

Full Length Research Paper

Effects of 2008 global liquidity crisis on the performance of banks' shares traded in Nigeria stock exchange market

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The global financial crisis of 2008 is an event that affected the entire world economic cycle, the consumers, producers, financiers and other parties that constitute the economy. The crisis was as a result of liquidity, currency, fluctuations of banks' share prices and risks in business with banks, which started from major financial institutions of the US and spilt over to the rest of the world. These gave birth to the same situations in Nigeria where investors, bank customers and other citizens were looking at the problems in the financial sector from either political dimensions or from misconceptions about Western economic policies that had dominated Nigeria economic system. The objective of the study was to establish the effects of the global liquidity crisis on performance of banks' shares traded in Nigeria stock exchange market. The study used a predetermined document guide to review to collect secondary data from audited financial statements of all the 18 money deposit banks operating between 2006 and 2010. Data were analyzed using comparison of two sample *t* test means and variance and the hypothesis was tested at a 0.05 level of significance. The results indicated that savings deposits and the bank reserve deposits increased at diminishing rates while cash requests steadily increased during the period under study. This implies that the 2008 global liquidity crisis had significant impact on share prices at NSEM. The study recommends that the Federal Government of Nigeria through its control agencies should mandate all the Money-deposit-banks to keep one quarter of their saving deposits with CBN. This should be different from cash deposit reserves, be strictly applicable to saving accounts redeemable bi-annually and should attract a reasonable interest rate to boost demand. Secondly, the Banks Regulatory Authority should increase reserve deposit for the deposit-taking- banks to make them more liquid to meet the increasing cash demand.

Key words: Global financial crisis, global liquidity crisis, performance of banks shares, and stock exchange market

INTRODUCTION

Background to the study

Historical evidence shows that the financial crisis in the world economy is not a new issue but an event that

recurs after a long period of time. Characteristically, this crisis directly or indirectly affects banks and manufacturing firms financially (Sanusi, 2012). Kwanashie (2008) holds a similar opinion with Sanusi (2012) but