

Demutualization and Stock Market Performance in Nigeria: Equity and Debt Stock Perspective

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Abstract: This study examined the effect of demutualization on the financial performance of the Nigerian stock market by comparing the pre-demutualization period (March 2017–February 2021) with the post-demutualization period (March 2021–February 2025). Specifically, the study investigated the impact of equity stock and debt stock on market capitalization before and after the transformation of the Nigerian Stock Exchange into the Nigerian Exchange Group Plc. Ex post facto research design was adopted, while secondary data were obtained from the weekly reports of the Nigerian Stock Exchange/Nigerian Exchange Group. Autoregressive Distributed Lag (ARDL) model was employed for data analysis after the variables were tested for stationarity using the Augmented Dickey-Fuller unit root test. The results indicated that all variables were stationary at level or first difference, justifying the application of the ARDL technique. Findings revealed that equity stock had no statistically significant impact on market capitalization in both the pre- and post-demutualization periods. Similarly, debt stock exhibited no significant influence on market capitalization before and after demutualization. Although the post-demutualization period recorded slight improvements in the direction of some coefficients, these changes were not statistically significant. The study concluded that the 2021 demutualization of the Nigerian Stock Exchange has not yet translated into significant improvements in market capitalization through equity and debt market activities. The study recommends that the Nigerian Exchange Group strengthen equity financing through continuous reinvestment and strategic capital formation while promoting the development of the debt market to improve overall market performance and long-term financial sustainability.

Keywords: Demutualization, Financial Performance, Market Capitalization, Equity Stock, Debt Stock.

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I. INTRODUCTION

Traditionally, many stock exchanges around the world operated as mutual organizations owned by their member stockbrokers. Under the mutual ownership structure, the exchanges primarily existed to serve the interests of their members rather than maximizing shareholder value. Although this ownership arrangement contributed to the development of capital markets in their early stages, it gradually became associated with several operational challenges, including limited access to capital, slow decision-making processes, governance inefficiencies, conflicts of interest between regulatory and commercial functions, and inadequate technological innovation. As financial markets became increasingly globalized and technology-driven, these limitations reduced the competitiveness of many mutual stock exchanges (Aggarwal, 2019).

To address these challenges, many stock exchanges across developed and emerging economies adopted demutualization as a strategic reform. Demutualization refers to the process through which a member-owned, not-for-profit stock exchange transforms into a shareholder-owned, for-profit company with separate ownership, management, and trading rights. The reform aims to improve operational efficiency, strengthen corporate governance, increase financial flexibility, attract strategic investors, and enhance competitiveness in the increasingly integrated global financial market (Claessens, Klingebiel, & Schmukler, 2020).

Globally, stock exchanges such as the London Stock Exchange, Australian Securities Exchange, Singapore Exchange, and Johannesburg Stock Exchange successfully implemented demutualization reforms, leading to significant improvements in governance structures, operational efficiency and financial performance. Following

demutualization, many exchanges diversified their revenue streams beyond traditional trading activities by introducing derivatives, exchange-traded funds, commodity trading, digital trading platforms, market data services, and other financial products (Aggarwal, 2019; World Federation of Exchanges, 2023).

Established in 1960 as the Lagos Stock Exchange before becoming the Nigerian Stock Exchange in 1977, the Exchange operated under a mutual ownership structure for several decades. During this period, it contributed significantly to capital mobilization and economic development but faced increasing challenges arising from globalization, technological disruption, declining market capitalization, governance concerns, limited access to investment capital, and heightened competition from other financial markets. These challenges necessitated reforms capable of repositioning the Exchange for sustainable growth and improved financial performance (Nigerian Exchange Group Annual Reports, 2023).

Following years of consultations with regulators, policymakers, investors and market participants, the Nigerian Stock Exchange completed its demutualization process in 2021 and was transformed into Nigerian Exchange Group Plc. The restructuring created a holding company comprising distinct subsidiaries responsible for exchange operations, regulation, real estate, and other commercial activities. The reform was expected to improve corporate governance through clearer accountability, facilitate access to external capital for expansion, encourage technological innovation, diversify revenue sources, improve operational efficiency, and enhance overall financial performance.

Financial performance remains one of the most important measures for assessing the success of organizational reforms. For stock exchanges, financial performance is commonly evaluated using indicators such as revenue growth, profitability, return on assets, return on equity, earnings per share, operating efficiency, market capitalization, trading volume, liquidity and shareholder value. Improvements in these indicators following demutualization would suggest that the reform has achieved its intended objectives, while stagnation or deterioration may indicate that structural changes alone are insufficient to improve organizational performance without complementary institutional reforms (World Federation of Exchanges, 2023).

Empirical evidence on the effect of demutualization on stock exchange performance remains inconclusive. Some studies report that demutualized exchanges experience significant improvements in operational efficiency and market competitiveness due to better governance structures and enhanced access to capital (Aggarwal, 2019; Claessens et al., 2020). Other studies, however, argue that demutualization may increase commercial pressures that prioritize profitability over regulatory responsibilities, potentially creating conflicts of interest between shareholder wealth maximization and effective market oversight. Also,

relatively few empirical studies have comprehensively compared the financial performance of the Nigerian stock market before and after demutualization.

Against this background, this study seeks to examine the before and after demutualization effect on the financial performance of the Nigerian stock market. Specifically, the study compares equity and debt stocks before the 2021 demutualization and after the transformation into the Nigerian Exchange Group Plc to determine whether the reform has significantly enhanced financial performance.

➤ *Statement of the Problem*

The demutualization of the Nigerian Stock Exchange, which culminated in 2021 with the establishment of the Nigerian Exchange Group Plc, represented one of the most significant structural reforms in the country's capital market. The reform was expected to reposition the exchange for improved financial sustainability, enhanced profitability, increased market capitalization, higher trading volumes, greater investor confidence, and improved operational performance. Despite these expectations, concerns remain regarding whether the anticipated financial benefits have actually materialized after demutualization. While some market analysts argue that the reform has strengthened corporate governance, enhanced operational efficiency, and improved financial outcomes, others contend that the relatively short post-demutualization period, prevailing macroeconomic challenges, inflationary pressures, exchange rate volatility, and global economic uncertainties may have limited the realization of the expected benefits.

Furthermore, empirical evidence on the relationship between stock exchange demutualization and financial performance remains inconclusive. Some studies have reported significant improvements in profitability, operational efficiency, liquidity, and market capitalization following demutualization, whereas other studies found little or no statistically significant changes in financial performance after the reform. These conflicting findings indicate that the effect of demutualization may differ across countries depending on institutional frameworks, market maturity, regulatory effectiveness, and prevailing economic conditions. Therefore, this study sought to bridge this knowledge gap by comparatively examining the financial performance of the Nigerian stock market before and after demutualization.

➤ *Objectives of the Study*

The study primarily evaluated the impact of demutualization on the financial performance of the Nigerian stock market. Specifically, the study sought to:

- Investigate the impact of equity stock on market capitalization before and after demutualization
- Determine the impact of debt stock on market capitalization before and after demutualization

➤ Research Hypotheses

The following hypotheses governed the study:

- H0₁: Equity stock has no significant impact on market capitalization before and after demutualization
- H0₂: Debt stock has no significant impact on market capitalization before and after demutualization

II. LITERATURE REVIEW

➤ Demutualization

Demutualization is a change in legal status, structure and governance of an exchange from a non-profit, protected interest one to profit oriented (Yartey&Adjasi, 2007; Onafalujoet.al., 2014). Demutualization, in its strictest sense, refers to the change in the legal status of a stock exchange, from a mutual association with one vote per member (and possibly consensus-based decision making), to a company limited by shares with one vote per share (with majority-based decision making). Demutualization makes sense if it causes a shift in the exchange's goal, from managing the interests of a closed system to managing the interests of an open system (Atoyebe, 2024).

In simpler terms, stock exchange demutualization is the process of converting a mutually owned association into a company limited by share. In this conversion, decision-making rights are transferred from the members' association to the number of shares issued (the shareholders). The effect of this is that the ownership structure is transformed, as well as legal and organizational form, and this means less conflict of interest thereby, leading to an improvement on corporate governance of the said stock exchange (Onafalujoet.al., 2014; Atoyebe, 2024).

From another perspective, demutualization involves altering the legal status of a firm from a mutually-owned one to one limited by share. It involves turning a not-for-profit entity to a profit-making one (Rastuti, 2022). In this regard, it is the conversion of the Nigerian capital market from one limited by guarantee to a publicly traded firm owned by shareholders (Harit, 2021). Put simply, in a traditional system of operating a stock market, a stockbroker must register to be able to trade, however, for a demutualized market, the stockbroker does not have to be an exchange member before carrying out transactions. An essential feature of a demutualized exchange is that it separates trading and ownership rights.

➤ Demutualization of the Nigeria Stock Exchange (NSE)

The issue of demutualization of the Nigerian stock exchange is not new, as it had been a reoccurring subject as early as 2001. The process, which became fully implemented in March 2021, was over a decade in the making. Initial discussions began as early as 2011 with the release of a position paper titled *The Roles and Expectations of Regulators in the Demutualization Process*. Following this, a 21-member technical committee was established to develop the necessary legal and operational framework. By 2015, the Securities and Exchange Commission (SEC) issued the *Rules on Demutualization of Securities*

Exchanges in Nigeria, setting out the regulatory foundation for the process (NGX Group, 2021; Osakwe, et.al., 2022; Njogo, 2023). However, demutualization of the NSE gained significant attraction at the Extraordinary General Meeting of the NSE members on 30th of March 2017. There was a unanimous vote assenting to the Demutualization. Hence, the Demutualization of The Nigerian Stock Exchange Bill was signed into law on August 2018 by President Muhammadu Buhari. By December 2019, the Securities and Exchange Commission (SEC) consented to the bill. Precisely on December 23, 2019, SEC issued a 'No Objection' letter, formally permitting the NSE to move forward with the process. This approval ensured that the demutualization complied with all regulatory guidelines, setting the stage for further developments. This move eventually led to a court-ordered meeting and another EGM in March 2020, where members together agreed to change the market from a non-profit one limited by guarantee to a profit-making, public limited liability firm held by shareholders (Eugene, 2020; Orji, 2020).

The Nigerian Exchange Group (NGX) formally implemented and announced its demutualization in an update published on its website on Wednesday, March 10, 2021 (Osakwe, et.al., 2022). This makes the Nigerian Stock Exchange (NSE) join the league of Johannesburg Stock Exchange and Nairobi Stock Exchange, which are already publicly listed companies.

Following the demutualization of the Nigerian Stock Exchange (NSE) into Nigerian Exchange Group Plc (NGX Group), the exchange's functions were splitted into distinct entities to streamline operations, enhance governance, and improve regulatory oversight. The NGX Group Plc serves as the holding company, overseeing the operations of its subsidiaries. One of these subsidiaries is Nigerian Exchange Limited (NGX), which acts as the operational exchange responsible for the trading of securities and market-related activities. The NGX Regulation Limited (NGX REGCO) was established as the independent regulatory body to ensure compliance with market rules and regulations, separate from the commercial activities of NGX Limited. Lastly, NGX Real Estate Limited (NGX RELCO) was formed to manage the Group's real estate assets.

➤ Equity Stock

Equity stock, commonly referred to as ordinary shares or common stock, represents a unit of ownership in a company that is publicly or privately incorporated. According to Aggarwal (2019), equity stock represents a residual claim on the assets and earnings of a corporation. This implies that equity shareholders are the last claimants on the firm's assets after creditors, bondholders, and preference shareholders have received their contractual payments. Consequently, equity investors assume greater investment risk compared to debt holders but are compensated through the possibility of earning higher long-term returns. This risk-return trade-off explains why equity stocks have historically generated superior average returns compared to many other financial assets despite experiencing greater price volatility.

Within the stock market, equity stocks are traded on organized securities exchanges such as the Nigerian Exchange Group (NGX), the New York Stock Exchange (NYSE), and the London Stock Exchange (LSE). These exchanges provide transparent and regulated platforms where buyers and sellers interact to determine market prices based on prevailing demand and supply conditions. The market price of an equity stock fluctuates continuously in response to company performance, investor expectations, macroeconomic conditions, government policies, interest rates, inflation, political developments, and global economic events (Claessens, et al., 2020).

➤ *Debt Stock*

Debt stock refers to the total outstanding value of debt instruments issued by governments, corporations, or other institutions that remain unpaid at a given point in time. It primarily comprises fixed-income securities such as government bonds, treasury bills, corporate bonds, municipal bonds, sukuk (Islamic bonds), debentures, and other debt instruments that are listed and traded on a recognized securities exchange. Unlike equity stock, which represents ownership in a company, debt stock represents a contractual obligation by the issuer to repay the principal amount borrowed together with agreed interest or coupon payments over a specified period (Otchere&Abor, 2021).

In the stock market environment, debt stock is regarded as the aggregate value of all outstanding listed debt securities available for trading. It reflects the depth and sophistication of the debt capital market and serves as an important indicator of financial market development. A well-developed debt stock market enhances capital formation by providing governments and firms with access to relatively cheaper and longer-term financing while offering investors diversified investment opportunities with relatively lower risk compared to common stocks (Mwangi, 2018).

➤ *Financial Performance*

Financial performance refers to the extent to which an organization or institution effectively utilizes its financial resources to achieve its objectives while generating sustainable returns for its owners and stakeholders. Within the context of the Nigerian stock market, financial performance represents the ability of the Nigerian Exchange Group (NGX Group) to generate adequate revenue, maximize profitability, increase shareholder value, improve operational efficiency, maintain market liquidity, and contribute to the overall development of the Nigerian capital market. It reflects the exchange's capacity to operate as a financially viable institution while providing an efficient platform for the issuance and trading of securities by listed companies (Yang & Pangastuti, 2016).

Financial performance is closely associated with the financial strength and sustainability of the Nigerian Exchange Group following its transition from a mutual organization to a shareholder-owned company through demutualization. The restructuring was expected to strengthen corporate governance, improve access to capital,

enhance operational efficiency, diversify revenue sources, and ultimately improve the financial performance of the exchange (Rastuti, 2022). Consequently, evaluating financial performance in this context involves assessing whether these strategic objectives have translated into measurable financial improvements after demutualization.

➤ *Theoretical Review*

• *Transaction Costs Theory*

Developed by a British Economist, Ronald Coase in 1937, transaction cost theory was formulated to justify the existence of firm. The theory emphasizes the concept that firms exist to lower transaction costs, thereby increasing volume and creating more value. Based on the theory, a company simply exists for transaction cost reduction and improved profitability. Hence, demutualization is seen as a means of lowering transaction costs indirectly and, in turn, improving financial performance (Mwangi, 2018). Transaction increases the volume of dealings and boosts the economy. The theory offers an explanation on the rising number of demutualized exchanges around the globe by highlighting that increased level of competition resulting from the use of advanced and sophisticated forms of technology has lowered transaction costs of trading on security by investors. It also gives room for flexible pricing and reduced chances of manipulation of market prices which exists in mutually owned exchanges (Osakwe, et.al., 2022).

Transaction cost theory sees a company to comprise many contracts that minimizes transaction costs. Increasing stock market efficiency through demutualization will reduce transaction costs of trading on capital markets by investors. It will permit flexible pricing and reduced issues of market manipulation that existed in a mutually owned market. Besides, modern technology and globalization forces have also boosted cross-listing of investors' shares. Hence, responding to the issues of technology and globalization, major stock market has therefore decided to demutualize. This is due to the fact that mutual structures here were expensive plus less appealing to stock market investors and other participants (Choi, et.al., 2020).

III. EMPIRICAL REVIEW

Njogo, et.al., (2023) examined demutualization of Nigerian stock exchange and stock market growth. Its main objective was comparing the capital market financial performance before and after demutualization. The research utilized a descriptive research design to examine the objective. Findings revealed that before demutualization, total market equities, total market bond, investment in subsidiary, and total listed securities negatively and significantly influence the capital market development variables of market capitalization. After demutualization, total market equities, total market bond, investment in subsidiary, exchange rate, and total listed securities were positively significant in impacting market capitalization.

Nyangara and Mazviona (2014) analyzed the impact of demutualization on stock market liquidity using annual data

available from 24 demutualized and 26 mutual stock exchanges for the period 1990 to 2011. The study employed a panel data regression model to examine the nature and significance of the relationship between stock exchange demutualization and two measures of stock market liquidity (turnover rate and the value of volume traded relative to Gross Domestic Product (GDP). The findings indicate that demutualized exchanges exhibit significantly greater liquidity compared to mutual exchanges after controlling for age, size, trading technology, and level of economic development.

Similarly, Mwangi, (2018) evaluated the impact of demutualization on the financial performance of Nairobi securities exchange. The study used data on share prices of the Nairobi stock exchange. The data was analyzed using SPSS. The study found out that the predemutualized market had significant impact on the financial performance of Nairobi Stock Exchange (NSE) while post demutualization has significant impact in NSE. He concludes that demutualization has significant impact on financial performance.

Ibrahim, (2012) investigated the effect of demutualization on the financial performance of the financial and investment firms quoted at the Nairobi security exchange. They studied how demutualization impacted the financial and investment companies listed in NSE. The study used event research design and adopted descriptive and inferential statistics using secondary data collected from NSE. Applying regression analysis, the study found that there is increase in the trend of return on assets in five years and that the market price to book value ratio decreased. They also discovered a significant positive correlation between return on equity and market price to book value and between return on equity and leverage.

Ali and Ali (2019) examined the impact of demutualization on market quality. They studied 137 non-financial firms listed on demutualized Pakistan stock exchange and found out that transaction cost reduced by demutualization. They concluded that demutualization reduced transaction cost and has improved market quality.

IV. METHODOLOGY

This study utilized quantitative research approach to examine the impact of demutualization on stock market performance in Nigeria. Precisely, the study adopted the *ex-post facto* (after the fact) research design approach. This study utilized secondary data on market capitalization; total equity stock and debt securities generated from the weekly stock market reports of the NSE/NGX from March 2017 to February, 2021 for years before demutualization, and March 2021 to February 2025 for years after demutualization respectively. The data generated was subjected to computer inferential statistics to test stated hypotheses formulated. Specifically, to estimate the impact of demutualization on stock market performance in Nigeria, the study employed the Autoregressive Distributed Lag (ARDL) model.

To start with, the model was first implicitly specified in augmented Cobb-Douglas form as follows:

$$\text{MktCap} = f \{(\text{Equities}), (\text{Debt})\} \dots \dots \dots (1)$$

Furthermore, it was modified and presented into ARDL econometric equation thus:

$$Q_t = a + 0_{t-1} + \sum_{i=1}^p \mu_i y_{t-i} + \sum_{i=1}^q \mu_2 x_{t-i} + \mu_t \dots \dots \dots (ii)$$

Where;

Q_t = Vector of both y_t & x_t

y_t = Regresand (MktCap)

x_t = Set of the independent variables

The above ARDL equation is expanded for easy estimation in line with the work of Elmonshid et al. (2022) to capture the variables of this present study as follows:

$$\Delta(\text{MktCap})_t = \beta_0 + \beta_1(\text{MktCap})_{t-1} + \beta_2(\text{Equities})_{t-1} + \beta_3(\text{Debts})_{t-1} + \sum_{i=0}^p \beta_4 (\Delta \text{MktCap})_{t-i} + \sum_{i=1}^p \beta_5 (\Delta \text{Equities})_{t-i} + \sum_{i=1}^q \beta_6 (\Delta \text{Debts})_{t-i} + \mu_t \dots \dots \dots (iii)$$

Where:

Δ = First difference operator

ϵ_t = Stochastic term.

b_0 = Regression Constant

b_1 - b_5 = Unknown Parameters or coefficient

V. DATA ANALYSIS AND RESULTS

➤ Unit Root Test

Table 1 Unit Root Test Table (ADF) Pre-Demutualization

	At Level			
		MCAP	EQTS	DEBT
With Constant	t-Statistic	-0.2601	-11.2009	-13.4952
	Prob.	0.9270	0.0000	0.0000
		n0	***	***
With Constant & Trend	t-Statistic	-0.7605	-11.3044	-13.5291
	Prob.	0.9664	0.0000	0.0000

		n0	***	***
Without Constant & Trend	t-Statistic	1.7924	-1.5481	-12.7140
	Prob.	0.9825	0.1140	0.0000
		n0	n0	***
	At First Difference			
		d(MCAP)	d(EQTS)	d(DEBT)
With Constant	t-Statistic	-12.2930	-12.3720	-14.2107
	Prob.	0.0000	0.0000	0.0000
		***	***	***
With Constant & Trend	t-Statistic	-12.2918	-12.3437	-14.1707
	Prob.	0.0000	0.0000	0.0000
		***	***	***
Without Constant & Trend	t-Statistic	-12.1278	-12.4046	-14.2514
	Prob.	0.0000	0.0000	0.0000
		***	***	***
Notes: (*)Significant at the 10%; (**)Significant at the 5%; (***) Significant at the 1%. and (no) Not Significant				
*MacKinnon (1996) one-sided p-values.				

Source: E-view Processed 2026

Table 2 Unit Root Test Table (ADF) Post Demutualization

	At Level			
		MCAP	EQTS	DEBT
With Constant	t-Statistic	1.2448	-4.0819	-12.4464
	Prob.	0.9984	0.0013	0.0000
		n0	***	***
With Constant & Trend	t-Statistic	-1.4254	-11.4667	-12.6170
	Prob.	0.8506	0.0000	0.0000
		n0	***	***
Without Constant & Trend	t-Statistic	3.5173	-1.4667	-2.8477
	Prob.	0.9999	0.1329	0.0046
		n0	n0	***
	At First Difference			
		d(MCAP)	d(EQTS)	d(DEBT)
With Constant	t-Statistic	-12.7506	-12.8641	-9.5536
	Prob.	0.0000	0.0000	0.0000
		***	***	***
With Constant & Trend	t-Statistic	-12.9291	-12.8291	-9.5333
	Prob.	0.0000	0.0000	0.0000
		***	***	***
Without Constant & Trend	t-Statistic	-7.4018	-12.8947	-9.5819
	Prob.	0.0000	0.0000	0.0000
		***	***	***
*MacKinnon (1996) one-sided p-values.				

Source: E-view Processed 2026

Table 1 to 2 above highlight the test for stationarity conducted in this study. The result of the stationarity test shows that the variables in the pre & post-demutualization era were stationary at level and first difference. The mixed order of integration warranted the use of Autoregressive Distributed Lag (ARDL). The stationarity remark of the variables shows that there is no unit root in any of the variables.

This implied the rejection of the null hypothesis $H_0: \delta=0$ (i.e., there is a unit root or time series is non stationary). Hence, since all the variables were stationary, nonsense or spurious regression situation did not occur.

➤ ARDL Analysis

Table 3 Short Run Coefficient Effect (Pre-Demutualization)

Variable	Coefficient	Std. Error	t-Statistic	Prob.*
MCAP(-1)	0.996888	0.008107	122.9650	0.0000
EQTS	-0.000105	0.000910	-0.115638	0.9081
DEBT	-2.97E-11	9.84E-11	-0.301417	0.7634

DEBT(-1)	7.46E-10	9.85E-11	7.579025	0.0000
C	0.002063	0.089895	0.022951	0.9817
R-squared	0.995056	Mean dependent var	13.40666	
Adjusted R-squared	0.994863	S.D. dependent var	2.546663	
S.E. of regression	0.182535	Akaike info criterion	-0.521914	
Sum squared resid	5.964086	Schwarz criterion	-0.383685	
Log likelihood	56.79898	Hannan-Quinn criter.	-0.465904	
F-statistic	5146.531	Durbin-Watson stat	1.966066	
Prob(F-statistic)	0.000000			

*Note: p-values and any subsequent tests do not account for model selection.

Source: E-view Processed 2026

Table 3 above shows the short run effect outcome of the selected stock market variables on market capitalization (MCAP) before stock market demutualization in Nigeria. The table revealed that in the short run, equity ownership (EQTS) was negative but did not have significant effect on market capitalization (MCAP). Debt was also negative but insignificant to MCAP.

On the tightness of the model, R^2 statistics showed 0.995056. This implied that more than 99% (99.51%) of the changes in the dependent variable is explained by the selected explanatory variables. Only 0.49% is explained by other variables not captured model.

Table 4 ARDL Bounds Test of Co-Integration (Pre-Demutualization)

Test Statistic	Value	K
F-statistic	5.499423	4
Critical Value Bounds		
Significance	I0 Bound	I1 Bound
10%	2.45	3.52
5%	2.86	4.01
2.5%	3.25	4.49
1%	3.74	5.06

Source: E-view Processed 2026

Table 4 above depicts the F-statistics. The rule is that if the value of the F-statistic exceeds the upper bound then there is a long run relationship. If the value of the F-statistics is below the lower bound at 5% significance level, then there is a short run relationship. In another way, there will be an inclusive relationship where the value of the F-

statistics is neither greater than the upper bound nor less than the lower bound at the 5% significance level. From table 4, the F-statistic is $5.499423 > 4.01$ upper bound. Hence, based on this decision rule, there exist a long run relationship in the variables.

Table 5 ARDL Co-integrating and Long Run Form (Pre-Demutualization)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
D(EQTS)	-0.000105	0.000910	-0.115638	0.9081
D(DEBT)	-0.000000	0.000000	-0.301417	0.7634
CointEq(-1)	-0.003112	0.008107	-0.383891	0.7015
Cointeq = MCAP - (-0.0338*EQTS + 0.0004*DEBT + 0.0000)				
Long Run Coefficients				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
EQTS	-0.033794	0.309350	-0.109243	0.9131
DEBT	0.000000	0.000001	0.385196	0.7005
C	0.662930	27.986285	0.023688	0.9811

Source: E-view Processed 2026

Table 5 above shows the long run coefficient effect of the selected stock market variables on market capitalization (MCAP) before stock market demutualization in Nigeria. The table revealed that in the long run, equity ownership

(EQTS) was still negative and insignificant to market capitalization (MCAP). Debt was positive but insignificant to MCAP.

Table 6 Short Run Coefficient Effect (Post-Demutualization)

Dependent Variable: MCAP				
Method: ARDL				
Variable	Coefficient	Std. Error	t-Statistic	Prob.*
MCAP(-1)	0.891460	0.026294	33.90395	0.0000
MCAP(-2)	0.101885	0.020222	5.038335	0.0000
EQTS	0.001648	0.000911	1.808455	0.0722
EQTS(-1)	-0.001252	0.000911	-1.374686	0.1710
EQTS(-2)	0.002672	0.000910	2.935309	0.0038
DEBT	-2.20E-10	1.87E-10	-1.173325	0.2423
C	-0.144777	0.084056	-1.722380	0.0868
R-squared	0.999697	Mean dependent var	36.23901	
Adjusted R-squared	0.999681	S.D. dependent var	15.01525	
S.E. of regression	0.267997	Akaike info criterion	0.256585	
Sum squared resid	12.64077	Schwarz criterion	0.430012	
Log likelihood	-13.86239	Hannan-Quinn criter.	0.326864	
F-statistic	64506.23	Durbin-Watson stat	1.920672	
Prob(F-statistic)	0.000000			

*Note: p-values and any subsequent tests do not account for model selection

Source: E-view Processed 2026

Table 6 above shows the short run coefficient effect of the selected stock market variables on market capitalization (MCAP) post stock market demutualization in Nigeria. The table revealed that post demutualization equity in the short

run, was positive but not significant on market capitalization (MCAP) while, debt remained negative and insignificant to MCAP.

Table 7 ARDL Bounds Test of Co-integration (Post-Demutualization)

Null Hypothesis: No long-run relationships exist		
Test Statistic	Value	K
F-statistic	3.547842	4
Critical Value Bounds		
Significance	I0 Bound	I1 Bound
10%	2.45	3.52
5%	2.86	4.01
2.5%	3.25	4.49
1%	3.74	5.06

Source: E-view Processed 2026

Table 7 above depicts the ARDL Bounds Test of Co-integration between MCAP and some stock market proxies post demutualization in Nigeria. From the bound test result, the F-statistic value of 3.547842 is in between the lower bound of 2.86 and upper bound of 4.01 at 5% significant level.

Meanwhile, the decision rule is that there will be an inclusive relationship where the value of the F-statistics is neither greater than the upper bound nor less than the lower bound at the 5% significance level. Hence, the long-run relationship between MCAP and the selected stock market proxies post demutualization is inconclusive.

➤ Test of Hypotheses

- Decision Rule: Generally, the decision rule on test of hypothesis is to reject the null hypothesis if the p-value is less than 0.05. On the other hand, if the p-value is greater than 0.05, the null hypothesis is accepted.

➤ Hypothesis One (a) Pre-Demutualization

- H₀₁: Equity stock has no significant impact on market capitalization before demutualization.

• Decision:

The coefficient of equity stock in both the short-run (table 3) and long run (table 5) was negative with the respective p-values greater than 0.05. Since the decision rule on test of hypothesis is to reject the null hypothesis if the p-value is less than 0.05 and accept if otherwise, H₀ was therefore not rejected. The researcher thus submits that: there was no significant impact of stock ownership on market capitalization before demutualization.

➤ Hypothesis One (b) Post-Demutualization

- H₀₁: Equity stock has no significant impact on market capitalization after demutualization

• Decision:

Table 3 revealed that post demutualization equity in the short run, was positive but not significant ($P > 0.05$) on market capitalization (MCAP). The long run relationship was inconclusive as the F-statistics value of ARDL bound of co-integration was neither greater than the upper bound nor less than the lower bound at 5% significance level. Hence, this hypothesis decision was based on the short run effect.

Accordingly, by applying the above decision rule on test of hypothesis, H_0 was again not rejected. The researcher thus submits that: there was no significant impact of stock ownership on market capitalization after demutualization.

➤ Hypothesis Two (a) Pre-Demutualization

- H_{01} : Debt stock has no significant impact on market capitalization before demutualization.

• Decision:

The coefficient of debt stock in the short-run (table 6) was negative but not significant ($p > 0.05$) but in the long run (table 7), it was positive but not significant ($p > 0.05$). Since the decision rule on test of hypothesis is to reject the null hypothesis if the p-value is less than 0.05 and accept if otherwise, H_0 was therefore not rejected. The researcher thus submits that: there was no significant impact of debt stock on market capitalization before demutualization.

➤ Hypothesis Two (b) Post-Demutualization

- H_{01} : Debt stock has no significant impact on market capitalization after demutualization

• Decision:

Table 6 showed that post demutualization Debt stock in the short run, was still negative and not significant ($P > 0.05$) on market capitalization (MCAP). Consistent with the decision rule on test of hypothesis, H_0 was not rejected. The researcher thus submits that: there was no significant impact of debt stock on market capitalization post demutualization.

VI. DISCUSSION OF FINDINGS

Equity ownership had minimal influence on MCAP both before and after demutualization. Pre-demutualization, EQTS had a coefficient of -0.000105 ($t = -0.12$, $p > 0.05$) in the short run and -0.033794 ($t = -0.11$, $p > 0.05$) in the long run, showing no significant effect on either long-term or short-term market capitalization. Post-demutualization, EQTS although positive (0.001648) remains insignificant ($p = 0.0722$). This consistency indicates that changes in equity distribution had little impact on MCAP throughout both periods, suggesting that the market was largely unaffected by ownership concentration. These results agree with existing studies including Wahid, et.al., (2017) but disagreed with Njogo et.al. (2023).

Debt financing was consistently insignificant before and after demutualization. Debt stock pre-demutualization had a negative coefficient of -2.97×10^{-11} and $p > 0.05$ in the short run and positive coefficient of 0.000000 and $p > 0.05$

in the long run respectively. Post-demutualization, DEBT coefficient in the short run remained negative (-2.20×10^{-10}) and statistically insignificant ($p > 0.05$). This indicates that debt instruments, whether pre- or post-demutualization, had little impact on MCAP, suggesting that market performance (ASI) was more central driver of market capitalization than debt and equity.

VII. CONCLUSIONS AND RECOMMENDATIONS

➤ Conclusions

This study focused on demutualization and its impact on stock market performance in Nigeria. It is a comparative evaluation with one hundred and ninety-two (192) weekly observations each specifically covering the periods; March 2017 to February, 2021 for years before demutualization, and March 2021 to February 2025 for years after demutualization respectively. Accordingly, data on performance indicator metrics including market capitalization, total stock ownership and total debt stock were analyzed in both the pre- and post-demutualization periods. By focusing on the selected timeframe and analyzing the financial performance indicators, the study effectively determined if demutualization following its implementation in 2021 has sufficiently impacted the performance of the Nigerian stock market. The theoretical review incorporated in the study is the Transaction Cost Theory.

The research design adopted for the study was Quantitative research design. The outcome of the preliminary stationarity test showed no unit root as the variables were stationery at level and first difference. The mixed order of integration prompted the employment of the autoregressive distributive lag (ARDL) at 5 % significant level. Results arising from the test of the four major hypotheses revealed that:

- Stock ownership did not manifest significant impact on market capitalization before and after demutualization.
- Again, there was no significant impact of debt stock on market capitalization before and after demutualization.

➤ Recommendations

Arising from both the summary of findings and conclusions are the following recommendations:

- NGX should boost equity stake through retained earnings and continuous reinvestments especially at this early stage of demutualization.
- Investment in debt instruments should be encouraged so as to enhance market performance.

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