THE IMPACT OF COLLECTIVE INVESTMENT SCHEME ON FINANCIAL MARKET DEVELOPMENT IN NIGERIA

By

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Abstract

In any economy there exists a financial system that regulates the financial environment of that economy. This study thus aims at assessing the impact of Collective Investment Schemes (CIS) to financial market development in Nigeria. The study applied a non-experimental research design using regression analysis (ordinary least square) to address the hypothesis of the study. The study identify two financial market variables like Capital Market Investment and Money Market Investment to measure how CIS, investable fund has impacted on the financial market development. Augmented Dickey Furled (ADF) Unit root test was tested to ascertain the stationarity of the data. Findings from the study showed that CIS were found to have influenced the growth of financial markets positively and equally significantly. It was observed that CIS has significant and positive relationship with CMI. The findings further showed that CIS investment in the area of bonds and equity funds have contributed immensely to the growth of money market (MM) in Nigeria. The study thus recommends that the apex regulators of the financial market like SEC, NSE and CBN should create more awareness for investors in the financial market to mobilize themselves into institutional investors like CIS firms to participate fully in the financial market through investment in Capital Market and Money Market Investments. Collective Investment Schemes are vital vehicle for developing the financial market in both developed and developing economies and as such Nigeria should have to take advantage of it to develop its financial system.

Keywords: Collective investment, Capital Market, Money market, financial market

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Introduction

All over the world the financial system occupies a crucial place in the lives of the people. Its role at raising the living standard of the people cannot be compared. It provides the needed funds for all aspect of human effect and economic wellbeing or empowerment and the platform for efficient allocation of these funds by overcoming the problem of information asymmetry that could exist between these entities that have

funds to invest and those entities that need funds to invest, (Itseuwa&Uwaleke, 2014) Through the financial system of money and capital market most government try to regulate their economic performance, promote economic growth combat inflation and provide employment for the large number of job seekers who enter the job market every year.

The system of money and capital market of the global economy is in deed a huge dynamic system that is constantly changing with new products and services, new institutions and new methods emerging than can be imagined: In any economics there exist a financial system that regulates the financial environment of that economy, determine the types and amount of funds to be used, cost of fund and the use to which these funds are to be put, (Itseuwa&Uwaleke, 2014). The financial system refers to the totally of the regulatory and participating institution, including financial markets and instruments; involve in financial intermediation.

According to (Itseuwa&Uwaleke, 2014) the financial system of any economy consists of three main component, which include, financial markets (which is the focus of this paper) Financial intermediation and financial regulations.
The financial market allow people to easily buy and sell (trade) financial securities (such as stock and bonds) commodities (such as metals agriculture products) at low transaction cost and prices.

A financial market therefore is an outgrowth of the existence of definite and surplus financial units with in the economy, government, business enterprises and private individuals do not always have sufficient funds to meet their obligations such as purchase of consumer's goods and services, investment. Programmes, expansion of business and day to requirement, hence there exist financing gap which must be bridged. While some units have some financial gap to be filled, some other units have surplus funds which they are willing to parts with for a while. The interaction of these gives rise to the development of financial markets a process which is facilitated through the assistance of intermediary institutions.

According to Orbunde (2007), and Itseuwa&Uwaleke, (2014) the promotion of collective investment scheme in the Nigerian Stock markets has increased the number of retail investors. Especially those who do not have the capital to directly invest in the capital market, the Securities and Exchange Commission (SEC) is encouraging more institutional market with retail participation principally through collective investment scheme (CIS).

Collective investment scheme (CISs), particularly the unit trusts, has been in existence for two decades in the Nigerian Capital Market, but their presence has not been much felt. In mature markets such scheme are major vehicles for the populace particularly the small investors to participate in the capital market. Unit trusts scheme are the small investors answer to achieving wide investment diversification.
They are safe haven for less sophisticated and less capitalized conservative individuals in the market (Itseuwa&Uwaleke, 2014).

The major aim and objective of this paper is to assess the impact of collective investment scheme on financial market development in Nigeria specifically. the paper seek to assess the extent to which collective investment schemes has impacted on money market and capital market instruments in the Nigeria financial market.
The hypotheses of this study are stated in the null forms that:
H_{01}: ***Collective investment scheme has no significant impact on MMI in Nigeria.***
H_{02}: ***Collective investment scheme has no significant impact on CMI in Nigeria.***
This study covered the period to 2000 to 2013 and focus on the extent to which CIS total investment fund has impacted on money market instrument and capital market instrument in the Nigerian financial market. The remaining part of this paper discuss literature review which is made up of conceptual, theoretical and empirical frame work, methodology, data presentation, analysis and discussion of findings as well as conclusion and recommendations.

Conceptual Framework
Financial markets are market for trading in financial assets which may be newly issued or are already in existence. Financial asset are assets which are held in liquid or near liquid form and have degree of convertibility into cash example money market instrument like treasury bills, call money, bank draft facilities and loans as well as capital market instruments such as stock and bonds, some financial market institutions have some specific locations for trading e.g. the stock exchange, while others do not have precise location e.g. over the counter (OTC) market, the primary market for corporate and government securities and the open market operation (OMO) of central Bank.

Functions of financial markets
The fundamental functions of financial market is the transfer of funds from individuals or institution with surplus funds (saver – lender) to these who require funds (borrowers Spenders) by

i. Indirect finance, via financial intermediaries – banks, saving institution and investments intermediaries those facilities the transfer of funds from saver-lenders to borrowers – spenders.
ii. Direct Finance, Via financial: The purchase of securities issued by borrows – spenders by savers – lender themselves or by financial intermediaries.
iii. Other economic functions performs by the financial markets include price discovering provision of liquidity for investors by providing a forum for the scale of financial assets when the need arises and reduction of transaction costs.

Generally financial market facilitate, the raising of capital (in capital market); the transfer of risk in the derivation market and international trade (in the currency markets).

Classification of Financial Markets

Financial market is broadly classified into (a) Internal or national markets, (b) An external or international market (c) Classified based on types and maturity of instruments. Specifically financial market can also be classified base on type of instrument which includes stock markets, money markets derivative market, future markets insurance markets and foreign exchange markets.

This paper which seek to study the impact of collective investment scheme (CIS) on financial market, focus on the classification based on types and maturity of instruments which is the money market and capital market instruments.

Money Market: Financial instrument of short term duration are traded in the money market e.g. treasury bills, certificate commercial papers, direct loans and overdraft, call money. The institution operational in this market include:

i. Central Bank: Supervise and regulate the money market and provides the mechanism for operation of the market
ii. Commercial Bank: or money depository Banks; and
iii. Investment Banks

Capital Market: are financial instrument of long term durations are traded in the capital market e.g. stocks and bonds.

The institutions and operators of this market include:

i. The securities and exchange commission (SEC) the a pex regulator of the capital market)
ii. Stock exchange (self regulatoryorganisation) securities depository.
iii. Stock broking firms.
iv. Issuing houses
v. Registrar, Trustee, Accountants and solicitors (which facilitate the flow of funds in the capital market.

Collective Investment Schemes (CIS)

A collective investment is a way of investing in a pool of fund alongside other investors in order to share from the gain of being part of an investor group (Itseuwa&Uwaleke 2014). The securities and exchange board of India described collective investment scheme (CIS) as any scheme of arrangement made or offered by any company under which the contributions or payments made by the investor are pooled and utilized with a view to receive profit, income or property and is managed on behalf of the investors. The investments and securities Act No 29 of 2007. Which regulates the Nigerian Capital Market defines collective investment scheme as any arrangement in which participants pool their resources for the purpose of sharing the profits or income arising from the management of their money or property solely from the effort of a third party. Section 153 of the ISA cap 29 of 2007 says that a collective investment in pursuance of which members of the public are invited or permitted to invest money or other assets in a portfolio and in term of which: Two or more investment contribute money or other assets to and hold participatory interest in a portfolio of the scheme through shares, Units or any other form of participation interest.

The investors share the risk and benefits of investment in proportion to their participation interest in a portfolio of the scheme or any other basis determined in the deed but not a collective investment scheme authorized by any other Act.

Collective investment scheme therefore, Involves collecting money from different investors and then combining all the money collected to fund an investment on behalf of the investors. Such money are invested in stocks, bonds, money market instruments or other securities according to the investment objectives that have been identified for the scheme (Ako 1999) and Onogwu (2003). Depending on the Jurisdiction collective investment scheme are referred to as mutual funds, investment funds, managed funds or simply funds: By pooling resources through collective investment schemes investors gain advantage of professional investment management, diversification of the portfolio to reduce risk, volume discounts on large brokerage commission and liquidity. Collective investment scheme provides almost absolute control of the investment to the company pooling and investing the money.

History of Collective Investments schemes

Collective investment schemes were originally classified as "Unit Trust". The First Unit Trusts were established in the 1860's in London to raise funds for the British colonial government "Foreign colonial and government Trust". It became popular in the 1030's. it was launched in the US in the 1920's South Africa in 1950's and grew substantially In the mid 1990's In Nigeria the emergence of collective investment was part of the

deregulation and liberalization of the financial system in the late 1980's Since 1990's a number of scheme had been registered

Types of collective Investment Scheme

According to Itseuwa & Uwaleke (2014) there exist several types of collective investment schemes designed to suit investors with different investment appetites. The investment and securities Act (ISA) No: 29 of 2007 as amended section 154c) identities the following as collective investment scheme otherwise known as managed fund to include:

i. Unit Trust Scheme (Including specialized funds Equities and bond fund, ethical fund, money market fund etc)
ii. Open ended investment Company
iii. Real Estate Investment Company or trust

Osaze (1991) call them institutional investors and he categorized them as investment trust, unit trust, mutual funds, pension funds and insurance companies. Ako (1999) summarized CIS's to include unit trust or mutual fund, investment trust scheme and community saving scheme (such as EsusuAdasheAjo, Ban etc. Itseuwa&Uwaleke (2014) also agree with the above types of collective investment scheme but added venture capital on the list and also identify unit trust scheme to be either open- ended or close – ended trust scheme.

Whatever name collective investment scheme is call by different Jurisdiction, whether investment trust, mutual sound or unit trust as popularly call in Nigeria the purpose for which is to create a fund into which sums of money from individual investors and corporate entities are collected to form a "pool" for the purpose of investment in a portfolio of securities such as shares, bonds and money market instrument in the interest of the unit holders. The fund is managed by professional fund managers at low cost while the fund holder enjoy the benefit of diversifications

Theoretical and Empirical Frame Work

Our financial institution including mutual funds and CIS have continue to function in the old theory or view of financial intermediation that view collective investment scheme (CIS's) and financial intermediaries as passive portfolio managers as choosing their portfolio on the basis of returns and risks that face the financial market (Kalgo 2011).

A study of the impact of collective investment scheme on financial markets development can never be done without identifying some based line theories that govern the subject matter relating to financial system.

This paper is based on both the traditional theories of financial management like portfolio theory of Risk and returns, capital market efficiency theories and agency theory.

Portfolio theory: A portfolio is a bundle or a combination of individual assets or securities, Modern Portfolio Theory (MPT) is a sophisticated investment approach first developed by professor Harry Markwitz of the University of Chicago in 1952.
It is a theory of investment which attempts to maximize portfolio expected return for a given amount of portfolio risk, or equivalent minimize risk for a given level of expected return, by carefully choosing the proportion of various assets. It is based on the assumptions that investors hold well diversified portfolio instead of investing their entire wealth in a single or a few assets (Ihemeje, 2011) Institutional investors in the financial market behave the same as any other investors in the capital market, and have to create a portfolio mix that will give high returns with low risks other related portfolio theories put forward by Harry Maskowitz that determined investors portfolio creation include portfolio return and risk, efficient optimal portfolio Capital Assets Pricing Model (CAPM), security market line. Capital market line and assets pricing.

Agency theory: Agency relationship exists in the financial market because is a market that investors do not go direct to buy and sell securities traded in the market. Investors have to entrust their funds to the market operators who are professional to buy and sell stocks and bonds on their behalf.
Igbokwe (2011) is of the view that "an agency relationship arises when ever one or more individual called principals, hire one or more other individual, called agents, to perform some service and them delegate decision – making authority to the agents. The primary agencies relationship in business (financial market) are those between shareholders and managers (market intermediaries) and shareholder and creators (Bamberg and Spreman 1987).
Agency theory suggest that in an imperfect financial and capital markets managers will seeks to maximize their own utility at the expenses of corporate shareholders (Fama and Jemseil 1983)

The concept of market efficiency: According to Uwaleke andAza (2011) efficiency in the context of market is commonly assumed to refer to the incorporation of the expectations and information of all market participant into the prices of financial assets. If markets are sufficiently competitive, and therefore efficient, the investors cannot earn abnormal projects from their investment strategies.

The concept of market efficiency had been anticipated at the beginning of the 20th century in the dissertation submitted by Bachelor in 1900 (Uwaleke &Aza 2011). According Fama (1995), an efficient market is a market where there are large number of rational profit maximize actively competing with each trying to predict future market values of individual securities, and where important current information is almost, freely available to all participants,

The Efficient Market Hypothesis (EMH)

The efficient market hypothesis (EMH) is an investment theory that state that it is impossible to outperform these because stock market efficiently causes existing share prices to always in corporate and reflect all relevant information (Uwaleke 2011).

According to the EMH, this means that stock always trade at their fair value on stocks exchange, and thus it is impossible for investors to either purchase undervalued stock or sell stocks for inflated prices. Thus the Cruk of the EMH is that it should be impossible to outperform the overall market through expert stock selection or market timing (Pareto 2004).

The efficient market hypothesis makes the following assumption (Russel and Torbey, 2002).

i. Many knowledge investors are actively analyzing valuing and trading and particular security. No one these individual traders alone can affect the price of any security
ii. Information is widely available to all investor at approximately the same time, and this information is practically free.
iii. Information on events such as labour strikes, industrial accidents and changes in product demand tend to occur randomly
iv. Investors react quickly and accurately to new information, causing prices to adjust quickly and on average accurately.

Fama (1970), made a distinction between three forms of EMH (a) the weak fund which suggest that past prices on the returns reflect future prices on returns (b) The Semi – strong form of EMH asserts that security prices reflect all publicly available information and (c) the strong form which holds that there is no information, public or private, that allows investors to consistently earn abnormal profit. It is also state that stock price immediately adjust to any information even if it is not available to every investors.

This study is based on the portfolio theory hence collective Investment scheme invest their funds in different instruments. In the Financial Market, the instrument may compose of both capital market instrument like equities and bonds and money market instrument like treasury bills commercial papers etc. This is to form a portfolio that can be managed by an appointed professional funds Mangers to managed fund for wealth maximization of the investors or contributors of the fund.

Empirical Review

According to Kalgo (2011) our financial institutions (Including Bank) have continued to functions on the old theory or view of Financial Intermediation that views banks and financial managers, intermediaries as passive portfolio choosing their portfolio on the basis of returns and risk that face the financial market.

Generally, a well-functioning financial system contributes to investment and economic growth (Bergertetal, 2004).

Kalgo (2011) use descriptive survey design to define the position of the Nigerian banking industry within the Nigeria Financial System. The study finds that inspite of all the difficulties and challenge in the banking sector it is the highest contributor to market capitalization in the Nigerian Stock Exchange.

Amoo*et al* (2011) study reviews theoretical and empirical work on the relationship between financial development and economic growth. A growing body of empirical analysis demonstrates a strong positive link between the functioning of the financial system and long - run economic growth. The paper used multiple regression analysis and established that, the development of financial system in the country between 1970 - 2007 had positive and direct impact on the growth which the nation had experience.

Orbinde (2007) employed the descriptive research design using cross sectional secondary data of twenty one (21) collective investment scheme registered with Securities and Exchange Commission as at 31st December, 2005 to assess the contribution of collective investment scheme to capital market development in Nigeria. The study also uses primary data and administered 238 questionnaires to capital market operators, regulators and investors to test the awareness of the scheme in the Nigeria capital market. The study use Chi-square and correlation analysis as well as personal observation and interview and founds a positive relationship between total investable schemes and capital market development in the financial market: How ever the Chi-square results show that there is low awareness of the investors on the potential about the schemes in the capital market and required increased awareness.

On the global Leora et al (2004) revealed in their study in the development of mutual funds around the world that only with few exceptions mainly in Asia, that mutual funds also called in Nigeria as collective investment scheme (CISs) grew explosively in most countries around the world during the 1990s. Equity funds predominate in Anglo American Countries and bond funds are most of the continental European and in middle - income countries. They study also revealed that, capital market development (reflecting investors' confidence in market integrity and liquidity and efficiency) and

financial system orientation are found to be the main determinants of mutual funds (CISs) development. Restrictions on competing products may have acted as a catalyst for the development of money market and short term bond funds (Ajay et al ,2005).

Ajay et al (2009) also revealed in their study on portfolio manager ownership and fund performance that mutual fund investment in equities and bond has developed the capital market and financial system in different countries of the world. He further noted that capital market investments had allow ordinary people to invest in shares that would normally be out of their financial reach if their money had not been pooled with that of other investors in the fund. The multiplier effect of such investments had enhanced the growth of the entire Nigeria financial markets.

Methodological Framework

This section focuses on the procedural steps and methods used in this study. The section basically focuses on all the procedures adopted for data collection and analysis of the study. It also explains the instruments used. However, the basic objective of the methodology employed in this study is to answer the research questions stated and hypotheses postulated.

Data Measurement and Sources

This study employed annual secondary data (see table 4.0) covering 2000 to 2013. The data was collected from Central Bank of Nigeria (CBN), NSE bulletin, National Bureau of Statistics (NBS), and from other literatures.

Procedure for Data Analysis and Model Specification

Quantitative analysis was used for the purpose of this study, because quantitative analysis results provide support for anticipated directions of the association between independent and dependent variables therefore, the study used regression analysis (OLS) to address the hypothesis of this study since the study is addressing relationship between the various variables. This was achieved by the use of MicrosoftExcel and E-views

Model specification

Taking inference from the empirical findings and theories, to examine the relationship between Collective Investment Scheme and financial market development in Nigeria, this study adopted the model framework proposed by Akpa (2011). The model is expressed as:

$$MMI = f(CIS) \text{----------} 1$$

$$CMI = f(CIS) \text{----------} 2$$

Thus, linearizing equation (1) and (2), we obtain:

$MMI = \beta_0 + \beta_1 CIS + \mu_t$ ----------3

$CMI = \beta_0 + \beta_2 CIS + \mu_t$ ----------4

Where;

β_0, is intercept,

β_1, β_2 = are the slope of the coefficients of the independent variables to be determined

CIS=collective investment scheme

MMI=Money market investment

CMI=Capital market investment

μ = is the error term at time t.

Empirical Results and Discussion of Research Finding

Normality Statistics (Descriptive Statistics)

The normality statistics for the variables: CIS, CMI and MMI are as shown in Table 4.1.1 below. The meanfor :CIS, CMI and MMIare all different, thus indicating that the variables exhibit significant variation in terms of magnitude, suggesting that estimation of the variables in levels will not introduce some bias in the results.

Table 4.1.1 Summary of Normality Statistics

	CIS	CMI	MMI
Mean	4.115455	5.673636	5.893636
Median	4.670000	4.330000	4.330000
Maximum	4.000000	4.000000	5.000000
Minimum	4.000000	3.330000	3.330000
Std. Dev.	0.431656	0.505851	0.460071
Skewness	-0.044120	-0.524245	-0.891663
Kurtosis	1.383027	2.601193	3.377642
Jarque-Bera	1.201928	0.576757	1.522981
Probability	0.07283	0.044478	0.012970
Sum	56.34000	54.00000	45.00000
Sum Sq. Dev.	2.863273	1.558855	2.116655
Observations	14	14	14

The Jarque-Bera statistic for all the variables is significant; hence we reject the null hypothesis and conclude that the series are normally distributed (or have a normal distribution)

Unit Root Test

As is the case with similar studies, the Augmented Dickey-Fuller (ADF) test was used to ascertain whether the three variables of the study exhibit unit root property.

This is to find out if the relationship between variables is spurious or nonsensical.

Table 4.1: Summary of Unit Root Test Results

Variables	ADF Test Statistic(at first difference)	Order of Integration
CIS	-5.838582(-4.374307)*	*I(1)*
CMI	-7.096853(-3.959026)**	*I(1)*
MMI	-5.014429(-3.612199)**	*I(1)*

Source: Authors Computation, 2015 (Eview-7).

From the table 4.1.2 above, it was discovered that all the variables used in the analysis were found stationary at first difference. CMI and MMI were found stationary at 5% level; while CIS was found stationary at 1% level. These firstdifference variables (stationary variables) shall be used for further analysis in computing and analyzing of our results.

Cointegration Test using Johansen-Juselius Technique

The cointegration tests are undertaken based on the Johansen and Juselius (1990) maximum likelihood framework. The essence is to establish whether longrun relationships exist among the variables of interest. Before conducting the cointegration test, the appropriate optimal lag-length that would give standard normal error terms that do not suffer from non-normality, autocorrelation and heteroskedasticity was determined. Twelve (12) lags (since the study uses annual data and there are large numbers of observations) were allowed at the beginning. The Schwarz information criterion (SIC) was favoured in line with the literature because it takes into consideration the parsimoniousness of the model and has a more stringent theoretical backing (Mordi, 2008). At the end, a lag order of one was chosen after testing the residuals for normality and autocorrelation and is found to be satisfactory.

The result show that there exists at least two cointegrating relations in the model as both the trace ($\lambda - trace$) and maximum eigen ($\lambda - \max$) statistics reject the null of $r \leq 0$ against the alternative of $r \geq 1$ at the 5 per cent level of significance. This is indicative of at least two cointegrating vectors in the model which drives the relationship toward equilibrium in the long-run (see the Table 4.1.3 below).

Table 4.1.3: Unrestricted Cointegration Rank Test Results

Null Hypothesis	Trace Statistic	Critical value at 5per cent	Null Hypothesis	Maximum -Eigen statistic	Critical value at 5per cent
$r < 0$*	77.59687	47.85613	$r < 0$*	42.66297	27.58434
$r \leq 1$*	34.93390	29.79707	$r \leq 1$	19.60718	21.13162
$r \leq 2$	11.02129	15.49471	$r \leq 2$	12.80960	14.26460
$r \leq 3$	0.108112	3.841466	$r \leq 3$	2.517116	3.841466

Note: r represents number of cointegrating vectors. Trace test indicates 2cointegrating equation at the 0.05 level while max-eigenvalue test indicates 1cointegrating equation. *Denotes rejection of the hypothesis at the 0.05 level.

Test of Hypothesis and Discussion of Findings

The two hypotheses formulated in this study were tested using student t-statistics. The level of significance for the study is 5%, for a two tailed test. The decision rule is that we shall accept the null hypothesis if the critical/t-value (±1.96) is greater than the calculated value, otherwise reject the null hypothesis.That is, using the student *t*-test (*t*-statistic), we say that a variable is statistically significant if t^* (*t*-calculated) is greater than the tabulated value of ±1.96 under 95% (or 5%) confidence levels and it is statistically insignificant if the t^* is less than the tabulated value of ±1.96 under 95 %(or 5%) confidence levels. Thus;

H_0: $\beta_0 = 0$ (Null hypothesis)

H_1: $\beta_1 \neq 0$ (Alternative hypothesis)

H_{01}: Collective investment scheme has no significant impact on MMI in Nigeria.

Table 4.2.1: Regression result on MMI and CIS

Dependent Variable: MMI
Method: Least Squares
Date: 03/05/15 Time: 16:36
Sample: 2000 2013
Included observations: 14

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.21E+10	1.63E+10	0.740067	0.4748
CIS	2.352113	0.705293	3.334944	0.0067

R-squared	0.699893	Mean dependent var	6.28E+10
Adjusted R-squared	0.645328	S.D. dependent var	5.34E+10
S.E. of regression	3.18E+10	Akaike info criterion	51.38923
Sum squared resid	1.11E+22	Schwarz criterion	51.52617
Log likelihood	-356.7246	Hannan-Quinn criter.	51.37656
F-statistic	12.82678	Durbin-Watson stat	2.226128
Prob(F-statistic)	0.001334		

$MMI = 1.21 + 2.35CIS$ ----------5

SEE =(1.63 (0.70)

t^* = 0.74 3.33

F^* = 12.82

Prob(F-statistic) =0.001334; $R^2 = 0.69; \overline{R^2} = 0.64; D.W = 2.22$

The calculated t-value for CIS was found to be 3.33(MMI model) and also by rule of thumb, the tabulated value is ±1.96 under 95% confidence interval levels. The calculated CIS value was found to be greater than the tabulated value (that is; 3.33< 1.96), we thus, reject the firstnull hypothesis ($H0_1$). ***In conclusion, Collective investment scheme has a significant impact on MMI in Nigeria.***

The F-statistic examines the overall significance and impact of a regression model including all the parameter (K) variables. Therefore, by examining the overall fit and significance of the model, it could be observed that the model have better fit, as indicated by a higher value of the *F*-statistic, (F*) 12.82> ($F_{0.05}$) 5.47(tabulated value) and it is significant at the 5.0 per cent level. That is, the probability F-statistic value of 0.0013 is less than 0.05. We also reject the null hypothesis and conclude that collective investment scheme has a significant impact on financial market development in Nigeria.

The R^2 (R-square) value of 0.699 further showed that the model has a good fit and strong impact. It indicates that about 69.9 per cent of the variation in CIS is explained by CMI and MMI, while the remaining 30.1 percent is captured by the error term. The test for goodness of fit thus shows that collective investment scheme has a strong impact on financial market development.

The model also indicates that there is no autocorrelation among the variables as indicated by Durbin Watson (DW) statistic of 2.22. This shows that the estimates are unbiased and can be relied upon for policy decisions.

From table 4.2.2, the calculated t-value for CISis 2.24(CMI model) and the tabulated value is given as ±1.96, under 95% confidence levels. Since the calculated t-value is greater than the tabulated value (2.24 < 1.96), we therefore, reject the null hypothesis ($H0_2$). ***We conclude that Collective investment scheme had a significant impact on CMI in Nigeria.***

Also, by examining the overall fit and significance of the CMImodel, it can be observed that the model have a good fit also, as indicated by the relatively high value of the *F*-statistic, 5.05 and it is significant at the 5.0 per cent level. That is, the F-statistic value of 0.013 is less than 0.05 probability levels.

More so, the R^2 (R-square) value of 0.556 shows that the model have a good fit too. It indicates that about 55.6 per cent of the variation in CMI is explained by CIS, while the remaining 44.4percent is captured by the error term.

H_{02}: *Collective investment scheme has no significant impact on CMI in Nigeria.*

Table 4.2.2: Regression result on CIS and CMI

Dependent Variable: CMI
Method: Least Squares
Date: 03/17/15 Time: 17:10
Sample: 399
Included observations: 399

Variable	Coefficient	Std. Error	t-Statistic	Prob.
B0	3.977549	1.595040	2.493698	0.0342
CIS	0.554075	0.354115	2.243072	0.0134

R-squared	0.556522	Mean dependent var	4.363636
Adjusted R-squared	0.503864	S.D. dependent var	0.460071
S.E. of regression	0.483374	Akaike info criterion	1.546912
Sum squared resid	2.102850	Schwarz criterion	1.619256
Log likelihood	-6.508014	Hannan-Quinn criter.	1.501308
F-statistic	5.059084	Durbin-Watson stat	2.258277
Prob(F-statistic)	0.013399		

$CMI = 3.97 + 0.554CIS$ ----------6

SEE =1.59 0.35

t^*= 2.49 2.24

F^*= 5.05; Prob(F-statistic)=0.013

$R^2 = 0.55; Adj.R^2 = 0.50$
$DW = 2.25$

Durbin Watson (DW) statistics which is also used to test for the presence of autocorrelation indicates that there is no autocorrelation among the variables as captured by (DW) statistic of 2.25. This shows that the estimates are unbiased and can be relied upon for policy decisions.

Durbin Watson (DW) statistics which is also used to test for the presence of serial correlation indicates that there is no autocorrelation among the variables as captured by (DW) statistic of 2.27, and as thus the estimates are unbiased and can be relied upon for sound policy decisions.

Discussion of Research Findings

From table 4.2.1, the CIS were found to have influenced the growth financial markets positively and equally significantly. Most investors who have huge liquid assets find it attractive to invest in the MM, which in turn increases the financial markets growth. This is in agreement with the findings of Kalgo (2011) who observed that CIS has been made available for investors in form of margin loans, shares and securities, thus giving investors wide range of investment opportunities for increased financial market growth. Equation 5 thus shows that, a unit increase in CIS, holding other factors constant, on the average, increases MMI by 2.35million

Moreso, from table 4.2.2, it was observed that CIS has significant and positive relationship with CMI. The findings showed that CIS in the area of bonds, equity and funds have contributed immensely to the growth of money market in Nigeria. This is in line with Ajayi(2009) findings that CMI had allow ordinary people to invest in shares that would normally be out of their financial reach if their money had not been pooled with that of other investors in the fund. The multiplier effect of such investments had enhanced the growth of the entire Nigeria financial markets. Ujunwa and Salami (2010) observed that an increase in per capital income of Nigerian citizens (investors) could assist investors invest in long-term financial assets, in many ways through the capital market mechanism. Thus, it has brought together buyers and sellers of securities and ensured the marketability of investments hence enhancing liquidity and growth of the entire financial market. This consistent with findings of Ajay et al 2009 which fund investment in equities and bonds has developed capital market and financial in different country of the world they also noised that capital market investment had allow ordinary people to invest in shares that would normally be out of their financial reach if their money had not been pooled with that of other investors in the fund. Equation 6 thus shows that a unit change in CIS, on the average, increases financial market growth (measured by CMI) by 0.554million.

Conclusion

Based on the finding of the two hypothesis of our study which both show a positive and significant influence on the growth of financial market development in Nigeria the study conclude that, collective investment scheme has impacted positively to the growth and development of financial market through investment in money market and capital market investment.

Recommendations

From our finding and conclusion which reveals that CIS has significant impact on money market and capital market instrument which are viable investment sectors in

our financial market in Nigeria, the study recommends that, the regulators of financial market such as SEC, CBN and NSE should create more awareness of the existence of CISs to the potential investors in the financial market in Nigeria.

Collective investment schemes such as unit trust scheme, equity fund, bond fund and among others has been a vital vehicle for the development of the capital market and money market in advanced and developed economic of the world like US Stock Market, European Stock Market and Asian Stock Market. Nigeria being an emerging and developing economy need to create more awareness and encourage the Nigerian potential investors in financial market to patronize the capital market and money market through institutional investors like CIS otherwise known as managed fund.

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Appendix 1

COLLECTIVE INVESTIMENT SCHEME (MANAGED FUNDS) STATISTIC DATA ANALYSIS

No. Reg of CISs	Year	Total Value of Investment N' billion	Capital Market Investment Equities/Bonds N'billion	Money Market Investment N'billion

14	2000	6,109,500,000.00	3,569,900,000.00	2,540,600,000.00
16	2001	6,068,950,604.80	3,716,201,556.00	2,352,599,048.00
18	2002	20,527,900,000.00	18,167,400,000.00	2,618,900,000.00
19	2003	24,866,400,000.00	22,247,500,000.00	2,360,500,000.00
21	2004	19,026,067,307.02	13,550,273,073.69	2,611,261,762.00
22	2005	22,786,021,786.00	18,282,424,320.00	2,268,184,500.00
23	2006	36,809,249,315.00	30,695,613,235.00	6,113,636,080.00
24	2007	63,940,538,140.00	56,439,789,480.00	7,097,399,730.00
40	2008	87,807,665,575.00	67,035,884,471.00	14,388,235,168.00
41	2009	175,649,478,976.00	26,428,228,008.00	22,453,344,760.00
44	2010	88,810,268,269.00	36,539,443,579.00	19,307,357,395.00
45	2011	84,105,495,753.00	40,470,060,598.00	27,923,541,544.00
46	2012	90,300,065,867.00	42,858,542,805.00	31,124,034,628.00
49	2013	151,738,516,924.00	57,001,355,542.00	55,661,851,179.00

Source: Sec quaternary Magazine (various Editions)
NSE Fact Book, CBN Statistical Bulletin, SEC CIS Department