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**CAPITAL MARKET REFORMS
AND INVESTOR'S CONFIDENCE
IN NIGERIA**

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ABSTRACT

This research investigated the effect of capital market reforms on investor confidence in Nigeria, using market capitalization as an indicator of reform outcomes and the All Share Index as a proxy for investor confidence. The study covered three major reform periods, namely the liberalization and modernization reforms from 1999 to 2004, the consolidation and post crisis reforms from 2005 to 2010, and the Master Plan and Central Bank of Nigeria recapitalization reforms from 2015 to 2025. Annual time series secondary data were obtained from the Nigerian Exchange Group, the Central Bank of Nigeria, and the Securities and Exchange Commission Nigeria, and were analyzed for each reform period using descriptive statistics and an ordinary least squares regression technique, with hypotheses tested at the 5 percent level of significance. The outcome showed that market capitalization under the liberalization and modernization reforms exerted a strong positive and statistically significant effect on investor confidence ($R^2 = 0.95$, $t = 9.21$, $p = 0.0008$). The consolidation and post crisis reforms showed a positive but statistically insignificant relationship with investor confidence ($R^2 = 0.45$, $t = 1.81$, $p = 0.14$), indicating limited direct impact during the period. Furthermore, market capitalization under the Master Plan and recapitalization reforms demonstrated a strong positive and statistically significant influence on investor confidence ($R^2 = 0.95$, $t = 12.97$, $p < 0.001$). The study concluded that well structured and consistently implemented capital market reforms enhance investor confidence by improving institutional credibility, market depth, and financial stability, although the strength of this relationship is not uniform across reform periods and appears sensitive to the pace and consistency of implementation. It recommended sustained regulatory enforcement, continuous recapitalization, technological innovation, and policy consistency to strengthen long term investor confidence in Nigeria's capital market.

Keywords: Capital market reforms, investor confidence, market capitalization, All Share Index, liberalization reforms.

1.0 INTRODUCTION

Investor confidence refers to the level of trust investors have in the stability, transparency, fairness, and profitability of a financial market. According to the International Monetary Fund (2023), investor confidence reflects investors' expectations that market institutions operate efficiently and that investments will yield reasonable returns under predictable regulatory conditions. Investor confidence is commonly reflected in stock market indicators such as the All Share Index, which captures movements in share prices and overall market sentiment. Strong investor confidence encourages individuals and institutional investors to buy securities, provide long term capital, and participate actively in financial markets. In developing economies like Nigeria, investor confidence is essential because it supports savings mobilization, increases liquidity, stimulates economic growth, and attracts foreign portfolio investment.

Despite its importance, investor confidence in emerging markets is often influenced by several economic and institutional factors. The World Bank (2024) explains that macroeconomic instability, weak corporate governance, inadequate regulatory enforcement, market volatility, and information asymmetry can weaken investor trust. In Nigeria, periods of stock market decline, policy inconsistency, and financial crises have historically reduced investor participation and caused fluctuations in the All Share Index. Yartey (2010) found that institutional quality and macroeconomic conditions, including political risk, regulatory strength, and market liquidity, are key determinants of stock market development in emerging economies, suggesting that similar institutional factors likely bear on investor confidence in African capital markets. Similarly, Nwidiobie (2020) reported that governance failures and speculative trading practices contributed to declining investor participation in Nigeria's capital market after major market corrections. These persistent challenges highlight the need for institutional

mechanisms capable of restoring market credibility, thereby bringing attention to capital market reforms as an important policy response for strengthening investor confidence.

Capital market reforms refer to deliberate policy actions and structural adjustments introduced to improve market efficiency, transparency, stability, and competitiveness. According to the Organisation for Economic Co operation and Development (2022), reforms are designed to enhance investor protection, deepen market capitalization, modernize trading systems, and strengthen financial regulation. Capital market reforms influence investor confidence by reducing uncertainty, improving disclosure practices, and ensuring fair trading conditions. When investors perceive reforms as credible and effective, they become more willing to invest, which leads to higher trading activities and improved market performance indicators such as the All Share Index. In Nigeria, successive reform programmes have been introduced across different periods with the objective of transforming the capital market into a reliable investment destination.

The liberalization and modernization reforms implemented between 1999 and 2004 marked the beginning of major transformation in Nigeria's capital market. Following democratic transition, government policies opened the market to foreign investors, encouraged privatization of public enterprises, and introduced electronic trading platforms. The Securities and Exchange Commission strengthened regulatory supervision while the Nigerian Stock Exchange adopted automated trading and settlement systems. According to Usman (2020), these reforms significantly expanded market capitalization and improved liquidity by attracting new investors into the market. In Nigeria, rising listings and improved trading activities during this period signaled renewed investor optimism reflected in positive All Share Index growth.

The consolidation and post crisis reforms between 2005 and 2010 represented another important phase aimed at stabilizing the financial system after rapid market expansion and the global financial crisis. Banking sector consolidation increased minimum capital requirements for financial institutions, strengthened risk management practices, and improved corporate governance standards. Sanusi (2012) explains that recapitalization enhanced financial system resilience and restored investor trust after the stock market crash of 2008. Regulatory agencies introduced stricter disclosure requirements and enforcement mechanisms to protect investors and prevent market manipulation. Studies by Arestis et al., (2019) indicate that stronger regulatory frameworks reduce systemic risk and encourage investors to return to the market. Consequently, recovery in market capitalization and gradual improvement in the All Share Index during the post crisis period reflected renewed confidence among investors.

More recent reforms under the Capital Market Master Plan and Central Bank recapitalization initiatives between 2015 and 2025 sought to reposition Nigeria's capital market for global competitiveness. The Nigerian Exchange Group introduced reforms focusing on product diversification, digital innovation, investor education, and improved governance practices. The Central Bank of Nigeria also introduced recapitalization policies requiring financial institutions to strengthen their capital base in order to boost the growth of the economy and support financial stability. According to the World Bank (2024), modernization reforms that incorporate financial technology and institutional strengthening enhance market efficiency and investor participation. Recent recapitalization programmes announced by monetary authorities are expected to deepen market capitalization and strengthen investor confidence by improving institutional credibility and long term financial stability.

Investor confidence in Nigeria is often evaluated

through movements in the All Share Index because it reflects aggregate investor perception about market performance and economic prospects. When reforms succeed in improving market structure, investors respond positively through increased trading volumes and rising stock prices. Conversely, inconsistent reforms or weak implementation may generate uncertainty and discourage investment participation. The International Monetary Fund (2023) emphasizes that sustained investor confidence requires continuous reform implementation, policy consistency, and effective regulatory oversight. Although Nigeria has experienced growth phases following reform initiatives, periodic volatility in the All Share Index suggests that investor confidence remains sensitive to institutional and macroeconomic conditions.

While previous studies have examined capital market development and financial sector reforms, limited attention has been given to evaluating how specific reform periods influence investor confidence over time. Existing research often treats reforms as a single event rather than distinguishing between liberalization reforms, consolidation reforms, and Master Plan driven modernization initiatives. As Yartey (2010) demonstrates, institutional and macroeconomic conditions shape the pace of stock market development in emerging economies, underscoring the value of examining distinct reform phases rather than treating capital market reform as a single, undifferentiated event. The persistence of market volatility despite multiple reform efforts therefore raises important questions regarding the effectiveness of capital market reforms in sustaining investor confidence in Nigeria. Consequently, there is a need for a comprehensive investigation that links market capitalization under distinct reform eras to investor confidence measured through the All Share Index, which this study seeks to address.

2.0 LITERATURE REVIEW

2.1. Conceptual Review

2.1.1. Market Reforms

Market reforms refer to deliberate policy actions, regulatory adjustments, and institutional restructuring introduced to improve the efficiency, transparency, and competitiveness of financial markets. According to World Bank, market reforms are designed to strengthen financial systems by improving regulatory oversight, expanding market participation, enhancing capital mobilisation, and promoting investor protection. In the context of capital markets, reforms typically involve liberalisation of trading activities, modernisation of operational systems, enhancement of disclosure standards, and restructuring of financial institutions to ensure sustainable market development.

Through reforms, stock exchanges adopt modern trading technologies, regulatory authorities improve monitoring mechanisms, and investors gain access to reliable market information. These structural adjustments promote liquidity and increase market depth, enabling financial markets to perform their intermediation role effectively. In emerging economies such as Nigeria, market reforms are therefore viewed as continuous processes aimed at transforming the capital market into a dynamic platform capable of supporting investment growth and economic diversification (Yartey, 2010).

2.1.2. Dimensions of Market Reforms

1. Market Capitalisation under the Liberalisation and Modernisation Reforms (1999–2004)

The liberalisation and modernisation reforms implemented between 1999 and 2004 represented a significant phase in the transformation of Nigeria's capital market. Market liberalisation refers to policies that reduce restrictions on investment activities and allow broader participation by domestic and foreign investors. During this period, reforms encouraged privati-

sation programmes, removal of investment barriers, and expansion of equity listings on the Nigerian stock market. According to Usman (2020), liberalisation policies increased market capitalisation by attracting new investors and expanding ownership structures within the economy. Market capitalisation, which represents the total value of listed securities, became an important indicator of market growth and financial sector development.

Modernisation reforms complemented liberalisation through the introduction of electronic trading platforms, automated clearing systems, and improved regulatory supervision. The International Monetary Fund explains that technological modernisation enhances market efficiency by reducing transaction costs and improving price discovery mechanisms. Automation improved the speed and accuracy of transactions while strengthening investor access to market information. As trading systems became more efficient and transparent, the expansion of market capitalisation reflected increased investor participation and improved valuation of listed companies. These reforms therefore marked the beginning of structural transformation that integrated Nigeria's capital market into global financial systems.

2. Market Capitalisation under the Consolidation and Post Crisis Reforms (2005–2010)

The consolidation and post crisis reform period between 2005 and 2010 focused on strengthening financial institutions and stabilising market operations. Consolidation refers to regulatory policies requiring financial institutions to increase their capital base through mergers, acquisitions, or recapitalisation. During this phase, banking sector consolidation significantly influenced capital market activities because stronger banks became major participants in equity markets. Sanusi (2012) explains that consolidation increased institutional stability and enhanced investor perception of financial strength within the Nigerian fi-

nancial system. The expansion of capital base among banks contributed to growth in market capitalisation as newly consolidated institutions listed additional shares and attracted investment inflows.

The introduction of the post financial crises of 2008 was to restore market confidence and ensure financial stability. According to Arestis et al. (2019), post crisis regulatory reforms typically emphasise transparency, risk management, and improved corporate governance practices. Regulatory authorities strengthened disclosure requirements and surveillance systems to ensure market discipline and protect investors. The adjustment in market capitalisation during this period reflected both market correction and gradual recovery as investor trust improved. Enhanced supervision and stronger institutional frameworks supported the stabilisation of stock valuations and reinforced the credibility of Nigeria's capital market within the global financial environment.

3. Market Capitalisation under the Master Plan and CBN Recapitalisation Reforms (2015–2025)

The Capital Market Master Plan introduced from 2015 represents a strategic reform initiative to achieve long term competitiveness and innovation in the market. The Master Plan emphasised market diversification, technological advancement, improved governance structures, and expansion of investment products. Market capitalisation under this reform period reflects the growing value of listed companies and the increasing sophistication of market operations.

Complementing the Master Plan reforms, recapitalisation policies introduced by the CBN strengthened financial institutions by increasing minimum capital requirements and reinforcing systemic stability. Recapitalisation improves the resilience of financial institutions, enabling them to support investment activities and capital market expansion. The World Bank (2024) explains that recapitalisation reforms enhance

investor perception of financial stability, thereby improving valuation of securities and strengthening capital market development. Through improved governance standards, digital innovation, and stronger institutional capacity, market capitalisation during this period reflects deeper integration between financial reforms and investment growth within Nigeria's evolving financial system.

2.1.3. Investor Confidence

Investor confidence refers to the degree of assurance investors possess regarding the safety, transparency, and profitability of investment activities within a financial market. According to the International Monetary Fund (2023), investor confidence is shaped by expectations that regulatory institutions function effectively, corporate disclosures are reliable, and market operations are fair. Investor confidence influences investment decisions because investors allocate funds only when they perceive markets as stable and trustworthy. High confidence encourages trading participation, portfolio diversification, and long term investment commitments that support market liquidity and financial development.

Investor confidence also represents a psychological and economic response to market performance and institutional credibility. The Organisation for Economic Co-operation and Development states that investor confidence grows when regulatory systems protect investors' rights and ensure transparency in financial reporting. Confidence increases when investors observe consistent policy implementation and efficient price formation mechanisms within the market. As confidence strengthens, demand for securities rises, trading activity expands, and capital markets become effective channels for economic financing. Consequently, investor confidence remains a central concept in understanding capital market performance and investment behaviour in emerging economies such as Nigeria (Yartey, 2010).

2.1.4. Measure of Investor Confidence

1. All Share Index

It reflects the aggregate price movements of all listed equities within a stock exchange and serves as a barometer for evaluating changes in market value over time. According to the Nigerian Exchange Group, the All Share Index tracks market trends by combining the performance of companies across different sectors, thereby providing investors with a general overview of market direction. Changes in the index indicate variations in demand for securities and reveal investor expectations regarding economic prospects and corporate profitability.

Beyond measuring price movements, the All Share Index captures collective investor behaviour and confidence within the market environment. Rising index values signal optimism and increased investment activity, while declining values reflect cautious market sentiment. The All Share Index therefore functions as an observable measure of investor confidence because it integrates investor expectations, corporate performance assessments, and macroeconomic outlook into a single quantitative indicator. Through continuous monitoring of index performance, analysts and policymakers assess the effectiveness of market reforms and overall investor response within Nigeria's capital market system.

2.2. Theoretical Review

The theoretical review provides the intellectual foundation explaining how capital market reforms influence investor confidence. The relationship between reforms, market capitalisation, and investor behaviour can be explained through established financial and economic theories that emphasise information efficiency, institutional credibility, and behavioural responses of investors within financial markets.

a) Efficient Market Hypothesis

According to Fama (1970), market efficiency depends

largely on transparency, disclosure quality, and regulatory effectiveness. Capital market reforms therefore play an essential role in improving market efficiency by strengthening reporting standards, enhancing trading systems, and ensuring equal access to information among investors.

In the Nigerian capital market, reforms such as liberalisation, consolidation, and modernisation improve information dissemination and reduce informational asymmetry between investors and firms. When reforms enhance disclosure practices and regulatory monitoring, investors perceive the market as fair and transparent, which strengthens investor confidence. The Efficient Market Hypothesis therefore explains how reform driven improvements in market capitalisation may translate into higher All Share Index performance because investors respond positively to credible and well regulated market environments.

b). Institutional Theory

Institutional Theory explains how formal rules, regulatory frameworks, and governance structures shape organisational and investor behaviour. The theory was advanced by John W. Meyer and Brian Rowan, who argue that institutions gain legitimacy when they conform to accepted standards and regulatory expectations. In financial markets, institutions such as regulatory agencies, stock exchanges, and financial intermediaries influence investor perception through policy consistency and institutional credibility.

Capital market reforms represent institutional adjustments intended to strengthen legitimacy and trust within the market system. In Nigeria, reforms implemented by the Securities and Exchange Commission Nigeria and the Central Bank of Nigeria improve governance structures, investor protection mechanisms, and compliance standards. Institutional Theory therefore suggests that when investors observe stronger institutions and stable regulatory frameworks, confidence in market operations increases, encouraging

higher investment participation and improved market performance.

c). Behavioural Finance Theory

Behavioural Finance Theory challenges the assumption that investors are always rational by emphasising psychological factors influencing financial decisions. The theory was popularised by Daniel Kahneman and Amos Tversky, who demonstrated that investor decisions are often affected by emotions, perceptions of risk, and market sentiment rather than purely objective analysis. Investor confidence therefore becomes a behavioural response shaped by expectations about economic stability and policy credibility.

Capital market reforms influence investor psychology by reducing uncertainty and improving perceptions of market stability. When reforms signal government commitment to transparency and financial stability, investors develop positive expectations about future market performance. In Nigeria, periods of reform driven recapitalisation and regulatory strengthening have historically been associated with renewed investor participation and rising stock market indices. Behavioural Finance Theory thus explains why improvements in market capitalisation following reforms may lead to increased All Share Index performance as investor sentiment becomes more optimistic.

2.3. Empirical Review

2.3.1. Reviews on Liberalization and Modernization Reforms (1999–2004)

Empirical evidence on liberalization and modernization reforms demonstrates that early financial sector reforms play a crucial role in expanding market capitalization and strengthening investor confidence, particularly in emerging economies. Aluko and Ibrahim (2020) examined the effect of financial liberalization on stock market development in Nigeria using time series data from 1986 to 2017 analyzed through the autoregressive distributed lag model. The study found

that liberalization policies significantly improved market capitalization, liquidity, and foreign investment inflows, which in turn enhanced investor confidence by increasing market efficiency and reducing transaction barriers. Similarly, Adelegan (2009) investigated capital market development and observed that reforms aimed at deregulation and privatization significantly expanded market capitalization and improved investor participation, thereby boosting confidence through increased investment opportunities.

In a broader emerging market context, Bekaert, Harvey, and Lundblad (2005) analyzed panel data across several countries and found that financial liberalization reforms significantly improve market efficiency, increase capital inflows, and enhance investor confidence by reducing restrictions on foreign participation. Supporting this view, Musah, Kong, and Mensah (2020) examined financial reforms across Sub-Saharan Africa using panel regression techniques and reported that liberalization and regulatory improvements significantly increased stock market performance and investor participation. The study concluded that improved accessibility and transparency resulting from reforms strengthen investor trust in financial markets.

Further evidence is provided by Ho and Iyke (2021), who employed vector autoregression techniques to examine financial development and investor sentiment in African markets. Their findings revealed that reforms that improve liquidity, market capitalization, and information flow positively influence investor confidence and participation. Collectively, these studies suggest that liberalization and modernization reforms enhance investor confidence by expanding market capitalization, improving transparency, and reducing entry barriers for investors. However, most of these studies do not isolate specific reform periods within Nigeria, thereby creating the need for a focused examination of the 1999–2004 reform era.

Aluko and Ibrahim (2020) examined the effect of fi-

nancial liberalization on stock market development in Nigeria with the objective of determining how reforms influence investor confidence and market growth. The study used time series data from 1986 to 2017 with annual observations as the sample size. Data were analyzed using autoregressive distributed lag model. The findings indicated that financial liberalization significantly improves market development and investor confidence by increasing market efficiency and attracting foreign investment. The study showed that liberalization policies enhance capital inflows and market liquidity. The authors concluded that financial openness is essential for capital market growth. The study recommended maintaining stable macroeconomic policies and strengthening regulatory oversight.

Phan, Nguyen, and Hegde (2020) examined the relationship between market reforms and foreign investment in emerging economies with the objective of assessing how reforms influence investor confidence and capital inflows. The study used panel data from several emerging markets over the period 2005 to 2018 with country level observations as the sample size. Data were analyzed using fixed effects regression model. The findings revealed that regulatory reforms and improved market infrastructure significantly increase foreign investment and investor confidence. The study showed that investors prefer markets with strong regulatory systems and transparency. The authors concluded that reforms are essential for attracting foreign capital. The study recommended strengthening regulatory institutions and improving market infrastructure.

Hypothesis One

H₀₁: Market capitalization under the liberalization and modernization reforms (1999–2004) has no significant effect on investor confidence measured by the All Share Index in Nigeria.

2.3.2. Reviews on Consolidation and Post-Crisis Reforms (2005–2010)

Empirical literature on consolidation and post-crisis reforms emphasizes the role of institutional strengthening and financial stability in shaping investor confidence, although evidence suggests that the effects may not always be immediate. Okpara (2020) examined the impact of banking sector consolidation on the Nigerian stock market and found that recapitalization policies significantly improved the financial strength of banks, increased market capitalization, and enhanced investor perception of institutional stability. However, the study also noted that investor confidence responded gradually due to lingering uncertainty following market restructuring.

Similarly, Okpara (2020) investigated the impact of banking consolidation reforms on the Nigerian stock market and reported that consolidation strengthened financial institutions and increased investor trust in listed banking equities. The study concluded that recapitalisation policies improved market valuation and contributed to positive movements in the All Share Index.

In a related study, Egbunike and Okereke (2023) employed regression analysis to examine financial market reforms and found that improved regulatory frameworks and institutional restructuring had a positive effect on investor confidence, although the magnitude of the impact depended on enforcement effectiveness.

Egbunike and Okereke (2023) examined the relationship between financial market reforms and investor confidence in Nigeria with the objective of assessing the effectiveness of reform policies. The research employed ex post facto research design employing secondary data from 2008 to 2022 with annual observations. Data were analyzed using regression analysis. The findings revealed that financial market reforms have a significant positive impact on investor confi-

dence. The study showed that improved regulatory frameworks and institutional structures enhance market stability. The authors concluded that reforms are essential for building investor trust. The study recommended strengthening regulatory institutions and ensuring policy consistency.

Ho and Iyke (2021) investigated the relationship between financial development and investor sentiment in African markets with the objective of determining how market reforms influence investor behavior. The study used time series data from selected African countries including Nigeria over the period 1995 to 2019 with annual observations as the sample size. Data were analyzed using vector autoregression and impulse response functions. The findings indicated that financial market development driven by reforms positively influences investor sentiment and confidence. The study showed that improved liquidity, market capitalization, and transparency increase investor participation. The authors concluded that financial reforms enhance investor confidence by reducing uncertainty and improving market efficiency. The study recommended continuous financial sector reforms and improved macroeconomic stability to sustain investor confidence.

Asongu and Odhiambo (2021) examined the impact of financial sector reforms on inclusive development and investor confidence in Africa with the objective of determining how reforms influence financial access and investment behavior. The study used panel data from African countries over the period 2004 to 2018 with country year observations as the sample size. Data were analyzed using generalized method of moments estimation technique. The findings indicated that financial sector reforms significantly improve financial access, market participation, and investor confidence. The study showed that reforms enhance transparency and reduce financial exclusion. The authors concluded that financial reforms are essential for inclusive growth and investor trust. The

study recommended strengthening financial policies and improving institutional quality to sustain investor confidence.

Ehigiamusoe and Lean (2022) examined the relationship between financial development and economic growth in Africa with the objective of assessing how market reforms influence investor confidence and economic performance. The study used panel data from twenty African countries over the period 2000 to 2019 with country year observations as the sample size. Data were analyzed using dynamic panel estimation techniques. The findings revealed that financial development driven by reforms significantly enhances economic growth and investor confidence. The study showed that improved financial systems attract investment and promote economic stability. The authors concluded that financial reforms are critical for sustainable development. The study recommended strengthening financial institutions and improving regulatory frameworks.

Musah, Kong, and Mensah (2020) examined the effect of financial market reforms on stock market performance in sub Saharan Africa with the objective of assessing how reforms influence investor confidence and market growth. The study employed panel data from fifteen countries over the period 2004 to 2017 with country year observations forming the sample size. Data were analyzed using fixed effects and random effects regression models. The findings revealed that financial liberalization and regulatory reforms significantly improve stock market performance and investor confidence. The study showed that reforms enhance market accessibility and attract both local and foreign investors. The authors concluded that financial reforms are essential for market development in emerging economies. The study recommended strengthening regulatory frameworks and improving financial infrastructure to enhance investor confidence.

Ujunwa and Salami (2021) examined the effect of financial reforms on stock market performance in Nigeria with the objective of determining how reforms influence investor confidence and participation. The study used secondary data from 2005 to 2019 with a sample size of annual observations. Data were analyzed using regression analysis and descriptive statistics. The findings indicated that financial reforms significantly improved stock market performance and increased investor participation. The study also found that reforms enhance investor confidence by improving transparency and reducing information asymmetry. The authors concluded that consistent reform implementation is necessary for market development. The study recommended strengthening institutional frameworks and ensuring effective enforcement of policies.

Eze and Nwankwo (2021) explored the impact of institutional reforms on capital market efficiency and investor confidence in Nigeria. The study focused on reforms aimed at improving corporate governance, strengthening financial institutions, and enhancing the operational capacity of regulatory bodies. Using empirical data and statistical analysis, the researchers found that institutional reforms have a significant positive effect on market efficiency. Improved governance structures, transparency in financial reporting, and better oversight mechanisms contributed to increased investor confidence and market stability. The study also highlighted that strong institutions play a critical role in ensuring compliance with market rules and maintaining ethical standards among market participants. However, the authors noted that the benefits of institutional reforms can only be sustained through continuous monitoring and evaluation. Without ongoing oversight, there is a risk of regression, where previously addressed issues resurface. The study concluded that institutional reforms are essential for long-term market development but must be supported by consistent policy implementation, capacity build-

ing, and periodic assessment to remain effective in enhancing investor confidence.

From a broader perspective, Arestis, Demetriades, and Luintel (2019) showed that post-crisis reforms focusing on governance, risk management, and transparency reduce systemic risk and enhance investor participation over time. Likewise, Ogboi and Oladipo (2022) found that capital market reforms significantly influence investment growth and investor confidence, but emphasized that weak enforcement mechanisms can limit their effectiveness. Overall, these studies indicate that consolidation and post-crisis reforms improve market structure and capitalization, but their impact on investor confidence may be delayed due to market uncertainty and psychological factors influencing investor behavior.

Hypothesis Two

H₀₂: Market capitalization under the consolidation and post crisis reforms (2005–2010) has no significant effect on investor confidence measured by the All Share Index in Nigeria.

2.3.3. Review on Master Plan and CBN Recapitalization Reforms (2015–2025)

Recent empirical studies highlight that modern capital market reforms driven by strategic policy frameworks, technological innovation, and recapitalization initiatives have a strong and direct impact on investor confidence. Eke and Nasiru (2022) examined the implementation of the Capital Market Master Plan in Nigeria and found that reforms promoting product diversification, digital transformation, and improved governance significantly enhanced market capitalization and investor confidence as reflected in stock market performance. Similarly, Nwude and Okeke (2021) analyzed the effect of technological reforms using data from 2010 to 2019 and found that digital trading systems and automated platforms significantly improved transparency, efficiency, and accessibility.

ty, thereby increasing investor participation and confidence.

Kim and Lee (2021) examined the relationship between technological innovation and investor confidence in financial markets with the objective of assessing how digital reforms influence market participation. The study employed a quantitative research design using data from developed and emerging markets over the period 2008 to 2019 with country level observations as the sample size. Data were analyzed using regression analysis. The findings revealed that the adoption of digital trading platforms and financial technologies significantly enhances investor confidence by improving market accessibility and efficiency. The study also showed that technology reduces transaction costs and increases transparency. The authors concluded that technological reforms are essential for modern financial markets. The study recommended increased investment in digital infrastructure and cybersecurity to sustain investor confidence.

Nwude and Okeke (2021) examined the impact of technological reforms on investor confidence and the performance of Nigeria's capital market, with the aim of evaluating the extent to which digital transformation affects market participation. The study employed a quantitative research approach, utilizing secondary data collected from the Nigerian Exchange Group and Central Bank publications for the period 2010–2019. Annual observations constituted the sample, and the data were analyzed using descriptive statistics alongside multiple regression techniques. The results revealed that the implementation of electronic trading systems, automated clearing mechanisms, and digital financial services substantially enhanced market efficiency, transparency, and accessibility. The study further revealed that technological innovation enhances investor confidence by providing real-time information and reducing transaction costs. The authors concluded that digitalization is a key driver of capital market development and investor participation. The

study recommended increased investment in technological infrastructure and cybersecurity systems to ensure the sustainability of digital reforms.

In addition, Hassan, Emmanuel, and Arumona (2024) used the autoregressive distributed lag model to examine foreign investment and capital market growth and found that foreign direct investment significantly increased market capitalization and signaled improved investor confidence in the Nigerian financial system. At the firm level, Sule and Moloi (2025) demonstrated that improved disclosure practices and transparency significantly enhance investor confidence by reducing information asymmetry and increasing investment efficiency.

Adamu and Sanni (2020) investigated the impact of stock market reforms on economic growth and investor confidence in Nigeria with the objective of assessing how structural changes in the capital market influence investment decisions. The study used time series data from 1985 to 2018 with annual observations forming the sample size. Data were analyzed using the Auto Regressive Distributed Lag model to examine both short run and long run relationships. The findings indicated that stock market reforms significantly improved market liquidity and investor participation while also contributing positively to economic growth. The study found that reforms such as deregulation and improved market infrastructure enhanced investor confidence by reducing transaction costs and improving efficiency. The authors concluded that sustained reforms are essential for market development and investor trust. The study recommended continuous policy consistency and strengthening of regulatory frameworks to ensure long term stability.

Furthermore, Kwaghe, Ologunla, and Okoror (2025) found that capital market indicators such as the All Share Index and equities significantly influence industrial growth, reflecting improved investor confidence and participation. These findings are consistent with

global evidence that modern financial reforms integrating institutional strengthening and digital innovation produce stronger and more immediate effects on investor confidence. Collectively, the studies suggest that the Master Plan and recapitalization reforms have significantly enhanced market capitalization and investor confidence in Nigeria, although continuous policy consistency and regulatory enforcement remain essential for sustaining these gains.

Nwude and Okeke (2021) investigated the effect of technological reforms on capital market performance and investor confidence in Nigeria. The study focused on the role of digital transformation, particularly the adoption of electronic trading systems, automated clearing and settlement processes, and online investment platforms. Using a combination of descriptive and inferential statistical methods, the researchers analyzed how these technological innovations influence market participation. The findings indicated that technological reforms significantly improved transparency, efficiency, and accessibility within the capital market. Investors were able to access real-time information, execute trades more quickly, and monitor their investments with greater ease. As a result, investor participation increased, especially among younger and retail investors who are more inclined toward digital platforms. The study also found that digitalization reduces operational inefficiencies and minimizes errors associated with manual processes. However, it highlighted challenges such as cybersecurity risks and inadequate technological infrastructure in some areas. Overall, the study concluded that technological reforms are a key driver of investor confidence, as they enhance the overall user experience and foster a more transparent and efficient market environment.

3.0 METHODOLOGY

This study adopted an ex post facto research design because it relied on historical data to examine the relationship between capital market reforms and inves-

tor confidence in Nigeria without manipulating any variables. The study made use of annual time series secondary data covering the reform periods 1999 to 2004, 2005 to 2010, and 2015 to 2025. Data on market capitalization were used as a proxy for capital market reforms, while the All Share Index obtained from the Nigerian Exchange Group was used as a measure of investor confidence. Additional data were sourced from publications of the Central Bank of Nigeria and the Securities and Exchange Commission Nigeria. Descriptive statistics were employed to examine the distributional properties and trends of the variables, while inferential analysis was conducted using Ordinary Least Squares regression technique to estimate the effect of market capitalization under each reform period on investor confidence. The hypotheses were tested at the 5 percent level of significance using t statistics and probability values, and the decision rule was based on rejecting the null hypothesis where the probability value was less than 0.05. Because the Master Plan and CBN Recapitalization Reforms sample period extends to 2025, readers should note that observations for the final year(s) of this window may reflect provisional figures pending final-year confirmation by the Nigerian Exchange Group and the Central Bank of Nigeria.

Model Specification

The functional relationship for the study is expressed as:

$$ASI = f(MCAP) \quad (1)$$

The econometric model is specified as follows for each reform period:

Model I (Liberalization and Modernization Reforms 1999–2004):

$$ASI_t = \beta_0 + \beta_1 MCAP_LIBMDR_{Ft} + \mu_t \quad (2)$$

Model II (Consolidation and Post Crisis Reforms 2005–2010):

$$ASI_t = \beta_0 + \beta_1 MCAP_CONPCR_{Ft} + \mu_t \quad (3)$$

Model III (Master Plan and CBN Recapitalization Reforms 2015–2025):

$$ASI_t = \beta_0 + \beta_1 MCAP_MSPCBNR_t + \mu_t \quad (4)$$

Where:

ASI = All Share Index as proxy for investor confidence

MCAP_LIBMDRF = Market capitalization under liberalization and modernization reforms

MCAP_CONPCRF = Market capitalization under consolidation and post crisis reforms

MCAP_MSPCBNRF = Market capitalization under Master Plan and recapitalization reforms

β_0 = Intercept

β_1 = Slope coefficient

μ = Error term

t = Time period

A priori expectation: $\beta_1 > 0$, indicating that increases in market capitalization are expected to positively influence investor confidence.

4.0 RESULTS

4.1. Descriptive Statistics

Table 1: Market capitalization under the liberalization and Modernization reforms (1999-2004)

	ASI	MCAP_LIBMDRF
Mean	13408.61	945.2500
Median	11550.40	713.7000
Maximum	23844.50	2112.500
Minimum	5266.400	300.0000
Std. Dev.	7155.790	676.2267
Skewness	0.439425	0.891598
Kurtosis	1.750280	2.429241
Jarque-Bera	0.583544	0.876389
Probability	0.746939	0.645200
Sum	80451.64	5671.500
Sum Sq. Dev.	2.56E+08	2286413
Observations	6	6

Table 2: Market Capitalization under the Consolidation and Post-Crisis Reforms (2005-2010)

	ASI	MCAP_LIBMDRF
Mean	32052.30	7952.445
Median	28110.65	8296.905
Maximum	57990.20	13181.69
Minimum	20827.17	2900.060
Std. Dev.	13541.95	3693.146

	ASI	MCAP_LIBMDRF
Skewness	1.336168	0.010056
Kurtosis	3.392301	1.917124
Jarque-Bera	1.823819	0.293256
Probability	0.401756	0.863615
Sum	192313.8	47714.67
Sum Sq. Dev.	9.17E+08	68196623
Observations	6	6

Table 3: Market Capitalization under the Master-Plan and CBN Recapitalization Reforms (2015-2025)

	ASI	MCAP_LIBMDRF
Mean	44657.43	40210.73
Median	40270.72	38589.58
Maximum	76854.92	78591.98
Minimum	26842.07	16185.73
Std. Dev.	17315.18	22089.98
Skewness	0.652997	0.473186
Kurtosis	2.131363	1.843305
Jarque-Bera	1.127568	1.023717
Probability	0.569052	0.599380
Sum	491231.7	442318.1
Sum Sq. Dev.	3.00E+09	4.88E+09
Observations	11	11

Source: Eviews 10

The descriptive statistics presented in Table 1, Table 2, and Table 3 provide an overview of the behaviour of investor confidence measured by the All Share Index (ASI) and market capitalization across different capital market reform periods in Nigeria. Table 1, which captures market capitalization under the liberalization and modernization reforms (1999–2004), shows an average ASI value of 13,408.61 and mean market capitalization of 945.25, indicating moderate market expansion during the early reform era. The relatively low standard deviation suggests limited volatility, while the Jarque Bera probabilities greater than 0.05 imply normal distribution of the data. This indicates that initial reforms contributed to gradual market stability and improving investor participation. Table 2, reflecting the consolidation and post crisis reforms (2005–2010), reveals a significant increase in the mean ASI to 32,052.30 and market capitalization to 7,952.45, demonstrating stronger market growth and improved investor confidence during banking consolidation and regulatory restructuring. The higher dispersion values suggest increased trading activities and market responsiveness to reform policies. Furthermore, Table 3, which represents the Master Plan and CBN recapitalization reforms (2015–2025), records the highest average ASI of 44,657.43 and market capitalization of 40,210.73, indicating substantial expansion of the Nigerian capital market in the recent reform period. The positive skewness values and acceptable Jarque Bera probabilities confirm stable market behaviour without significant abnormality. Overall, the statistics across the three tables imply that successive capital market reforms were associated with progressive increases in market capitalization and improvements in investor confidence, suggesting that policy driven structural reforms contributed to enhanced market depth, growth, and investor

participation in Nigeria's capital market.

4.2. Inferential Statistics

Table 4: Regression under the liberalization and Modernization reforms (1999-2004)

Dependent Variable: ASI

Method: Least Squares

Date: 02/20/26 Time: 19:39

Sample: 1999 2004

Included observations: 6

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	3633.780	1267.415	2.867079	0.0456
MCAP_LIBMDRF_	10.34100	1.122633	9.211380	0.0008
R-squared	0.954980	Mean dependent var		13408.61
Adjusted R-squared	0.943725	S.D. dependent var		7155.790
S.E. of regression	1697.521	Akaike info criterion		17.97293
Sum squared resid	11526304	Schwarz criterion		17.90351
Log likelihood	-51.91878	Hannan-Quinn criter.		17.69506
F-statistic	84.84951	Durbin-Watson stat		1.901793
Prob(F-statistic)	0.000772			

Table 5: Regression under the Consolidation and Post-Crisis Reforms (2005-2010)

Dependent Variable: ASI

Method: Least Squares

Date: 02/20/26 Time: 19:45

Sample: 2005 2010

Included observations: 6

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	12493.43	11745.37	1.063690	0.3474
MCAP_LIBMDRF_	2.459478	1.359802	1.808704	0.1448
R-squared	0.449900	Mean dependent var		32052.30
Adjusted R-squared	0.312375	S.D. dependent var		13541.95
S.E. of regression	11229.41	Akaike info criterion		21.75166
Sum squared resid	5.04E+08	Schwarz criterion		21.68225
Log likelihood	-63.25499	Hannan-Quinn criter.		21.47379
F-statistic	3.271409	Durbin-Watson stat		0.750313
Prob(F-statistic)	0.144765			

Table 6: Regression under the Master-Plan and CBN Recapitalization Reforms (2015-2025)

Dependent Variable: ASI

Method: Least Squares

Date: 02/20/26 Time: 19:52

Sample: 2015 2025

Included observations: 11

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	13948.58	2671.935	5.220403	0.0005
MCAP_LIBMDRF_	0.763698	0.058862	12.97428	0.0000

Variable	Coefficient	Std. Error	t-Statistic	Prob.
R-squared	0.949248	Mean dependent var		44657.43
Adjusted R-squared	0.943609	S.D. dependent var		17315.18
S.E. of regression	4111.817	Akaike info criterion		19.64408
Sum squared resid	1.52E+08	Schwarz criterion		19.71643
Log likelihood	-106.0425	Hannan-Quinn criter.		19.59848
F-statistic	168.3318	Durbin-Watson stat		1.286297
Prob(F-statistic)	0.000000			

Source: Eviews 10

The regression results presented in Table 4, Table 5, and Table 6 explain the extent to which market capitalization under different capital market reform periods influenced investor confidence measured by the All Share Index in Nigeria. In Table 4, which covers the liberalization and modernization reforms (1999–2004), the coefficient of determination (R^2) of 0.954980 indicates that approximately 95.5 percent of the variation in investor confidence was explained by market capitalization during the reform period. The adjusted R^2 value of 0.943725 confirms strong explanatory power even after adjusting for degrees of freedom. The t statistic of 9.211380 for market capitalization shows that the variable exerted a statistically strong influence on investor confidence, while the F statistic of 84.84951 with a very low probability value demonstrates that the overall regression model is statistically significant. This implies that liberalization and modernization reforms substantially strengthened investor confidence through market expansion.

Similarly, Table 5, representing the consolidation and post crisis reforms (2005–2010), shows an R^2 value of 0.449900, indicating that about 45 percent of variations in investor confidence were explained by market capitalization during this period. The adjusted R^2 of 0.312375 reveals moderate explanatory ability after adjustment. The t statistic of 1.808704 suggests a weaker statistical influence of market capitalization on investor confidence compared with earlier reforms. In addition, the F statistic of 3.271409 with a relatively high probability value indicates that the model lacks strong overall statistical significance. This implies that although consolidation reforms expanded the market structure, their direct influence on investor confidence was relatively limited within the period examined.

Furthermore, Table 6, which captures the Master Plan and CBN recapitalization reforms (2015–2025), records an R^2 value of 0.949248, showing that about 94.9 percent of changes in investor confidence were explained by market capitalization in the recent reform era. The adjusted R^2 of 0.943609 further confirms the robustness of the model. The very high t statistic of 12.97428 indicates a strong and statistically significant effect of market capitalization on investor confidence, while the F statistic of 168.3318 demonstrates a highly significant overall regression relationship. This implies that the Master Plan and recapitalization reforms greatly enhanced investor confidence by deepening market capitalization and strengthening the performance of the Nigerian capital market. Overall, the results across the three tables suggest that capital market reforms played varying but generally positive roles in explaining movements in investor confidence over time.

4.3. Test of Hypotheses

The hypotheses of the study were tested using the t statistic values and probability values obtained from Table 4, Table 5, and Table 6, at a 5 percent level of significance. The decision rule states that the null hypothesis should be rejected where the probability value is less than 0.05 and accepted where the probability value is greater than 0.05.

For Hypothesis One (H_{01}), which states that market capitalization under the liberalization and modernization reforms (1999–2004) has no significant effect on investor confidence measured by the All Share Index in Nigeria, the result in Table 4 shows a t statistic value of 9.211380 with a probability value of 0.0008. Since the probability value is less than the 0.05 significance level and the t statistic is large and positive, the null hypothesis is rejected. This indicates that market capitalization during the liberalization and modernization reform period exerted a statistically significant positive effect on investor confidence in Nigeria.

For Hypothesis Two (H_{02}), which states that market capitalization under the consolidation and post crisis reforms (2005–2010) has no significant effect on investor confidence measured by the All Share Index in Nigeria, the regression result presented in Table 5 reports a t statistic value of 1.808704 with a probability value of 0.1448. Because the probability value exceeds the 0.05 level of significance, the null hypothesis is accepted. This implies that market capitalization under the consolidation and post crisis reforms did not significantly influence investor confidence within the period under review.

For Hypothesis Three (H_{03}), which states that market capitalization under the Master Plan and CBN recapitalization reforms (2015–2025) has no significant effect on investor confidence measured by the All Share Index in Nigeria, the result shown in Table 6 indicates a t statistic value of 12.97428 with a probability value of 0.0000. Since the probability value is far below

0.05 and the t statistic is strongly positive, the null hypothesis is rejected. This suggests that market capitalization during the Master Plan and CBN recapitalization reform period had a statistically significant positive effect on investor confidence in Nigeria.

Overall, the hypothesis testing results imply that capital market reforms significantly enhanced investor confidence during the liberalization and modernization reforms as well as the Master Plan and recapitalization reform era, while the consolidation and post crisis reforms did not produce a statistically significant impact within the study period.

5.0 DISCUSSION

The findings of this study reveal that market capitalization under the liberalization and modernization reforms (1999–2004) exerted a positive and statistically significant effect on investor confidence in Nigeria. The regression coefficient of 10.34100 indicates that increases in market capitalization during the reform period led to substantial improvements in the All Share Index, suggesting that early capital market reforms strengthened investor participation and enhanced market credibility. The positive and significant relationship implies that policy measures such as deregulation, privatization programmes, and modernization of trading systems contributed to improved investor perception of market efficiency. This finding aligns with the position of Eugene F. Fama whose Efficient Market Hypothesis suggests that reforms which improve information flow and market structure enhance price efficiency and investor confidence. Empirically, the result supports the findings of Adjasi and Yartey (2007) and Bekaert et al. (2005), who observed that financial liberalization reforms increase market depth and stimulate investor confidence through improved transparency and accessibility of financial markets.

The result further shows that market capitalization under the consolidation and post crisis reforms

(2005–2010) produced a positive but statistically insignificant effect on investor confidence, with a coefficient value of 2.459478. Although the positive coefficient suggests that expansion in market capitalization moved investor confidence in a favourable direction, the lack of statistical significance implies that the reform outcomes were insufficient to strongly influence market sentiment during the period. This indicates that structural adjustments alone may not immediately translate into investor trust despite expansion in market size. The finding corresponds with the behavioural finance perspective advanced by Daniel Kahneman, which explains that investor decisions are influenced not only by market fundamentals but also by psychological expectations and market uncertainty. Okpara (2020) similarly found that financial system reforms may produce delayed confidence responses where investors remain sensitive to market instability.

The study also reveals that market capitalization under the Master Plan and CBN recapitalization reforms (2015–2025) had a positive and statistically significant influence on investor confidence, with a coefficient value of 0.763698. The positive and significant coefficient implies that recent reform initiatives strengthened market stability, improved institutional efficiency, and enhanced investor optimism in the Nigerian capital market. This suggests that comprehensive reform strategies combining regulatory strengthening, technological modernization, and capitalization requirements contributed to sustained growth in market performance indicators. The outcome supports institutional theory advanced by John W. Meyer, which posits that well structured institutional reforms enhance legitimacy, promote compliance, and strengthen stakeholder confidence in organizational systems. Empirically, the finding agrees with Eke and Nasiru (2022) and reports from the Securities and Exchange Commission Nigeria (2022), which indicated that implementation of the Capital Market Master Plan im-

proved market liquidity, governance standards, and investor participation in Nigeria.

6.0 CONCLUSION AND RECOMMENDATIONS

6.1 Conclusion

Based on the empirical findings, the study concludes that capital market reforms play an important role in shaping investor confidence in Nigeria, but their effectiveness depends on the nature, scope, and credibility of implementation. The liberalization and modernization reforms significantly improved investor confidence by expanding market access, improving trading systems, and enhancing transparency. Similarly, the Master Plan and Central Bank of Nigeria recapitalization reforms significantly strengthened investor confidence through institutional strengthening, digital innovation, improved governance standards, and increased capital base of financial institutions. However, the consolidation and post crisis reforms, although structurally important for financial stability, did not exert a statistically significant direct influence on investor confidence within the period examined. This suggests that investor confidence is not influenced solely by structural expansion in market capitalization, but also by broader macroeconomic stability, policy consistency, and investor perception of regulatory credibility. Overall, sustained and well coordinated reforms that combine institutional strengthening, technological modernization, and effective regulatory enforcement are essential for maintaining long term investor confidence in Nigeria's capital market.

6.2 Recommendations

1. Regulatory authorities such as the Securities and Exchange Commission Nigeria should strengthen enforcement mechanisms and ensure consistent implementation of reform policies to maintain

credibility and investor trust.

2. The Central Bank of Nigeria should continue re-capitalization and financial stability policies that enhance institutional resilience and reduce systemic risk within the capital market.
3. The Nigerian Exchange Group should deepen technological innovation, expand digital trading platforms, and promote product diversification to increase market participation and liquidity.

CONFLICT OF INTERESTS

The author has no conflicts of interest to declare
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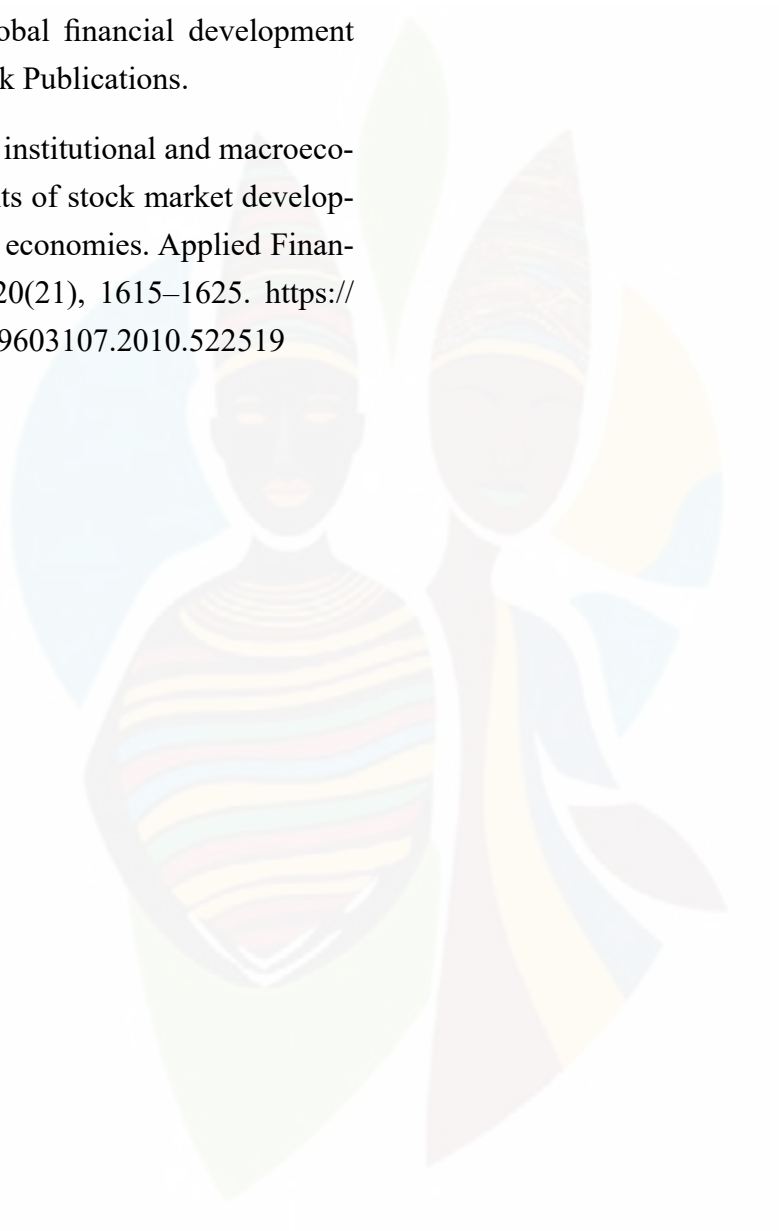
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