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Towards developing a vibrant bonds market in Nigeria

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TOWARDS DEVELOPING A VIBRANT BONDS MARKET IN NIGERIA

BY

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ABSTRACT

Sustained long-term economic growth development requires investment which, in turn, is dependent on long-term finance. However, the bulk of finance available in Nigeria has been short-term bank finance. Finance from the capital market, though rising, has been low. The paper reviews the performance of a segment of the capital market, the bonds market, in order to understand its poor performance and put forward suggestions for its revitalization. Macroeconomic as well as structural factors have been responsible for the poor performance. The major suggestions for revitalizing the market are improvement in macroeconomic environment, structural and institutional reforms, including providing rediscounting facilities, enhancing government patronage, rating of bonds and improving surveillance of market operators.

INTRODUCTION

It has long been recognized in the literature that long-term economic growth requires investment. Usually this takes the form of, but not limited to investments in plant and machinery, the building of an engineering infrastructure, and the development of skills for doing things. Such investments in turn require long-term finance. However, the bulk of finance available in Nigeria has been short-term bank finance. It is for this reason that there has been call for the development of the capital market in Nigeria. Usually, long-term finance obtainable from the capital market takes the

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form of equity which represents ownership interest in a business and debt, that is, bonds in the form of long-term loans, which may be both private or government securities. Specifically, a bond is a contract that promises to pay fixed schedules of interest in the future in exchange for cash now.

Our focus in this paper is the development of a vibrant bonds market. A review of the financial market in Nigeria indicates that the bonds market has been in existence since the 1960s but the fortune of the market has declined over time. The objectives of the paper are two fold. First, to understand the major reasons for the poor performance of the bonds market and secondly to put forward proposals that will enhance its performance in the next decade. To this end, the rest of the paper is organized as follows. In section II a review of the theoretical literature is undertaken. Section III examines the structure of the bonds market and discusses its problems. In section IV, the role of the various stakeholders in the market are examined and appraised. The major changes that need to be undertaken in order to revive the market and to make it more vibrant are considered in section V. The paper is summarized and policy suggestions proffered in section VI.

II. REVIEW OF RELEVANT LITERATURE

There are several studies that have considered the economic case for issuing bonds. The conventional macroeconomic argument for issuing some bonds is that bond finance is less expansionary than money finance and that the expansion is sometimes undesirable (Romer, 1993.) On the other hand, the optimal tax case for bonds rests on the possibility that the issuing of bonds induces individuals to shift consumption toward the future, to purchase less capital or to supply more labour. The first two of these correspond to reduction in aggregate demand and the third to an increase in aggregate supply. In other words, the potential optimal tax advantage of bonds arises from the contractionary effect on aggregate demand.

At the micro-economic level, bonds are issued for different reasons. Corporate borrowers use debt markets to obtain working capital and new equipment. Freear (1976) argues that an important reason several firms opt for debt financing is because the owners do not want ownership dilution. Usually, bondholders have no direct control on the business except for various types of indenture provisions in the bond that may constrain the decision making of shareholders. In other words, the owners are more willing to bear the additional cost in terms of interest payable on the loan stock. This position is helped by tax incentives which make such interest payments tax deductible. On the other hand, Governments including federal, state and local governments use debt markets to acquire funds to finance various public expenditures including infrastructure. The bonds may be in the form of a public issue or through private placement.

It is argued that corporate bond markets with their long-term institutional investors help unleash major forces of savings that can be channeled into important investments in local economic development. A bond market allows a more efficient allocation of savings in that it matches borrowers and savers directly.

There are several factors that affect the success of any bond issue. Among the prominent factors are the project, which the bond is intended to finance, the price or valuation of the bond, the liquidity and yield of the bond. Others are macroeconomic conditions, financing alternatives, and market infrastructure components such as trading systems, and credit rating agencies.

Most bonds issued in Nigeria are project-tied bonds. It is usually expected that the project would have been evaluated and considered viable in the sense that it will be able to service the loans raised to execute it. The yield on the bond is expected to be competitive. The problem is that in recent times there has been an inverse yield curve such that short-term interest rates have been higher than the yield on long-dated stocks. As Mishkin (2000) argues very high and variable inflation rates in developing countries has ensured that debt contracts are of very short duration. The more worrisome aspect of the matter is that there is a dearth of information on the yield of the various bonds in the market. The absence of adequate information affects the ability of the investors to assess the viability of the instruments. More recently, with the rise in interest rates, the cost of raising funds in the capital market is becoming competitive. According to Ndanusa (2002) the total cost of floatation as percentage of gross proceeds for industrial companies ranged from 1.85 per cent to 13.52 per cent in 2000.

Another factor that has affected the supply of bonds is the high cost of raising funds by this method. Firth (1976) listed some of the costs in the case of debenture to include: underwriting fees, stock exchange fees, and printing expenses. He stated that such costs are more expensive than those relating to short-term finance, although short-term finance will probably have to be raised more often. It is also argued that the risk involved with raising long-term finance is that it might only be employed for a short period of time. Another relevant factor in the development of a bonds market is political instability that creates uncertainty in the minds of investors which affects their holdings of both private and government securities. This is particularly important when the participation of international institutional investors is involved.

III. THE STRUCTURE OF THE BOND MARKET IN NIGERIA

The bond market in Nigeria as elsewhere can be classified in various ways. Firstly, the bond market consists of government and corporate securities. In this regard, government securities consist of Federal

Government Development Stock, the Treasury Certificates (TCs), Treasury Bonds (TBs) and the development bonds issued by state and local governments. On the other hand, corporate securities are mainly in the form of debentures or loan stocks.

Another classificatory scheme uses time dimension such that the instruments are categorized into medium and long-term bonds. In this sense, the bond market is defined as an organized market for standardized marketable loans with medium to long-term maturities. The maturity can range from a minimum of 5 years and up to 25 years.

Since 1977, when the then Bendel State Government issued the first loan stock/revenue bond, several other states have accessed the capital market for funds. The bonds have generally been issued for the development of infrastructure such as housing, water, land reclamation and the construction of markets and shopping centers. The exception has been bonds floated by the Kaduna State Government for the setting up of a Ginger factory in 1987 and the Kachia Food Company Limited in 1993. The value of the bonds have ranged between N15.0 million raised by the Ogun State Government in 1983 to N3.5 billion raised by the Delta State Government in 2000. The Securities and Exchange Commission recently approved the request of the Lagos State Government to raise the sum of N25.0 billion from the capital market.

Treasury bonds were introduced in 1989 in an attempt to minimize debt service payments that would arise from the policy of interest rate deregulation adopted under the Structural Adjustment Program. Indeed, when the auction system for the floatation of TBs and TCs was to be introduced in November 1989, the Federal Government requested that part of the outstanding short-term securities be converted to fixed interest bonds. Consequently, N20.0 billion TBs were converted to bonds styled as 5% Fed. Rep. Of Nigeria Treasury Bonds 2004-15. The bonds, which carry a fixed interest rate of 5% are wholly held by the CBN. A sinking fund was established for the redemption of the bonds. As a result of the large quantity of domestic debt outstanding and the ensuing debt service costs, Treasury bond option became attractive to the government. Consequently, fresh issues were made over the years. As at December 31, 2001, total outstanding treasury bonds amounted to N430.1 billion of various tranches with interest rates of 5% and 10% and maturities between 5 and 25 years.

The other segment of the bond market is corporate bonds issued by the private sector. The essential features of a corporate bond can be stated as follows. The corporate issuer promises to pay a specified percentage of par values (interest) on designated dates usually twice a year and to repay the principal value of the bond at maturity. As much as possible companies try to meet their obligations as and when due because not to pay either the principal or interest when due constitutes legal default and court proceedings can be instituted to enforce the contract. Most corporate bonds are term bonds in the sense that they run for a term of years, and then become due and payable. The term may be long or medium. For instance, obligations due in less than 10 years are regarded as medium term. However, most corporate borrowings take the form of bonds due in 20 or 30 years. Usually, bond prices vary with market interest rates and the issuer must be sufficiently credit worthy and sometimes need a credit rating. In the 1970s to the 1990s many firms borrowed through this medium. For instance, Guinness Nigeria PLC sourced the sum of N15 million from this market at the rate of 9.0 per cent in 1976. Similarly, Nichemtex raised the sum of N7.7 million in 1985 at the rate of $8^1/_2$ per cent.

III.1 REASONS FOR THE DECLINE IN BONDS MARKET

There are several reasons for the decline in the performance of the bonds market in the period under review. These include among others, the general economic decline of the 1980s, the low yield of the instruments, the high default rate as well as the rising rate of inflation. These reasons are elaborated upon below:

(a) **General decline in the economy.**

The Nigerian economy from the early 1980s witnessed a steady decline, which was traceable mainly to the weakening of the international oil market. Whereas the price of crude oil rose rapidly and peaked at $42.0 per barrel in 1980, it began a steady decline to $10 dollar by 1996. With the fall in the price of oil, government revenue as well as expenditure plummeted thereby reducing the growth in gross domestic product. This was because the economy had become largely dependent on government patronage.

(b) **Low yield of the Instruments**

Available statistics showed that the yield on bonds during the period under review were generally below the prevailing interest rates in the money market and were negative in real terms. This served as a disincentive to investing in bonds. About this time, investors had developed a short horizon for their funds such that long-term gestation was no longer attractive. The Nigerian Capital Market Study conducted by Investment Trust and Banking Company Ltd (IBTC) in 1992 observed that the size of the market for long-term debt has been severely and negatively impacted by the interest rate structure. Among the consequences of the prolonged crossing of the yield curve has been an increasing dearth of long-term funds.
It is for this reason that debentures have ceased to be a popular means of raising funds in Nigeria, as the public response to subscription in them has been unsatisfactory.

It will be recalled that in 1989 the Federal Government of Nigeria introduced the Treasury Bonds with the objective of minimizing debt service payments instead of the traditional reason of providing finance to meet budgetary gaps. The bond was held entirely by the Central Bank of Nigeria and is not marketable.

(c) **<u>The rising level of inflation</u>**

A key determinant of the investment in bonds is real interest rate. However, during the period under review, inflation rate in the economy rose steadily thereby lowering the value of the bonds. The high inflation rate encouraged current rather than future consumption. From the supply side, high inflation rate translates into heavy interest burdens, which in turn negatively affects the operating budgets of the borrowers especially in cases, in which they are not able to increase their prices by the same proportion.

(d) **<u>High default rates</u>**

Some of the private companies that issued debenture stock and state and local governments that issued bonds were not able to meet their debt service obligations especially as the economy experienced a downturn in its activities. Usually, the returns on a financial asset come from the income generated by the real assets that are financed by the issuance of the security. In order to prevent default, the Investment and Securities Act of 1999 stipulates that an application by states, local governments and other government agencies to raise a loan through bonds should be accompanied by an original copy of an Irrevocable Letter of Authority giving the Accountant-General of the Federation the authority to deduct at source from the statutory allocation due to the body, in the event the body failed to meet payment obligations under the terms of the loan. In the private sector, investors may wish to be protected against the risk of default and therefore seek pledges, liens and other devices to ensure the performance of the obligation by the borrower. It is for such reasons that debentures are issued either with fixed or a floating charge.

IV. THE REFORM OF THE BOND MARKET

For improved performance of the bonds market there is need for macroeconomic stability as well as the introduction of substantial reforms in some of the institutions. Some of the areas where such reforms are necessary are highlighted and discussed below.

IV.1 MACROECONOMIC FACTORS

It must be explicitly recognized that for the bond market to function properly the macroeconomic environment must be right. Macroeconomic stability is desirable because it shapes the overall investment climate and determines the degree of confidence investors have in an economy. Stability aids planning and enables the business community forecast reasonably, future returns on current investments. Stability, therefore, promotes investment, which is a *sine qua non* for growth. The achievement of a macroeconomic stability requires price stability, maintenance of a market based stable foreign exchange rates, adoption of market determined interest rates, fiscal prudence, transparency and accountability and political stability and good governance. (CBN, 2000). First, price stability is crucial. Price-level instability can take either of two forms. A persistent fall in price is called a deflation while a sustained increase in the price level is described as inflation. Both are harmful. And one of the most harmful effects of inflation or deflation is on lending. This is because a loan is an exchange of money now for a promise of money in future and inflation reduces the value of the promised money in terms of what it will actually buy while deflation increases it. As a result, unexpected inflation hurts lenders and benefits borrowers; unexpected deflation has the opposite effects. Uncertainty about possible future inflation or deflation makes loans riskier both for borrowers and for lenders and therefore makes lending less attractive.

Secondly, interest rates should reflect both the cost and the risks involved in the lending. And this will be enhanced when the market is allowed to determine interest rates. Since 1987 interest rates in Nigeria have been largely market-determined. Thirdly, for foreigners to participate actively in the bonds market requires the liberalization of the foreign exchange market. Allowing foreign institutions to compete adds to the vibrancy of the market and to the development of new financial instruments.

One should nevertheless be conscious of the deleterious effects of swings in short-term capital movement on the balance of payments. Another aspect of the macroeconomic stability that is critical is fiscal prudence. The persistence of large fiscal deficits and their financing by the central bank has negative consequences for the economy including raising inflationary pressures, crowding out the private sector in the credit market and weakening the currency exchange rate.

IV.2 DEMAND AND SUPPLY

Any attempt to revive the bonds market should consider demand and supply factors. Although some of the issues discussed above have implications for the supply and demand for bonds, the issues are important enough to warrant treatment under a separate heading. The supply of bonds is by those firms that are willing to undertake investment. Thus, in a growing economy, more bonds are likely to be issued than in a declining one. Hence conscious efforts should be made by the government to provide the enabling environment that will promote growth and development. This can be achieved when the government pursues policies that enhance human capital development, develop physical infrastructure, and permit free mobility of capital and technology. A growing economy means rising incomes that would enhance ability of the households to participate in the financial market. Also, as noted earlier, efforts at solving the problems of housing and infrastructure should aim at creating a long-term debt market by the use of appropriate incentives and guarantees. For instance, parastatals such as Federal Housing Authority should raise funds in the capital market with possibly Federal Government guarantees and tax-exempt status. Similarly, a number of mortgage institutions could combine to raise funds from the market. Finally, oil and gas projects can be funded.

On the demand side, investors in financial assets are more willing to part with their money when there is assurance that there would be some returns in real terms and the expectation that the principal will be paid at maturity .This reinforces the argument for a stable macroeconomic environment. The major investors in the bond market are usually institutional investors such as insurance companies, pension funds, unit trusts and high net-worth individuals. Their demand for long-term debt issues stems from the need to balance their long-term liabilities. As professionals, their patronage of the market wanes when bond yields are lower than money market rates. Besides, the smooth functioning of a secondary market where the investor may convert his financial asset into cash readily can enhance his participation. The improvement in the performance of the stock exchange especially in the settlement and delivery as well as in the disclosure of information are welcome developments.

IV.3 ROLE OF VARIOUS INSTITUTIONS

In reviving the Bonds Market, it is important to identify the role that some key institutions in the country should play.

Accordingly, in this section we examine the roles of the Central Bank of Nigeria, the Federal Government, the Rating Agencies and the Stockbrokerage firms and Issuing Houses.

(i) Central Bank of Nigeria (CBN)

First, the CBN has a statutory role to keep inflation low. This is because inflation distorts the allocation of saving between physical and financial instruments and the allocation of consumption over time. Another reason why the CBN should keep inflation low is because it is only then that a positive interest rate regime can be maintained, which is needed to induce consumers to hold bonds. Furthermore, it is important for the CBN to broaden the rank of participants in the bonds market. In other words, with the increasing adoption of Information Technology and the introduction of universal banking, the category of participants in the Bonds Market should be widened. In addition, the CBN should take initiatives to make the Treasury Bonds marketable via discount houses. In this regard an arrangement could be worked out in which the interest cost of the bonds could be shared between the government and the CBN. Along with that, the Bank should provide rediscounting facilities in Treasury Bonds. It is in the economy's general interest for the secondary market to be liquid and offer investors sound investment opportunities.

(ii) The Federal Government of Nigeria

There are at least two critical roles, which the government can play in fostering a vibrant Bond's market. This first is to increase patronage of the market by sourcing its development funds from the Bonds market instead of resorting to high-powered money from the CBN. There are several projects that the government can undertake with funds raised from the Bonds market. They could be in the area of infrastructure, education and even health projects. Secondly, government could also provide incentive to investors in bonds in the form of tax exemption on the earnings from bonds. This will encourage institutions and high net-worth individuals to invest in Bonds.

The Odife Panel noted that there is currently no law to regulate public agency bond issues and that there was need to promulgate a law for the purpose, and that the law should set debt limits for each public agency, provide for guarantees and repayment as well as liquidity and rediscounting facilities. As Table 5 shows the Lagos state government has just been authorized to issue bonds worth N25.0 billion. Prior to that the Delta State Government had raised the sum of N6.0 billion in two branches. Similarly, the Ekiti State Government issued bonds with a face value of N4.0 billion. These sums are by no means small. This is why prudence dictates that an upper limit should be set for proper debt management.

(iii) <u>Rating Agencies</u>

One institution that is expected to contribute significantly to the vibrancy of the bonds market is the rating agency. The role of the rating agency is to provide the investing public on continuous basis information that will enable it reach a decision on the investment. A few of such agencies have emerged and are expected to establish a track record soon such that the public can depend on their ratings. The ratings are indicative of the quality of the bonds. In rating bonds, the agencies take into account all the financial, economic and legal factors pertaining to a particular bond issue. Usually, only fairly large issues are rated. In the international markets, companies like Moody and Standard and Poor have become reputable as rating agencies.

There appears to be a number of difficulties in the rating of bonds in Nigeria. The first is the shortage of experienced professionals and technical manpower in key areas of the sub-sectors. Augusto and Co, a Nigerian company based in Lagos has made a modest beginning. The second is the inadequacy and in some cases complete unavailability of data and sector studies. While the first problem can be overcome by the entry of foreign rating agencies, or the training of Nigerian professionals, the second would require almost a complete overhaul of the Federal Office of Statistics including the provision of IT facilities, vehicles for field trips, and a cultural reorientation in terms of work ethics.

(iv) Issuing Houses and Stock Brokerage Firms

Issuing Houses have an important role to play in the revamping of the Bonds Market in Nigeria. Usually, they advise their clients on the structure of any proposed transaction. They also assist in the preparation of documentation to be forwarded to the regulatory authorities, that is, the Securities and Exchange Commission (SEC) and the Nigerian Stock Exchange. With deregulation of the capital market, issuing houses have assumed the additional responsibility of advising their clients on the timing, price and the amount of issues by public companies. The successful performance of the above roles requires a core of trained staff that is able to assess every issue very quickly. It also requires a significant capital base, which will permit the underwriting of the bonds. It is important to note that capital market operators need to be innovative. This will lead to the introduction of several variants of bonds into the market. In the industrialized societies, there are varieties of bonds including secured bonds, unsecured bonds, put bonds, variable rate bonds and convertible bonds. In summary, brokers and dealers in the market should be well capitalized and trading should be computerized and highly efficient. Stockbrokers should display high ethical standards since trust is the bedrock of trade in financial assets.

V. POLICY RECOMMENDATIONS

The following recommendations emerge from this study. They include reforms in the legal framework, institutional changes, improvement in the macroeconomic environment and better professional ethics. There is a need to promulgate a law to regulate public agency bond issues to set an upper limit for debt limits etc. All companies listed on the Stock Exchange should be encouraged to seek a rating and should be continuously monitored with the rating changing as appropriate. In addition to providing investors with some initial feel for the relative quality of their investment it will also help to fill the vacuum in information on listed companies and help promote a more active secondary market.

Fixed income securities that are of at least five (5) years duration issued by the Federal, State or Local governments should be completely exempted from taxation. The exemption should apply to every category of investor. There is need for improvement in the macroeconomic environment, by keeping inflation low, maintaining a stable exchange rate regime and improving economic and social infrastructure. The improvement in macroeconomic environment is capable of making investments attractive to institutional investors both national and international. In addition, there is need to raise the savings rate by increasing productivity, increasing income of households as was done in the year 2000, lowering the inflation rate as well as maintaining a positive interest rate structure. Efforts should be made to induce Nigerians to bring in cash outside the banks to the banking system. This will be facilitated by improvement in financial sector stability and soundness. When the public perceives such improvement there will be a strengthening of the banking habit. In turn, more funds will be available for investment in financial assets. In addition, brokerage and dealing firms should be adequately capitalised, their operations computerised and should be guided by high professional ethics.

VI. SUMMARY AND CONCLUSIONS

In this paper we undertook a review of the state of the bond's market in Nigeria. We pointed out that the market was no longer as vibrant as it used to be in 1980s. We identified the various reasons that accounted for the declining fortune of the bonds market in Nigeria including the high rate of default, the high rate of inflation, and the general decline in the economy. The need to improve the macroeconomic environment was stressed. In addition, the paper went on to suggest a number of reforms that should be undertaken in order to achieve improvement in the performance of the bond's market. The major reforms are: making the market liquid by providing rediscounting facilities, enhancing government patronage through the issue of infrastructure bonds, making earnings from the bonds tax exempt, requiring that bonds be rated and strengthening issuing houses and stock brokerage firms through adequate capitalization and surveillance. When all the requisite reforms have been implemented the expected vibrancy of the market will be restored.

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TABLE 1

GROWTH OF THE NUMBER OF LISTED SECURITIES (1980 - 1999)

Year	Government Stock	Industrial Bonds	Equities Including SSM	Total
1980	54	12	1985	157
1981	56	14	91	163
1982	57	18	93	168
1983	61	25	93	178
1984	56	27	92	175
1985	57	28	92	181
1986	58	29	96	186
1987	54	31	99	185
1988	51	35	100	188
1989	47	40	102	198
1990	43	43	11	217
1991	40	57	131	239
1992	36	62	142	251
1993	32	66	153	271
1994	29	70	177	276
1995	28	67	181	276
1996	24	69	183	276
1997	22	60	182	264
1998	19	59	186	264
1999				

Source: Nigeria Stock Exchange 1998: Annual report and Accounts.

TABLE 2

NEW ISSUES 1987 - 1997

Year	Offer by Equity (N'Million)	Debenture Stock (N'Million)	Offer for Sale (N'Million)	Offer by Rights (N'Million)	Listing by Introduction (N'Million)	Memoranda Quotation (N'Million)	Mergers & Acquisition (N'Million)	Total (N'Million)	%
1987	2.4	97.5	0.8	13.5	0	0	0	114.2	0.22
1988	159.5	45.6	0	15.8	0	0	0	220.9	0.42
1989	251.7	305	267.5	253.7	0	0	0	1077.9	2.05
1990	164.9	608	342.6	155.1	0	0	0	1342.6	2.55
1991	375.4	636.5	34.9	243	12	41	3.2	1345.9	2.6
1992	1307.8	703.5	1235.9	565.7	255	52.5	0	4120.4	7.84
1993	1266.7	10000	22	1591.7	0	0	104.2	3984.6	7.58
1994	562.3	780	833.6	401.3	429.5	500	2	2672.3	5.08
1995	1233.2	15	0	2872.8	60.1	0	2902.5	7083.6	13.48
1996	5127.1	0	399.5	1621.9	4000	0	10304.7	21453.2	40.84
1997	6114.3	350	0	1914.4	716	0	16.6	9111.3	17.34

TABLE 3

DOMESTIC PUBLIC DEBT OF FEDERAL GOVERNMENT (MEDIUM TO LONG TERM (N' MILLION)

Year	Treasury Certificate	Treasury Bonds	Development Stock
1980	2727.6	-	3069.0
1981	2307.6	-	3353.0
1982	1668.6	-	3557.0
1983	4894.4	-	3851.0
1984	6413.1	-	3785.9
1985	6654.1	-	4321.9
1986	6664.7	-	4810.5
1987	6654.7	-	4910.5
1988	6794.6	-	4760.5
1989	6944.6	-	4630.5
1990	34214.6	11350.0	4402.5
1991	34214.6	20000.0	4222.5
1992	35241.4	19006.5	3961.0
1993	36584.3	117139.7	3731.7
1994	37342.7	197794.6	3350.0
1995	23596.3	279505.2	3170.0
1996	-	237387.6	2960.0
1997	-	134387.6	2840.0
1998	-	179620.1	2680.0
1999	-	430608.2	2440.0
2000	-	430608.2	2110.0

TABLE 4

NIGERIA: SELECTED INTEREST RATES (IN %)

Year	MRR	Treasury Bill Rate	Treasury Certificate Rate		Lending Rates	
			One Year Maturity	Two Year Maturity	Prime	Maximum/ Others
1980	6.0	5.0	5.5	6.0	7.7	9.5
1981	6.0	5.0	5.5	6.0	9.0	10.0
1982	8.0	7.0	7.5	8.0	10.0	11.8
1983	10.0	7.0	9.0	8.0	10.1	11.5
1984	10.0	8.5	7.5	9.5	10.4	13.0
1985	10.0	8.5	9.0	9.5	9.2	11.8
1986	12.8	8.5	9.0	9.5	9.6	12.0
1987	12.8	11.8	12.3	12.8	14.0	19.2
1988	18.5	11.8	12.3	12.8	16.5	17.6
1989	18.5	11.8	16.4	17.8	16.8	24.6
1990	14.5	17.5	18.2	18.5	25.6	27.7
1991	17.5	15.0	15.0	15.5	20.0	20.8
1992	26.0	21.0	22.0	23.0	24.8	31.2
1993	15.5	28.0	26.5	26.0	31.7	18.3
1994	13.5	12.5	13.0	13.5	20.5	21.3
1995	13.5	12.5	13.0	13.5	20.2	20.8
1996	13.5	12.0	-	-	19.1	20.9
1997	13.5	12.0	-	-	18.4	20.9
1998	13.5	13.0	-	-	18.3	21.8
1999	18.0	17.0	-	-	21.3	27.2
2000	15.5	-	-	-	-	30.0

TABLE 5

STATE/LOCAL GOVERNMENT BONDS FLOATED IN THE NIGERIAN CAPITAL MARKET

S/No	State	Year	Amount N(Million)	Purpose
1	1st Bendel State Loan Stock/Revenue Bond	1977	20	Housing Development
2	1st Ogun State Revenue Bond	1983	15	Water Project
3	1st Lagos State Revenue Bond	1985	30	Land Reclamation
4	1st Oyo State Revenue Bond	1987	30	Market and Shopping Complex
5	1st Kaduna StateRevenue Bond	1987	30	Ginger Factory
6	2nd Lagos State Revenue Bond	1988	60	Land Reclamation
7	1st Lagos Island Revenue Bond	1992	100	Market Development
8	2nd Kaduna State Revenue Bond	1993	30	Ginger Factory
9	1st Edo State Revenue Bond	2000	1000	Housing Estate
10	1st Delta State Revenue Bond	2000	3500	Water project, Health, Education
11	Ekiti State	2000	4000	Urban-Rural Road, Water Supply, Education etc.
12	Lagos State	2000	25000	Infrastructure