as capital market (explanatory) variables and share of industrial output in GDP as dependent variable. The study revealed a long-run association between capital market and

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manufacturing development in Nigeria, but the growth in capital market activities did not impact significantly on the manufacturing sector during the period under review. Owui (2019) examined the impact of capital market on industrial sector financing in Nigeria employing market capitalization, industrial loan and equity as capital market varibles. Using ordinary least squares (OLS) method of multiple regression analysis, he found that equity had significant negative impact on industrial sector growth in Nigeria while market capitalization had significant positive impact on industrial sector growth. Industrial loan had positive but insignificant impact on industrial sector financing.

Ubesie and Ude (2019) examined the responsiveness of capital market on manufacturing firms' productivity in Nigeria from 1990 to 2016. They employed All Share Index (ASI), market capitalization (MCAP) and total listed equities (TLE) on manufacturing firms output in Nigeria. Using Autoregressive Distributed Lag (ARDL) bound test approach they found that capital market variables have varied effects on manufacturing firms output in Nigeria. While market capitalization interacted positively and significantly with of manufacturing firms output, listed equities and All Share Index negatively influenced the output of manufacturing firms.

More recently, Ibitomi, Lawrence, and Adeleke (2020) investigated the impact of the Nigerian capital market on the manufacturing sector from 1980 to 2017. They used stock market capitalization, value of new issues and total number of deals as capital market variables and manufacturing output as dependent variable. Using error correction model and other tests, they found that stock market capitalization significantly and positively impacted manufacturing output in the long-run. Similarly, total number of deals impacted manufacturing sector positively and significantly, whereas value of new issues negatively and significantly impacted the manufacturing sector. Findings also revealed that in the short run, capital market had no significant impact on manufacturing. Judging from long-run results, the conclusion was that the Nigerian capital market has positively impacted the manufacturing sector.

Two studies using firm-level accounting data have shown that the capital market in Nigeria has not impacted the manufacturing sector meaningfully. Oke (2013) examined the impact of capital market on financing and performance of private sector in Nigeria from 2002 to 2011 using three quoted companies, two of them from the manufacturing sector. He used profit after tax (PAT) as proxy for firm performance as dependent variable and equities, debt and retained earnings of the firms as independent variables to proxy for capital market funding. He estimated relationships using panel model regression analysis and ordinary least squares technique and found that capital market positively impacts the manufacturing firms selected for the study through equities and retained earnings. Similarly, Ikeobi, Msheliza, and Bulus (2016) using firm-level data examined the financial intermediary role of the capital market in Nigeria and the performance of quoted manufacturing firms and found that although the Nigerian capital market showed the potential to mobilize funds for the manufacturing firms, the firms have not made adequate use of the capital market as their source of finance.

Much of the empirical literature on capital markets focused mainly on establishing links with real sector growth and used traditional capital market indicators. This study adopts the use of capital market instruments used by firms to raise funds, namely equities and corporate bonds as independent variables in place of the traditional indicators used in most of the studies reviewed.

3. Methodology

3.1. Data

Secondary data was used in this study to examine the impact of capital market intermediation on the financing of the Nigerian manufacturing sector covering a 13-year period from 2008 to 2020. The secondary data were obtained from the Statistical Bulletin of Central Bank of Nigeria. The secondary data included manufacturing output (MANUF), market capitalization (MCAP), equities (EQUITY) and corporate bonds (CORPBD). Manufacturing output was used as dependent variable, while capital market instruments, namely, equities and corporate bonds were proxies for capital market intermediation.

3.2. Model Specification

Manufacturing output is expressed as a function of capital market intermediation. In principle, a positive relationship is expected between manufacturing output and the proxies of capital market intermediation if

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indeed the capital market has been channeling funds to the manufacturing sector. The study employed a multiple regression model and analyzed with the ordinary least squares technique.

The general form of our output model is as follows:

$$Manufacturing\ Output = F\ (Capital\ market\ intermediation) \quad (1)$$

Specifically, when the above model is adopted, Equation 2 can be written as:

$$MANF = \beta_0 + \beta_1 MCAP + \beta_2 CORPBD + \beta_3 EQUITY + \varepsilon \quad (2)$$

Where:

MANF = Manufacturing output.
MCAP = Market capitalization.
CORPBD = Corporate bonds.
EQUITY = Equities.
$\mathcal{E}$ = Composite error term.
β_o = Intercept.
β_1, β_2, and β_3 are the coefficients to be estimated.

Each model parameter estimate is expected to have a positive sign. Thus, a priori expectations from the model were as follows: β_1, β_2, and $\beta_3 > 0$. The model specified was estimated using the statistical software, Statistical Software for Social Sciences (SPSS). Three hypotheses were tested using the specified model at the 5% level of significance;

Hypothesis 1: There is no significant impact of market capitalization on manufacturing output.
Hypothesis 2: Corporate bonds have no significant impact on manufacturing output.
Hypothesis 3: Equities have no significant impact on manufacturing output.

4. Results and Discussions

The regression result is presented in Appendix 1 and summary presented in Table 1.

Table 1. Summary of regression result.

Variables/Indicators	Coefficient	Standard error	T- statistic	P-value
MCAP	1.071	0.124	8.651	0.000**
CORPBD	-1.047	0.489	-2.14	0.061
EQUITY	-1.009	0.250	-4.03	0.003**
Constant	1146.333	825.405	1.389	0.198
R square	0.977			
Adjusted R square	0.969			
F statistic	127.712			0.000**

Note: ** Show significance at 5%.
Dependent variable: MANUF.

The F-statistic for the model is significant (p-value = 0.000). This means that the data fitted the model well. The coefficient of determination, Adjusted R square is 0.969 indicating that 96.9% change (variance) in the dependent variable is due to the influence of the independent variables in the model. Other factors outside the model accounted for the remaining variance in manufacturing output.

For hypothesis 1 at 5% significance level, the coefficient for share capital (MCAP) is positive and significant (p-value less than 0.05). Thus, the hypothesis that market capitalization has not significantly impacted manufacturing sector is rejected, thereby accepting the alternative that market capitalization has impacted the manufacturing sector significantly. Market capitalization which has been used to measure funds supply in the capital market and gives a clue of the potential of the market to mobilize funds from investors. The result from this hypothesis agrees with those of Ibi et al. (2015); Ubesie and Ude (2019) and Owui (2019) who found that market capitalization is positively and significantly related to manufacturing output.

In hypothesis 2 the relationship between corporate bonds (CORPBD) and output is negative and insignificant (p-value less than 0.05). The null hypothesis is not rejected meaning that corporate bonds have no significant impact on manufacturing output. This indicates that the manufacturing sector has not benefitted from the capital market by way of raising funds through corporate bonds. The result partly agrees with that of Owui (2019) who found positive though insignificant relationship between industrial loan stock and industrial production index.

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In hypothesis 3 the coefficient for equities (EQUITY) is negative and significant (p-value is less than .05). Therefore, the null hypothesis is rejected. There is a significant but negative impact of equities on manufacturing output. This indicates that the manufacturing sector has not benefitted from the capital market through equity financing. The Nigerian capital market has not been able to effectively allocate funds to the manufacturing sector. This result agrees with Owui (2019) who also reported negative and significant impact of equities on industrial sector financing.

These findings from the hypotheses have shown that although the Nigerian capital market has the capability to mobilize funds from the economy, it has not translated as a source of finance for the manufacturing sector. The Nigerian capital market has demonstrated that it has the potential to mobilize and channel funds to the manufacturing sector which is evident from the finding from the first hypothesis. However, the second and third hypotheses showed that the manufacturing sector has not been significantly financed through the capital market. This finding agrees with Ikeobi et al. (2016) who using firm-level data reported that manufacturing firms have not been accessing funds from the Nigerian capital market.,

5. Conclusion /Recommendations

The findings of this research work have provided empirical evidence that although the Nigerian capital market demonstrated the potential to mobilize funds for the manufacturing sector; this did not translate into capital formation as the manufacturing sector did not appear to have made use of the capital market as a source of funds during the period under study. We conclude that the Nigerian capital market did not impact the manufacturing sector positively by providing the needed funds to the manufacturing sector which has the greatest potential to impact the economic development of a country.

In line with the findings of the study, the following recommendations have been made towards improving the performance of the Nigerian capital market as a source of funds for the manufacturing sector:

1. There is need for regulatory authorities to identify restrictions or constraints hindering entrepreneurs and firms from accessing funds from the capital market. These impediments should be critically addressed in order to encourage manufacturing firms to source for funds from the capital market. Thus, the stringent areas in the listing requirements of the Nigerian Stock Exchange (NSE) should be revisited and relaxed so as to enable manufacturing firms to source for long term funds from the capital market.
2. In order to take advantage of the untapped potential for sourcing funds for investment from the Nigerian capital market, the NSE and Securities and Exchange Commission (SEC) and should educate the public on the opportunities available in the capital market by embarking on more aggressive campaigns through seminars and workshops and particularly to existing and potential entrepreneurs in the manufacturing sector. This will also go a long way to attract new listings and new investors into the market

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Appendix

Appendix 1. Regression result.

Model summary				
Model	**R**	**R square**	**Adjusted R square**	**Std. error of the estimate**
1	0.988[a]	0.977	0.969	891.79780

Note: a. Predictors: (Constant), EQUITY, CORPBD, MCAP.

ANOVA[a]						
Model		**Sum of squares**	**Df**	**Mean square**	**F**	**Sig.**
1	Regression	304708947.917	3	101569649.306	127.712	0.000[b]
	Residual	7157729.860	9	795303.318		
	Total	311866677.777	12			

Note: a. Dependent variable: MANF.
b. Predictors: (Constant), EQUITY, CORPBD, MCAP.

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Coefficients[a]						
Model		Unstandardized coefficients		Standardized coefficients	t	Sig.
		B	Std. error	Beta		
1	(Constant)	1146.333	825.405		1.389	0.198
	MCAP	1.071	0.124	1.759	8.651	0.000
	CORPBD	-1.047	0.489	-0.109	-2.140	0.061
	EQUITY	-1.009	0.250	-0.821	-4.030	0.003

Note: [a]Dependent variable: MANF.

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