



**NATIONAL OPEN UNIVERSITY OF NIGERIA**

**SCHOOL OF ARTS AND SOCIAL SCIENCES**

**COURSE CODE: MAC 321**

**COURSE TITLE: ECONOMICS OF MASS NEWS REPORTING**

# **COURSE GUIDE**

## **MAC 321 ECONOMICS OF MASS NEWS REPORTING**

### **COURSE TEAM**

Mrs. Grace Ojekwe Course Developer (**NOUN**)

### **COURSE WRITER**

Mrs. Grace Ojekwe  
School of Arts and Social Sciences National  
Open University of Nigeria, Victoria Island,  
Lagos. geendukwe@yahoo.com

### **EDITOR**

### **HEAD OF UNIT**

Jonathan E. Aliede, Ph.D.  
School of Arts and Social Sciences National Open  
University of Nigeria, Victoria Island, Lagos



**NATIONAL OPEN UNIVERSITY OF NIGERIA**

Headquarters  
14/16 Ahmadu Bello Way  
Victoria Island  
Lagos  
Abuja Office  
No. 5 Dar es Salaam Street  
Off Aminu Kano Crescent  
Wuse II, Abuja  
Nigeria  
e-mail: [centralinfo@nou.edu.ng](mailto:centralinfo@nou.edu.ng)  
URL: [www.nou.edu.ng](http://www.nou.edu.ng)  
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## Introduction

**MAC321 ECONOMICS OF MASS NEWS REPORTING** is a two-credit unit course with 20 study units. It is designed to train you to become professionals in the business and economic beat

of media reports. The course examines, the meaning of economic reporting, types of economic reports, establishing good journalistic practices. The course also examines the capital market, money markets, the Nigerian Financial System and its various functions. In order to fully understand this course, it is advised that you keep in touch with economic stories both in traditional media and the new media.

This Course Guide is for distance learners enrolled in the B.A. Mass Communication programme of the National Open University of Nigeria. It provides you with the necessary information about the contents, process, and materials needed for the mastery of the subject matter of this course. This Course Guide also specifies the amount of time you are required to spend on each unit and guides you on how to about your tutor-marked assignments (TMAs). You are advised to attend the tutorial classes to discuss your difficulties with your facilitators. I strongly recommend that you go through this Course Guide and complete the feedback form at the end before you begin your study of the course. The feedback form must be submitted to your facilitator alongside your first assignment. Although this Course Guide provides answers to some questions, which you may come across in this course; however, do not hesitate to contact your study centre if you have further questions. It is my honest expectation that at the end of this course, you will have been familiar with the basics of economic/business reporting.

### **What You Will Learn In This Course**

This is meant to expose you to the basics of specialized reporting with emphasizes on the economic/business beat. It is designed to train you to become seasoned professionals in reporting economic news stories. This course will give you insight into the Nigerian Financial System and its various markets. It expected that you will be familiar with basic journalistic practices such as qualities of being an economic reporter. This course will also expose you to the rudiments of writing an effective economic story, different forms of business and the functions of the Nigerian Stock Exchange as well as the Securities and Exchange Commission of Nigeria.

### **Course Aims**

The primary aim of this course is to educate you on the skills of an economic reporter and how to acquire these skills as well as introduce you to the basics of writing economic news stories. It

also aims at keeping you exposed to the codes of ethics of the journalism profession and also the different types of markets that exist in Nigeria.

### **Course Objectives**

At the end of this course, you should:

- Define economic/business reporting
- Understand the basics of economic reporting
- Understand the nature of economic reports
- Identify the qualities of an economic reporter
- Know how to write an economic story/report
- Distinguish the bad economic reporter from the good one
- Know the basic skills of the economic/business reporter
- Know factors to be aware of while writing an economic news story
- List and explain different types of economic stories
- List explain several business types
- Be familiar with the Nigerian economy both past and present
- Know how the country has grown over the years
- Have full knowledge of the business/economic reporting environment of Nigeria
- Identify the reasons behind the growth of economic reporting in the world and especially Africa.
- Identify where to find business news in Nigeria
- Identify where to get finance news in Nigeria

### **Working through This Course**

To make the most out of this course, you are expected to read the study units and other materials provided by NOUN. Each unit contains self assessment exercise (SAE). At certain points in the module, you are required to carry out the assignments, which will be marked by assessors appointed by the University. Remember, all components of this course contribute to your all-

round success. So, take your time to read and study the Study Units very well to successfully derive the best from the course. It is also advised that you make concerted efforts towards locating the recommended texts listed hereunder and READ them. This course material will never take the place of those recommended further readings. They will help equip you for an all round experience and exposure in the exciting world of news writing and reporting.

## **Course Materials**

The major materials you will need for this course are listed below.

1. Course Guide
2. Study units that have been broken down to 32
3. Self-Assessment Exercise (SAE) file
4. Tutor-Marked Assignments (TMAs) file
5. Relevant textbooks including the ones listed under each unit
6. Copies of newspapers and newsmagazines
7. Broadcast news extracts or copies.

In addition to the material listed above, you are advised to read through this Course Guide to familiarise yourself with the structure of the course; the Study Units as well as attempt all SAEs and TMAs. You are also expected to consult most of the recommended resource materials for further reading. Each unit contains SAEs, and at points in the course, you are required to submit assignments for assessment purposes. At the end of the course, there is a final examination. The course should take you about 64 hours to complete. You have to draw up your own timetable and allocate time to complete each Study Unit in order to complete the course successfully and on time. All the components of the course are listed and explained below:

## **Study Units**

This course is structured in a **five-module** compact with 20 units thus.

### Module 1

Unit 1      Meaning of Economic/business journalism

- Unit 2 Qualities of an Economic Reporter
- Unit 3 Writing an Effective Business News Article
- Unit 4 Types of Economic/Business Reports
- Unit 5 Establishing good journalistic Practices

## Module 2

- Unit 1: Evolution of Business Journalism
- Unit 2: The Nigerian Economy
- Unit 3: Establishing Sources of Information
- Unit 4: Users/Consumers of Business and Economic Information
- Unit 5: Reasons for the Growth of Economic Reporting

## Module 3

- Unit 1 The Role of the Capital Market in the National Economy
- Unit 2 The Primary Market
- Unit 3 The Secondary Market
- Unit 4 The Money Market and Its Institutions
- Unit 5 Problems Facing the Capital Market in Nigeria

## Module 4

- Unit 1 The Stock Exchange
- Unit 2 The Nigerian Stock Exchange
- Unit 3 Securities Transaction on the NSE
- Unit 4 Securities and Exchange Commission



## Unit 5 The Nigerian Financial System

### **Textbooks and References**

Boskin, M. J. (2008). Consumer Price Indexes. *The Concise Encyclopedia of Economics* .

Deahl, R. (n.d.). *mediacareers.about.com*. Retrieved February 2015, from media careers:  
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### **Assignment File**

An assessment file and a marking scheme will be made available to you. In the assessment file, you will find details of the assignments you need to do and submit to your assigned tutor for grading. The assessment for this course is divided into two namely: TMAs and the written examination. Both of them will total 100% at the end of the course. The assignments should be submitted to your tutor for formal assessment in accordance with the lifelines stated in the presentation schedule and the assessment file. The work you submit to your tutor for assessment will count for 30% of your total score while the written examination will account for the remaining 70%.

### **Tutor-Marked Assignments (TMAs)**

You will have to submit about 30 TMAs. This means one TMA for each of the units of the entire course. You are required to attempt all the questions, and you will be assessed on all of them but the best six performances from the (TMAs) will be used for your 30% grading. This means each will constitute about 5% or returned to 5% after grading. When you have completed each assignment, send it alongside your tutor-marked assignment form to your tutor. Make sure each assignment reaches your tutor on or before the lifeline for submissions. If for any reason, you cannot complete your work on time, contact your tutor with a valid explanation on why you need an extension. Failure to do this may result in unpleasant and avoidable situations.

## Final Examination and Grading

Since this is a two-unit course, the final examination will be a test of two hours. All areas of the course will be examined. In your own interest, read the entire units all over again before your written examination. As earlier mentioned, the final examination will attract 70% of the total course grade. This should not be taken for granted. The examination will consist of questions, which reflects the kinds of SAEs and TMAs you have previously dealt with in the course.

## Course Marking Scheme

The following table lays out how the actual course mark allocation is broken down.

S/N	ASSESSMENT	MARKS
1.	The best in Module one (TMA)	7.5%
2.	The best in Module two (TMA)	7.5%
3.	The best in Module three (TMA)	7.5%
4.	The best in Module four (TMA)	7.5%
5.	Total for TMAs	30%
6.	Final Written Examination	70%
7.	Overall Total	100%

## Course Overview and Presentation Schedule

Unit	Title of Work	Week's Activity	Assessment (end of Unit)
Module 1			
1	Meaning of Economic/business journalism	Week 1	Assessment 1
2	Qualities of an Economic Reporter	Week 2	Assessment 2
3	Writing an Effective Business News Article	Week 3	Assessment 3

4	Types of Economic/Business Reports	Week 4	Assessment 4
5	Establishing good journalistic Practices	Week 5	Assessment 5
Module 2			
1	Evolution of Business Journalism	Week 6	Assessment 6
2	The Nigerian Economy	Week 7	Assessment 7
3	Establishing Sources of Information	Week 8	Assessment 8
4	Users/Consumers of Business and Economic Information	Week 9	Assessment 9
15	Reasons for the Growth of Economic Reporting	Week 10	Assessment 10
Module 3			
1	The Role of the Capital Market in the National Economy	Week 11	Assessment 11
2	The Primary Market	Week 12	Assessment 12
3	The Secondary Market	Week 13	Assessment 13
4	The Money Market and Its Institutions	Week 14	Assessment 14
5	Problems Facing the Capital Market in Nigeria	Week 15	Assessment 15
Module 4			
1	The Stock Exchange	Week 16	Assessment 16
2	The Nigerian Stock Exchange	Week 17	Assessment 17
3	Securities Transaction on the NSE	Week 18	Assessment 18
4	Securities and Exchange Commission	Week 19	Assessment 19
5	The Nigerian Financial System	Week 20	Assessment 20

### **How to Get the Most from This Course**

The Open University system is a unique system whereby the study units replace the traditional university lectures. You will therefore be required to study the units on your own. However, you may arrange to meet with your assigned tutor for tutorials on an optional basis at the study centre. You can also locate like-minded course mates and have interactive sessions with them. You will have assignments at the end of every Module and Units. This is not different from the

traditional university system where a Lecturer might give you some reading to do. The study units will guide you on where to read as well as text materials or recommended books required. You have been given enough in this course so none of you will any excuse not to do well in this course. Each of the study units follows a common format. The first item is an introduction to the subject matter of the unit, and how the unit is integrated with other units and the course as a whole. Next to this is a set of learning objectives. These objectives will help you assess your comprehensive of the unit per time. They are also meant to guide your study to give you an all round learning experience. The main body of the unit guides you through the required reading from other sources. This will usually be either from your recommended books or from a particular reading section. In summary, this structure is designed to bring out the best in a distance learner. However, you may still want to interact with a tutor over controversial, confusing or any other topic or issue you are finding it difficult to comprehend yourself. NOUN has made adequate arrangement to see that this is resolved in the interest of the student. This is why you must visit your study centre.

### **Facilitators/Tutors and Tutorials**

Information relating to your tutor and the appropriate time for the tutorials will be provided at your study centre. Your tutor will mark and comment on your assignments, keep a close academic watch on your progress as well as assist you resolve any difficulties you might encounter from time to time. You must therefore take your TMAs to the study centre well before the due date (at least two working days before the expiration of the lifeline). The TMAs will be marked by your tutor and returned to you as soon as possible.

In the NOUN guidelines, you are expected to contact your tutor if you need help over the following issues:

1. You do not understand any part of the study units or the assigned readings.
2. You have difficulty with the exercises and assignments.

3. You have a question or a problem with your tutor's comments on an assignment or with the grading of an assignment.
  
4. You have a question or problem with any part of the course which you think has not been adequately discussed in this Course Guide.

At NOUN, it is also expected (in your own interest) that you make concerted efforts to attend tutorials. This is the only chance to have face-to-face contact with your tutor and ask pending and pertinent questions which are answered immediately. You can raise any problem encountered in the course of your study during the tutorial sessions. To gain the maximum benefit from the course tutorials, it is advised you prepare a question list before attending them. You will learn a lot from being an active participant in the discussions at the study centre or during tutorial sessions.

### **Summary**

MAC321 is designed to introduce you to the basic concepts of economic/business reporting. At the end of this course, you should be familiar with basic skills of writing economic stories. You will also understand the Nigerian Financial System and its various markets.

Good Luck!

**MAIN WORK**

**MAC 321 ECONOMICS OF MASS NEWS REPORTING**

**COURSE TEAM**

Mrs. Grace Ojekwe Course Developer (**NOUN**)

**COURSE WRITER**

Mrs. Grace Ojekwe  
School of Arts and Social Sciences National  
Open University of Nigeria, Victoria Island,  
Lagos. geendukwe@yahoo.com

**EDITOR**

**HEAD OF UNIT**

Jonathan E. Aliede, Ph.D.  
School of Arts and Social Sciences National Open  
University of Nigeria, Victoria Island, Lagos



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## **Module 1**

- Unit 1      Meaning of Economic/business journalism
- Unit 2      Qualities of an Economic Reporter
- Unit 3      Writing an Effective Business News Article
- Unit 4      Types of Economic/Business Reports
- Unit 5      Establishing good journalistic Practices

## **Unit 1**

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
  - 3.1 Definition of Economic/Business Journalism
  - 3.2 Nature of Economic reports
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Reading

### **1.0 Introduction**

In large media organizations, Journalists are assigned to specific areas to report on which are called beats. This aims at getting these reporters to become proficient in those specialized areas by getting to know specific territories and people who make up these beats and also learn specialized vocabulary associated with their field. Specialized reporters are expected to stay on top of the news in their areas of specialty by covering every area that comes up in their beats. These areas could be; arts, culture, politics, science, environment and also the economy.

Economic Reporting is also known as business reporting

### **2.0 Objectives**

At the end of this unit, you should be able to:

- Define economic/business reporting
- Understand the basics of economic reporting
- Understand the nature of economic reports

### **3.0 Main Content**

#### **3.1 Definition of Economic/business reporting**

According to Egbochukwu in 1996, publications that are dedicated to the reporting of economic, business and financial issues are known as business or financial publications. He further states that economic reporting birthed specialization in the media industry.

The Wikipedia defines business journalism as the branch of journalism that tracks, records, analyzes and interprets the economic changes that take place in a society. It could include anything from personal finance, to business at the local market and shopping malls, to the performance of well-known and not-so-well-known companies. It further states that this form of journalism covers news and features articles about people, places and issues related to the field of business. Most newspapers, magazines, radio, and television news shows carry a business segment. However, detailed and in depth business journalism can be found in publications, radio, and television channels dedicated specifically to business and financial journalism.

Journalists who work in this branch class as "business journalists". Their main purpose is gathering information about current events in the economic life of the country. They may also cover processes, trends, consequences, and important people, in business and disseminate their work through all types of mass media (Wikipedia). Keith Hayes (2013) states that there are three main branches of business journalism; business, economic and financial. A business journalist reports detailed and in-depth business news disseminated through all types of mass media, including print and digital publications and radio and television channels, and dedicated specifically to business and finance events, trends, data, socioeconomic consequences, and profiles of major players.

#### **3.2 Nature of Economic Reports**

Wikipedia defines the economy as consisting of the production, distribution or trade, and consumption of limited goods and services by different agents in a given geographical location. The economic agents can be individuals, businesses, organizations, or governments. The economy is one of the most key foundations on which any society relies on which is why

a lot of people are interested in economic news. Economic reports focuses majorly on economic, financial and business matters.

In writing Economic reports a business journalist must exercise caution while practicing basic skills because a slight mistake can have a negative impact on the readers.

According to Kariithi in the Nieman reports (2002), stories about the national economy dominate economics and business reporting in most African countries. For many journalists, reporting such stories involves reviewing very technical policy documents, contacting tightlipped government sources, poring through dated government data, or visiting government projects. Where government authority is heavy-handed, the economics beat unravels slowly and in predictable, boring strands. Lately, representatives of the World Bank and the IMF have become important alternative news sources in some countries, even though they are often just as inaccessible. Those who report on economics also rely heavily on tracking the actions and speeches of senior government officials.

### **Self Assessment Exercise**

Economic reporting is a specialized form of reporting. Discuss

### **4.0 Conclusion**

In large media organizations, reporters do not just write on general topics, instead they write specialized reports. Economic and business journalism has become trending part of the media today especially in Africa and has become an area of interest to people who want information about their national economy; it now dominates newspaper headlines and Radio/TV stories.

### **5.0 Summary**

This unit focused on the meaning of economic/business journalism and talked about what an economy means. IT also dwelled on the nature of economic reports.

## 6.0 Tutor -Marked Assignment

1. Why is it important for journalists to have adequate knowledge of the beats they have been assigned to?
2. What is the main responsibility of the business journalist?
3. What is the difference between business journalism and economic reporting?

## 7.0 References/Further Reading

Deahl, R. (n.d.). *medicareers.about.com*. Retrieved February 2015, from media careers: <http://mediacareers.about.com/od/glossary/g/HardNews.htm>

EGbochukwu, S. (February- March 1996). History of Financial Journalism. *Business Concord* .

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Roush, C. (2011). Reading economic data releases from the government. *Journalist's Resource: Research on today's news topics* .

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## **Unit 2      Qualities of an Economic Reporter**

### **Contents**

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main content
- 3.1 Qualities of the Economic Reporter
- 3.2 How to write an economic story
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Reading

### **1.0 Introduction**

Economic reporters are specialized reporters versed in writing economic stories. They inform the public about current trends and happenings regarding economics in the society either through broadcast, print or new media. An economic reporter who reports unbiased and accurate news wins the heart of both the audience and his/her organization.

The importance of the economic reporter cannot be over emphasized because the audience relies so much on him/her to provide them with adequate information about the economy. This is why there are certain qualities he/she should have in order to report effectively.

### **2.0 Objectives**

At the end of this unit, you should be able to:

- Identify the qualities of an economic reporter
- Know how to write an economic story/report
- Distinguish the bad economic reporter from the good one

### 3.0 Main Content

#### 3.1 Qualities of the Economic Reporter

The economic reporter plays an important role in the society which is why he/she should possess some qualities to write standard economic stories. These qualities are discussed below:

- **An economic reporter must be completely accurate:** because of the sensitive nature of most economic stories, reporters in this field have to make sure they report accurately. He/she must be precise while gathering information and writing stories and must have adequate understanding of the complex nature of reporting on the economy.
- **The economic reporter must be impartial:** this means that the reporter must be fair while reporting. His/her stories must be fair; it must capture all sides of the story while reporting. Contrary to this, the audience loses faith in these reports and also the media organization.
- **An Economic Reporter should have nose for news:** it is the reporter who informs the general public on happening around them. Whatever he/she reports affects these people either positively or negatively. He/she should have a flair for digging up information and reporting on issues that affect the masses.
- **She/he should be sociable:** this attribute allows the economic to be able to mix with sources in order to get adequate information. He should be able to make and sustain contacts.
- **The business journalist should be able to predict:** According to GregIP in 2010, next to what has happened to the economy the next most important job of economics reporting is to predict what happens next.
- **The Economic reporter must be highly analytical:** he/ she should be able to read and understand developments in the economy and also interpret them according to its relevance to the society. This means that the reporter should analyze stories that are concerned to the society he/she is reporting from.

- **An Economic reporter must answer the 5 Ws and H:** a good economic reporter should be able to answer the 5Ws and H which are; who, what, why, when, where and how. If it fails to answer these then the report cannot be seen as valid.
- **She/he should write with real life examples:** according to Chris Roush (2011) Writing about the economy has to involve numbers, but it doesn't have to be deadly dull. While the numbers are the story, a good economic journalist uses real-life examples to make those numbers come alive. Find people that are experiencing the trend that the numbers are showing, and you will do your readers a service.
- **The economic reporter must research:** research is very important in economic reporting. Because, information gotten from sources have to be verified. He/she must research thoroughly so that he/she can gain adequate understanding of the subject matter.

### 3.2 How to Write an Economic Story

In reporting, there is no specific rule to writing news stories. This is because every story is written from a different perspective. However, there are general guidelines to follow while writing a news story.

The first thing to do while writing an economic/business story is to identify the audience whom you are writing for. This creates a scope for the writing. It helps the reporter to stick to a perspective and know what information is relevant to the reader so that he/she does not end up writing stories that the readers may not understand or need. According to Keith Hayes (2013), the watchword for writing a news story is “keep it simple or KISS (Keep it Simple, Stupid). Use words that the public will understand, not those that will impress the boss. Discuss story angles with colleagues. For example, what is the impact of a worker's strike? Will trigger unemployment? What does that mean to the local economy? While writing, the reporter must remember that he/she has a limit to the number of words that can be used in the story. That is, while writing for different mediums e.g. Television, Radio, Newspaper e.t.c.



Secondly, the reporter must establish a lead. This lead must be catchy in order to grab the attention of the target audience at the first glance and the lead should not be lengthy. Take for example; *“The naira plunges over the dollar”*. Once the lead has been generated, he/she should choose the key facts that better explain the lead chosen. You must use words that are simple and clear. He/she should avoid using ambiguous words that will end up confusing the reader.

Finally, you must edit, edit, edit. The trick on achieving this is to write instead of reading while writing. People tend to read out loud while writing which makes them skip some words in error. He/she should take himself/herself from the work and read like an outsider. After editing yourself, it is best to also give a colleague or supervisor to also read through on your behalf.

#### **4.0 Conclusion**

The basic responsibility of the economic reporter is to report economic developments and trends accurately and adequately. A good economic reporter is a positive feature to any media organization and of great importance to the general public. According to Sid Bedingfield, President, Fault Line Productions (cited in Mencher, 2010), “Reporting is the essential ingredient in good journalism. Everything else is dressing...The reporter is the engine that drives the newspaper, the contributor who makes the newscast worthwhile.

The economic reporter must write stories that appeal to the general public. The lead must be catchy and the writing language simple, clear and concise.

#### **5.0 Summary**

This unit dealt with the qualities on an economic reporter and how to write an economic story. It highlighted several qualities a economic reporter should have in order to be called a “good reporter”.

## 6.0 Tutor-Marked Assignment

1. In order to be seen, as a good reporter one must have certain qualities, what are they?
2. What language should be adopted while writing an economic news story
3. What is the essence of considering the audience before writing a news story?

## 7.0 References

Deahl, R. (n.d.). *medicareers.about.com*. Retrieved February 2015, from media careers:  
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## **Unit 3**

## **Writing an Effective Economic/Business News Story**

### **Contents**

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
  - 3.1 Writing an Effective Economic/Business News Story
  - 3.2 Factors to Note When Writing an Economic Story
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Reading

### **1.0 Introduction**

Around the world, journalist reporting on business and the economy continue to strive to be heard even in unfriendly terrain. This they do by telling the audience what they exactly want to know which is news about what is happening to their economy exactly. To achieve this, the economic reporter must exercise caution while practicing essential journalistic skills because any error on the part of the reporter can be catastrophic both for the media organization and the audience.

Hayes (2013) states that the practice of good basic journalism is of huge importance to the business journalist. He goes further to say that in undertaking the role of a business reporter, it is wise to live by the code of basic skills employed in every major newsroom in the world.

### **2.0 Objectives**

At the end of this unit, you should be able to:

- Know the basic skills of the economic/business reporter
- Know factors to be aware of while writing an economic news story

### 3.0 Main Content

#### 3.1 Writing an Effective Economic/Business News Story

Economic reporters should strive at all times to practice good journalism in order to arrive at a fair report. To do this, there are basic skills employed around the world that should be imbibed by the reporter which would make his/her stories have a greater impact on the audience. These skills are:

- **He/she must be unbiased:** economic stories must be factual and correct and balanced. The most important thing the audience wants to know is what is happening in the economy they live or work in. They do not want to know the reporter's opinion to any subject matter so the reporter should keep his or her opinions to himself/herself. It is best to leave the audience to decide which side they want to take.
- **Write Catchy leads:** Cubreporters.org states that leads are like first impressions; you want to make sure they are good. Appstate.edu also defines a lead as the beginning of a news story. Its purpose is to grab the reader's attention. It should contain one idea and follow the subject-verb-object sentence structure for clarity. The leads sell the story, so the economic reporter must strive to attract the attention of the audience to his/her story at first glance.
- **She/he must keep good records:** the economic reporter must be good at keep records of information gotten from sources on daily basis. It could be through voice recorders, phone recorders, pictures, notepads etc.
- **An Economic reporter must be good at illustrating numbers:** writing stories on the economy requires good knowledge of mathematics and statistics. However, according to Greg Ip (2010) "economic reporters' documents the economy with numbers but numbers are dry. The best economic reporting puts names on the numbers". A good economic reporter should be able to exemplify those numbers so as to be easily understood by the general audience.
- **She/he should be prompt at spotting new trends:** economic reporters should be able to spot a trend in the economy or economic data before other reporters do. This keeps his/her stories fresh.

### 3.2 Factors to Note When Writing an Economic Story

According to Potter (2008), “Reporters covering business and economics have to make their stories accessible to a general audience. They must understand economic concepts and terms and be able to define or restate them in plain language. This is good practice even for reporters working for specialized publications or broadcasts, whose audience might be expected to be familiar with the terms”. In fact, in economic reporting language simplicity is the key to a good news report.

Keith Hayes (2013) states the following as factors to note while writing an economic story;

- **Wherever possible, us the active voice.** “The cat chased the mouse” is more dynamic than “The mouse was chased by the cat”.
- **Avoid using jargon and other technical language, especially when writing about complicated subjects.** For Example, IMF is International Monetary Fund and WTO is World Trade Organization – so say so, at least when the terms are first used. You know what the acronym stands for, but your reader might not know or at the very least has to think about it, thus interrupting reading flow.
- **Spell it out.** Some newspapers and magazines include in their style guide a descriptive word or phrase for companies to make sure that there is no mistake. For example, use the phrases “automobile manufacturer Ford Motors ”or“ Insurance Company Aviva This is not a bad habit to get into, no matter what your own style guide might suggest.
- **Consider avoiding emotive words, especially if they are flagged by your style guide.** For instance, Reuters tries to avoid the word terrorist, preferring guerilla instead on the grounds that one man’s terrorist is another’s freedom fighter. Don’t carry your quest for neutral words to silly extremes, but do think about the emotive side of journalism and whether you are intimating some bias by an ill-chosen use of vocabulary.

#### Self-Assessment Exercise

Identify five basic skills of an economic reporter.

#### **4.0 Conclusion**

In order to excel as an economic reporter, there are certain skills to have. Writing any report/story without any of these skills will result into a poorly written story which may be unacceptable to the audience and to journalistic standards. Also, while writing an economic report, a reporter must note certain factors which serve as a guide to good writing.

#### **5.0 Summary**

This unit focused on the basic skills any economic reporter should have. It also highlighted certain factors an economic should note while writing an economic news story.

#### **6.0 Tutor-Marked Assignment**

1. According to Keith Hayes (2013) there are certain factors to note while writing an economic news story. Explain three of them
2. Identify five basic skills of an economic reporter.

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## **Unit 4                   Types of Economic /Business Reports**

### **Contents**

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main content
  - 3.1 Types of Economic/business reports
  - 3.2 Types of business
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Reading

### **1.0 Introduction**

Economic reporting is no different from other forms of reporting so its stories depend on the subject being covered and the tone of the article. According to classzone.com; reporters, editors, and news directors don't report every type of news story in the same way. Viewers and readers receive different information based on the type of news the story is. The type of news also affects when and where viewers and readers receive it.

There are various writing formats to choose from; hard or soft news, news feature, soft feature, profiles, analysis profits amongst others.

### **2.0 Objectives**

At the end of this unit, you should be able to:

- List and explain different types of economic stories
- List explain several business types

### **3.0 Main Content**

#### **3.1 Types of Economic/Business Reports**



### **3.1.1 Hard News**

According to Rachel Deahl, hard news is the kind of fast-paced news that usually appears on the front page of newspapers. Stories that fall under the umbrella of hard news often deal with topics like business, politics and international news. However, most economic stories are placed on the inside pages in sections called Business or economic pages.

This kind of news is a kind that is of importance to a majority of people. They include; budget news, news on the value of the naira, crash in stock market prices, new investors etc.

### **3.1.2 Features**

These are stories that combine both facts and opinion while focusing on human interest. Economic feature stories usually have strong leads that grab the attention of the reader and keeps them glued but more often than not do not carry news content of major importance.

Feature stories can be on trends, people, policies, prices etc. The Business day newspaper often times publishes a feature about broad issues.

### **3.1.3 News Features**

Business news features are typically feature stories with elements of news in them. Tony Rogers a journalism expert defines news features as a kind of feature story that focuses on a hard-news topic. News features combine a featurey writing style with hard-news reporting.

According to Wikipedia, It is quite possible to write a feature in the style of a news story, for instance. Nevertheless, features do tend to take a more narrative approach, perhaps using opening paragraphs as scene-setting narrative hooks instead of the delivery of the most important facts.

### **3.1.4 In-Depth Report**

This is a more thoroughly researched story that better explain a complicated economic issue. This means that reporter is expected to describe the relevance of an event, provide background information and discuss its implications. In-depth reports are usually much longer pieces.

### **3.1.5 Commentaries**

Commentaries are expressions of opinions or when a journalist offers explanations about an event from his own point of view. The idea here is for the journalist to convince the reader to see things from the media organization's point of view. He/she does this by arguing the pros and cons of a particular issue and also supports it with facts.

### **3.1.6 Question and Answer Format**

This format is used when the reporter wants to directly capture the words said by an interviewee especially during an interesting or unusual interview. Here, the journalist simply states the question asked and the exact answer given by the interviewee.

### **3.1.7 Consumer Stories**

These are stories that deal with events or ideas that affect readers as buyers of goods and services from the market place. These stories most times bring to the fore practices that are detrimental to the consumer.

## **3.2 Types of Business**

Business is an economic activity which relates to continuous buying, selling and production of goods and services. Different scholars have attempted to define business in different ways. Let us take a look at a few of them:

Business According to Prof. R. N. Owens "Business is an enterprise engaged in the production and distribution of goods for sale in a market or rendering of services for a price".

Business According to L.R. Dicksee "Business is a form of activity pursued primarily with the object of earning profits for the benefit of those on whose behalf the activity is conducted".

Business According to Urwick and Hunt "Business is any enterprise which makes, distributes or provides any article or service which other members of the community need and are willing to pay for"

Business According to Haney "Business may be defined as human activity directed towards producing or acquiring wealth through buying and selling of goods"

According to Canada Business Network, There are four types of business structures: sole proprietorships, partnerships, corporations and co-operative.

### **A. The Sole Proprietorship**

Alison Job (2013) defines sole proprietorship as the man-in-a-van type of occupation such as a plumber or electrician. However, the term can also apply to people who run small, web-based businesses from home. According to her, this is the simplest and the most common type of business out there. The sole proprietor is responsible for everything the business does. You trade under your own name, with no separation of assets and liabilities. This means that you'll be held personally liable for any debts that the business incurs.

#### **Advantages:**

- Easy and inexpensive to form a sole proprietorship (you will only need to register your business name provincially, except in Newfoundland and Labrador)
- Relatively low cost to start your business
- Lowest amount of regulatory burden
- Direct control of decision making
- Minimal working capital required to start-up
- Tax advantages if your business is not doing well, for example, deducting your losses from your personal income, lower tax bracket when profits are low, and so on
- All profits will go to you directly

#### **Disadvantages:**

- Unlimited liability (if you have business debts, personal assets would be used to pay off the debt)
- Income would be taxable at your personal rate and, if your business is profitable, this may put you in a higher tax bracket
- Lack of continuity for your business, if you need to be absent
- Difficulty raising capital on your own

## **B. Partnership**

According to Jobs (2013), Partnerships are typically found in professional services such as accountants, lawyers, doctors, dentists etc, where the partners can share expertise and skills. They can also share the workload, organizing work rotas to allow for time off and holidays. Partnerships comprise two or more people and any profits, debts and decisions related to the business are shared.

According to Canada Business Network, when establishing a partnership, you should have a partnership agreement drawn up with the assistance of a lawyer, to ensure that:

- You are protecting your interests
- That you have clearly established the terms of the partnership with regards to issues like profit sharing, dissolving the partnership, and more
- That you meet the legal requirements for a limited partnership (if applicable)

### **Advantages:**

- Easy to start up a partnership
- Start-up costs would be shared equally with you and your partner
- Equal share in the management, profits and assets
- Tax advantage, if income from the partnership is low or loses money (you and your partner include your share of the partnership in your individual tax return)

### **Disadvantages:**

- Similar to sole proprietorship, as there is no legal difference between you and your business
- Unlimited liability (if you have business debts, personal assets would be used to pay off the debt)
- Hard to find a suitable partner

- Possible development of conflict between you and your partner
- You are held financially responsible for business decisions made by your partner (for example, contracts that are broken)

### **C. The Corporation**

Aworo (2001) defines a corporation as an artificial being, invisible, intangible and existing only in contemplation of law. The corporation has the right to acquire, own and sell property, to sue and be sued. It is a body composed of many people that does not change in identity in transferring ownership.

To explain further Alison (2013) states that, Companies are owned by shareholders who each put an amount of money into a central pool. This pool of capital is then added to by borrowing and other forms of finance. Directors run the company on behalf of shareholders, who receive a share of the profits. Each shareholder receives a portion – or share – of the company that is equivalent to what they put in. A company is seen as a legal entity that is entirely separate from the shareholders.

#### **Advantages:**

- Limited liability
- Ownership is transferable
- Continuous existence
- Separate legal entity
- Easier to raise capital
- Possible tax advantage as taxes may be lower for an incorporated business

#### **Disadvantages:**

- A corporation is closely regulated

- More expensive to incorporate than a partnership or sole proprietorship
- Extensive corporate records required, including shareholder and director meetings, and documentation filed annually with the government
- Possible conflict between shareholders and directors
- Possible problem with residency of directors

#### **D. Co-operatives**

With a co-operative, you would have a business that would be owned by an association of members. This is the least common form of business, but can be appropriate in situations where a group of persons or businesses decide to pool their resources to provide access to common needs, such as the delivery of products or services, the sale of products or services, employment, and more (Canada Business Network 2015).

#### **Advantages:**

- Owned and controlled by members
- Democratic control (one member, one vote)
- Limited liability
- Profit distribution

#### **Disadvantages:**

- Possible conflict between members
- Longer decision-making process
- Participation of members needed for success
- Extensive record keeping
- Less incentive to invest additional capital

#### **4.0 Conclusion**

Business/economic reports can be written in different ways depending on the intent of the messages being passed. It is important for every reporter to bear in mind what form of report he/she is reporting in order to use the appropriate style while writing.

There are also different legal forms of business. Every reporter should familiarize themselves with these forms because in order for his/her stories to have depth.

#### **5.0 Summary**

This unit dealt with the different types of economic reports and also different business types. It is expected that you can now identify them.

#### **6.0 Tutor-Marked Assignment**

1. Identify and explain five types of economic stories
2. What are the advantages and disadvantages of the sole proprietorship?

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## **Unit 5: Establishing Good Journalistic Practices**

### **Contents**

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
- 3.1 Establishing Good Journalistic Practices
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Reading

### **1.0 Introduction**

Economic /business reporters have a huge responsibility to ensure they observe the codes of conduct of the profession. These codes of conduct are the general rules governing the practice of journalism. Being an economic reporter, one must be factual, competent and impartial while reporting especially in areas as the economy and business.

### **2.0 Objectives**

At the end of this unit, you should be able to:

- Know basic journalistic codes and ethics
- Identify what it is to follow the rules governing the journalism profession.

### **3.0 Main Content**

### **3.1 Establishing Good journalistic Practices**

According to Keith Hayes (2013) “reporting on business, the economy, and financial matters doesn’t mean that a journalist has to be a business person, economist, or accountant. In fact, most people in these professions make bad reporters. What journalists do is tell a story. In the case of specialist reporting such as business, journalists need to have a fair knowledge of the background to their story, but they do not need to be experts. Reporters must never be afraid to ask and they need to be good storytellers first and foremost”.

Journalists must be careful in order to get their facts right because if they get it wrong, they may cause a lot of problems both for their media organizations and the audience. He/she must also remember that their ethics that guide the profession which they must follow. Journalists are often times faced with ethical issues and decisions on daily basis. According to bussinesscasestudies.com, “acting in an ethical way involves distinguishing between “right” and “wrong” and then making the “right” choice. It is relatively easy to identify unethical business practices”.

Investopedia defines business ethics as “the study of proper business policies and practices regarding potentially controversial issues, such as corporate governance, insider trading, bribery, discrimination, corporate social responsibility and fiduciary responsibilities. Business ethics are often guided by law, while other times provide a basic framework that businesses may choose to follow in order to gain public acceptance”.

#### **Guiding Principles for Journalists**

According to Kelly McBride (2013), the following are guiding principles for journalists:

##### **1. Seek truth and report it as fully as possible.**

- Be vigorous in your pursuit of accuracy.
- Be honest, fair and courageous in gathering, reporting and interpreting information.
- Give voice to the voiceless; document the unseen.
- Hold the powerful accountable, especially those who hold power over free speech and expression.
- Be accountable.

## **2. Be transparent.**

- Show how the reporting was done and why people should believe it. Explain your sources, evidence and the choices you made. Reveal what you cannot know. Make intellectual honesty your guide and humility (rather than false omniscience) your asset.
- Clearly articulate your journalistic approach, whether you strive for independence or approach information from a political or philosophical point of view. Describe how your point of view impacts the information you report, including how you select the topics you cover and the sources that inform your work.
- Acknowledge mistakes and errors; correct them quickly and in a way that encourages people who consumed the faulty information to know the truth.

## **3. Engage community as an end, rather than as a means.**

- Make an ongoing effort to understand the needs of the community you seek to serve and create robust mechanisms to allow members of your community to communicate with you and one another.
- Seek out and disseminate competing perspectives without being unduly influenced by those who would use their power or position counter to the public interest.
- Recognize that good ethical decisions require individual responsibility enriched by collaboration.
- Seek publishing alternatives that minimize the harm that results from your actions and be compassionate and empathetic toward those affected by your work.
- Allow and encourage members of the community to self-inform. Make journalism a continuing dialogue in which everyone can responsibly take part and be informed.

## **4.0 Conclusion**

Ethics are written or unwritten codes of moral conducts that are crucial to activities of any organization even media organizations. Journalism like any other profession must have guiding rules to practice the profession. This is because journalism as a profession is very delicate and as such there must be guiding rules to follow while practicing the profession.

These rules help to checkmate the journalism profession and also protect its audience from any harm whether written or verbal.

## **5.0 Summary**

No profession is above operating by ethical standards in fact, it is a norm. This unit focused on how journalists can establish good journalistic standards and how journalists can operate ethically while practicing the profession.

## **6.0 Tutor-Marked Assignment**

1. What are the 3 guiding principles of the journalism profession?
2. Explain the term business ethics
3. In seeking truth, journalists must?

## **7.0 References/Further Reading**

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## **Module 2**

Unit 1: Evolution of Business Journalism

Unit 2: The Nigerian Economy

Unit 3: Establishing Sources of Information

Unit 4: Users/Consumers of Business and Economic Information

Unit 5: Reasons for the Growth of Economic Reporting

## **Unit 1      Evolution of Business Journalism**

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    3.1      Evolution of Business Journalism

4.0 Conclusion

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6.0 Tutor-Marked Assignment

7.0 References/Further Reading

### **1.0 Introduction**

In recent years, business journalism has become one of the most fascinating aspects of the mass media. However, business journalism did not just start today but dates back to some of the most important events in the history of the United States and the entire world. According to Wikipedia, business journalism began as early as the middle ages, to help well-known trading families communicate with each other.

### **2.0 Objectives**

At the end of this unit, you should be able to:

- Identify key highlights of the evolution of business journalism
- Articulate in full details of how business journalism has evolved over the years

### **3.0 Main Content**

#### **3.1 Evolution of Business Journalism**

Prior to the 1990s there had been some business publications which was published both in the United States of America and in Great Britain. The 1700s witnessed newspapers in both England and the American colonies run information about ships entering and leaving ports and their cargos. In 1750s, the first “Price Current” appears which listed the prices of goods available in a town or city. The New-Hampden Journal known as the Farmers’ Weekly Museum began publishing in 1793; it was the first US business paper. According to Bizjournalismhistory.org, the following are highlights of how business journalism as evolved over the years;

1795: The New York Price Current begins publishing. This business newspaper continues for 100 years and later adds stock prices.

1827: Journal of commerce is founded in New York. Also, Journeyman Mechanics’ Almanac begins publishing in Philadelphia. It is considered the first labor newspaper in the United States.

1835: The New York Herald begins publishing in a money page in its newspaper. The page is considered the first business section in a daily newspaper.

1843: Scottish hat maker James Wilson founds The Economist newspaper in England to fight the Corn Laws and promote free trade.

1883: Charles Dow, Edward Jones and Charles Bergstresser begin publishing a business newspaper called Customers’ Afternoon Letter.

1889: The Wall Street Journal begins publishing.

1917: Bertie Forbes begins publishing his business magazine called Forbes.



1933: Federal government creates the Securities and Exchange Commission to regulate public companies and the stock market.

1938: New York Financial Writers' Association is founded

1942: BusinessWeek develops a weekly column called the " War Business Check-list" that is digest of new federal rules and regulations affecting business.

1951: CBS begins its news show See it Now. It handles a number of business topics.

1957: Loeb Awards is created to honour business journalism's bests.

1964: Society of American Business Editors and Writers is founded.

In 1973, Time Inc. started Money Magazine. The Wall Street Journal started expanding vigorously. Until 1978, the New York Times had no independent business section, just a business page. It then started a separate section and soon expanded its business reporting staff by thirty to forty percent. The weekly news magazines expanded their business sections. New magazines were started to address new technologies and products. In sum, the media for the most part rose to the occasion, motivated by their obligation to report what people wanted and retain their audience, but also by the rush of new advertisers who made it necessary to fill the space, attract the readers and viewers, and still maintain standards. Reporters had also raised their level of expertise. Leonard Silk had long had an outstanding column on economics in the New York Times. Hobart Rowan was a stalwart for the Washington Post in the 1960s and 1970s. Time Magazine had established a distinguished Board of Economists to report on matters in the late 1960s. Reporters with serious economics training were being hired. Others were encouraged to specialize in computers, healthcare, education, and so on. Trade magazines had long existed, but now there were new industries that required new magazines. Wired was the conspicuous leader for web-related stories, and a tireless promoter of the New Economy. TV business coverage also began. In the late 1970s, the "Financial News Network" was started in the incipient cable market—cable was yet to be a profitable industry. In 1982, ESPN started a news program in the early morning called "Business Times." They were

eventually merged into CNBC, owned by NBC. CNN had the popular business anchor Lou Dobbs on every night. Television added a new dimension to business news, as noted-- slicker, quicker, and tabloid-like. And it began to compete for advertising dollars with print (Madrack 2015).

1990: Michael Bloomberg starts Bloomberg business news. The name later changes to Bloomberg News.

1994: Marketwatch.com starts posting business news online

1995: CNNfn launches

August 2000: Bloomberg news becomes victim of internet hoax by writing story based on fake news release.

2003: Donald W. Reynolds National Center for Business Journalism at the American Press Institute is founded. In 2006, the Reynolds Center moves to Arizona State University.

2004: CNNfn goes off the air. Dow Jones purchases Marketwatch for more than \$460 million.

2005: Fox News announces plans to launch new cable business news network. Fox Business News Network launches in October 2007.

2006: Many daily newspapers, including The Washington Post, New York Times, Los Angeles Times, Chicago Tribune and Houston Chronicle, cut their printed stock listings.

2007: Conde Nast magazines unveils portfolio, the first major business magazine launch, in more than a decade.

2009: Portfolio folds. Its web site is later taken over by American City Business Journals.

According to Madrick, where the business press has excelled is in personal finance—though often without adequate attention to risks. In terms of financial information, there is no comparison to the financial press a generation ago. TV has come enormously far as well. But its level of responsibility is inadequate and should be more carefully monitored by the Securities and Exchange Commission. Business journalism also reports on managerial issues far better than in the past. The rise in interest about how to manage companies well, how to compete globally, and so on, has been well met by business journalism.

## **SELF-ASSESSMENT EXERCISE**

- How has business journalism evolved over the years?

### **4.0 Conclusion**

The influence of Financial Times has since spread beyond the UK, the United States of America, Canada, Australia, Greece, France and of course Nigeria. Today, there is hardly any country that does not have at least one full-fledged business publication (Esiri M. J).

### **5.0 Summary**

This unit focused on how business journalism has evolved over the years. It also highlighted dates of major happenings that contributed to the business journalism we have today.

### **6.0 Tutor-Marked Assignment**

1. Give five major highlights that contributed to the growth of business journalism in the world.
2. What can you say business journalism started proper?

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## **Unit 2 The Nigerian Economy**

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3.2 Business/Economic Reporting in Nigeria

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### **1.0 Introduction**

According to the World Bank, with a population of about 160 million people, Nigeria is the largest country in Africa and accounts for 47% of West Africa's population. It is also the biggest oil exporter in Africa, with the largest natural gas reserves in the continent. With these large reserves of human and natural resources, the country is poised to build a prosperous economy, significantly reduce poverty, and provide health, education and infrastructure services to meet its population needs.

### **2.0 Objectives**

At the end of this unit, you should be able to:

- Be familiar with the Nigerian economy both past and present
- Know how the country has grown over the years
- Have full knowledge of the business/economic reporting environment of Nigeria

### **3.0 Main Content**

#### **3.1 The Nigerian Economy**

Nwanwene (2001), states that the Nigerian economy is primarily an agricultural country. The four principal agricultural products are cocoa, palm kernel, pal oil and ground-nuts. A significant rise in the value of agricultural exports in 1973/94 was a reflection of the higher export earnings from four products and other products such as rubber, timber, hides, and skins. However, in the 1980s, the contribution of agriculture to the gross domestic product has been declining, despite the fact that this sector employs about 70 percent of the active labour force in the economy.

According to the African Economic Outlook, 2014, Nigeria rebased its GDP from 1990 to 2010, resulting in an 89% increase in the estimated size of the economy. As a result, the country now boasts of having the largest economy in Africa with an estimated nominal GDP of USD 510 billion, surpassing South Africa's USD 352 billion. The exercise also reveals a more diversified economy than previously thought. Nigeria has maintained its impressive growth over the past decade with a record estimated 7.4% growth of real gross domestic product (GDP) in 2013, up from 6.7% in 2012. This growth rate is higher than the West African sub regional level and far higher than the sub-Saharan Africa level.

The performance of the economy continues to be underpinned by favourable improvements in the non-oil sector, with real GDP growth of 5.4%, 8.3% and 7.8% in 2011, 2012 and 2013, respectively. Agriculture – particularly crop production – trade and services continue to be the main drivers of non-oil sector growth. The oil sector growth performance was not as impressive with 3.4%, -2.3% and 5.3% estimated growth rates in 2011, 2012 and 2013, correspondingly. Growth of the oil sector was hampered throughout 2013 by supply disruptions arising from oil theft and pipeline vandalism, and by weak investment in upstream activities with no new oil finds.

Going forward, there are prospects of strong economic growth although downside risks remain entrenched. Such prospects are expected to hinge on continued recovery of the global economy, favourable agricultural harvests and a possible boost in energy supply arising from the power-sector reform, as well as on expected positive outcomes from the Agricultural Transformation Agenda. Comprehensive economic and structural reforms are also expected to

improve economic growth. Nevertheless, the country's ongoing GDP rebasing may influence the growth figures, possibly making them lower going forward since the expected result is a larger economy.

Risks to Nigeria's economic growth are the sluggish recovery of the global economy, security challenges in the northeastern part of the country, continued agitation for resource control in the Niger Delta and possible distraction from the ongoing reforms as a result of the upcoming 2015 general elections. Negative growth of the oil sector may also continue to drag down overall growth until a lasting solution is found to the challenge of oil theft and weak investment in exploration due to the uncertain state of play in the sector as a result of non-passage of the Petroleum Industry Bill.

Nigeria faces an ongoing challenge of making its decade-long sustained growth more inclusive. Poverty and unemployment remain prominent among the major challenges facing the economy. One reason for this is that the benefits of economic growth have not sufficiently trickled down to the poor. The national authorities are not oblivious of this reality. Thus, poverty reduction, mass job creation and protection of the most vulnerable and those in the large informal sector are the focus of current policy dialogue and initiatives. In fact, the 2014 national budget that has just been passed into law by the national assembly focuses mainly on creating more jobs and making growth more inclusive.

Increased integration of the poor into global value chains is essential for poverty reduction. Agriculture, which is largely informal, employs about 70% of the labour force, a large portion of which is poor. Adding value to agriculture tradables will create more jobs through its upstream and downstream integration with other sectors of the economy, increase export revenues, boost income of the poor and reduce poverty incidence.

### **3.2 Business/Economic Reporting in Nigeria**

In Nigeria, business journalism is still a recent occurrence. It did not start in the 19<sup>th</sup> century just as the United States of America and United Kingdom. It came into existence with the country's industrial and commercial development and the development of financial institutions in Nigeria. Still, reportage of economic stories in Nigeria is way behind in comparison to other developed

countries especially the ones in the west. This can be attributed to the citizens' lack of interest in business/financial news either due to plain apathy or lack of information.

According to Egbochuku, the first business publication in Nigeria was the Business Times which was established in 1975. Prior to that time, there was really no existence of any informed media coverage on business issues, the Business Times was set up to fill this void. The end of the civil war gave rise to the 'oil boom era' in the country which resulted in lots of economic activities for the private and public sectors which resulted to the need for various media houses to establish economic/business reporting.

The Daily Times Started realized the need to set up a business newspaper in order to fill the gap which existed in business journalism before that time. At first, they recruited graduates of economics to create special business pages for the newspaper and then edit them but then challenge of space constraints arose and gave rise to the need for a separate business newspaper. The Daily Times of Nigeria Limited launched the Business Times on September 30, 1975. Its goal was to educate the business community in Nigeria on transportation, marketing and other economic related issues. The Business Times became a success story which led to other media houses in Nigeria to launch similar business publications.

In 1980, Punch Nigeria Limited started Financial while Concord Press Limited started the Business Concord in 1983 with Stanley Egbochuku as its founding editor. 'This Week' which was launched on the belief that when citizens had a better understanding of economic issues, it would help them become better politically aware and make proper judgments. The Financial Post was launched by FP Communication Limited in Lagos, Nigeria in 1988.

In 1986 however, there was an increase in business publications. These new publications included; Credit News, Financial Digest, The President e.t.c. This was a result of the introduction of the Structural Adjustment Programme (SAP). Prior to this time, most of the business publications which were few could be found only in non-business publications. However, the introduction of SAP gave rise to financial banks declaring huge profits which in turn made for the establishment of core business publications. This marked a new era in business/economic reporting and its presentation.

In July, 2001 Mr. Frank Aigbodun, former editor of the Vanguard launched Business Day as weekly business newspaper in Lagos, Nigeria. It became Nigeria's first daily business newspaper

on July 8 2002. Today in Nigeria, several other business publications have joined business day. Some of them are; Business World, Business Hallmark e.t.c.

#### **4.0 Conclusion**

One major feature of the Nigerian economy is its industrial sector which is continuously expanding. However, Nigeria's economy continues to be threatened with the problems of unemployment, poverty and inflation and it continues to undergo several changes. With these changes, the citizens have to yearn for business and economic information. Although a relatively new trend in Nigeria, business/economic reporting has experienced an upsurge in recent years. This is owing to the fact that more Nigerians now worry about the economy they are in as opposed to past years.

#### **5.0 Summary**

This unit examined Nigeria's economy; the past and present. It also discussed the evolution of economic and business reporting in Nigeria. It highlighted business publications that led to the growth of business publications in Nigeria.

#### **6.0 Tutor-Marked Assignment**

1. How has Nigeria's economy evolved over the years?
2. What was the first business publication in Nigeria?

#### **7.0 References/Further Reading**

EGbochukwu, S. (February- March 1996). History of Financial Journalism. *Business Concord* .

M.J, E. (n.d.). Economic News Reporting. *College of Management Science Department of Mass Communication* .



## **Unit 3      Establishing Sources of Information**

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- 6.0    Tutor-Marked Assignment
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### **1.0    Introduction**

As an economic or business reporter, one must source for information in order to write a competent and well-balanced story. But how does he/she go about getting the required information for the story? The economic/business reporter must seek information by analyzing information, digging and asking which is the real essence of being a journalist. He/she has many indexes of business and economic activities which he/she could report the economy's performance.

### **2.0    Objectives**

At the end of this unit, you should be able to:

- Know the rights and responsibilities of the media
- Identify various indexes of economic and business activities

- Know and identify various sources of information for the business/economic reporter.

### **3.0 Main Content**

#### **3.1 Establishing Sources of Information**

One of the most important ways for a business journalist to source for information is by building relevant contacts. According to Hayes (2013), as a journalist, you need to build a good picture of what is going on as soon as possible. To ensure success in your stories and careers, it's important to build up a regular list of contacts comprised of government officials, other journalists, entrepreneurs, business club members, bank personnel, business owners, politicians, and representatives of such organizations as NGOs, trade associations, international bodies, unions, chambers of commerce. He also goes further to say that, contacts are a reporter's life blood. Journalists need to nurture contacts, stay in regular touch with them, and make them almost friends. Only by developing a network, gaining their trust, and doing a first class job on the story when using their information will you be able to access material other reporters don't have and be able to break news stories. The primary sources of business information are the regulatory authorities, the financial institutions and other operators of the economy. Corporate Affairs departments of these institutions voluntarily supply the bulk of the routine news in this field; new legislations, new products, stock sales, production figures, expansion programmes, personnel changes, foreign exchange transactions, promotion, managerial appointments and promotions etc (Esiri).

The quarterly, mid-year and annual reports of the Central Bank of Nigeria (CBN) are also sources of information. They are an index of the state of the overall economy and most times include profiles of particular sectors. Also, the annual or quarterly reports of the Bureau of statistics (BOS) covers areas as poverty level, unemployment rate and inflation. The Nigeria Stock Exchanges (NSE) provide the mass media with daily trade summaries or equities transactions along with their annual reports.

Nwanwene (2001) highlights the following as indexes of business/economic activities;

- i) Business profits sales, and other financial data of individual firms
- ii) Price indexes
- iii) Gross National Product (GNP)

- iv) Growth indexes
  - v) Money
  - vi) Other government and private indexes of economic activity as may arise from time to time
- i) Profit**
- Investopedia explain profit as the money a business makes after accounting for all the expenses. Regardless of whether the business is a couple of kids running a lemonade stand or a publicly traded multinational company, consistently earning profit is every company's goal. Profits are calculated as total revenue minus total expenses, it is a measure of business performance. Most times in business reports, a firm's performance is compared to that of other firms within the same industry.
- ii) Price Indexes**
- Boskin (2008) states that the purpose of a price index is to summarize information on the prices of multiple goods and services over time. Consumer spending accounts for about two thirds of the U.S. gross domestic product (GDP). The Consumer Price Index (CPI) and the Personal Consumption Expenditure deflator (PCE) are designed to summarize information on the prices of goods purchased by consumers over time. For example, Consumer Price Index CPI in Nigeria increased to 165.80 Index Points in January of 2015 from 164.40 Index Points in December of 2014. Consumer Price Index CPI in Nigeria averaged 71.09 Index Points from 1995 until 2015, reaching an all time high of 165.80 Index Points in January of 2015 and a record low of 14.36 Index Points in January of 1995. (as reported by the National Bureau of Statistics, Nigeria).
- iii) Gross National Product (GNP)**
- GNP is a measure of a country's economic performance and is being produced by the citizens of that country. Mike Moffatt an economic expert defines GNP as the value of all the goods and services produced in an economy, plus the value of the goods and services imported, less the goods and services exported.

**iv) Growth Indexes**

Ideally, growth indexes are increases in the growth of a country's revenue, earnings and dividends. According to Nwanwene, the growth rate is the change in real output between two periods divided by total output in the base period. This usually of great interest to economic reporters and citizens of that particular country.

**v) Money**

Money is one key index of economic growth. This simply means that a fall or rise in the value of money represents the growth of an economy. However, a continuous rise in the value of money reflects an economy which is neither growing nor falling

**3.2 Rights and Responsibilities of the Media**

The role of the media in the society is to gather and disseminate comprehensive and accurate informations to its audience whom are members of that society on matters of public interest. Every journalsit should have information without any form of hindrance. As members of the media, business journalists must be keep these rights and responsibilities in mind in mind:

**RIGHTS**

- Access to Information

In order for the business journalist to give accurate accounts of business/economic issues to its public, it is important that the media is allowed to source for information without any obstacle.

- Gathering of Information

The business journalist must be free source and gather facts about events and information. He or she must be allowed to gather these information freely without threats and should be allowed to make their own choices of whatever information they want to source for.

- Access to Government Information

The governement of any country or state have the duty of making their activities open to its citizens to see. It is very important for the media to have free access to public documents because it is the right of the citizens to know.

- Protect Sources and Confidential Information

In respect of the journalists' right to access any information, it is also their right to keep any part of information undisclosed. Journalistic activities also, have to be protected so that the public can get the adequate information they need.

- Processing Information and Disseminating

It is in the power of the media to decide how to process information gotten and when to broadcast or publish these information without constraints.

## **Responsibilities**

- The Right of the Public to Know

It is the right of the public to be aware of happenings around them. Therefore, it is the duty of journalist and the media to provide these publics with adequate, comprehensive and accurate information. This information must be free of any bias or the opinion of the media house nor the journalist.

- The Right of the Public to Reply

The media should make it easy for their publics to be able to reply to anything it has published or aired. An example of these replies is the letter to the editor.

- Corrections

It is the duty of the media to find ways to correct errors and omissions made by them which affect individuals, groups or organizations.

- Identify and verify sources

Journalists are expected to respect their sources. However, oftentimes these sources have to be named to give the information reliability.

## **4.0 Conclusion**

The media can only be said to be effective when it is free to gather and disseminate information to its publics without constraints. The media have certain rights while operating in its environment in terms of freedom and temperance. In this same vein, the business journalists also have certain responsibilities while practicing daily as it is the public's right to know.

## **5.0 Summary**

This chapter dealt with different sources of business/economic information. It discussed in details various indexes of economic stories and the rights and responsibilities of the media. These rights and responsibilities were briefly explained.

## **6.0 Tutor-Marked Assignment**

1. What are the different sources of information present to a business reporter?
2. List and discuss five responsibilities of the media
3. How does the public's right to know affect journalism activities?

## **7.0 References/Further Reading**

Boskin, M. J. (2008). Consumer Price Indexes. *The Concise Encyclopedia of Economics* .

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[www.conseildepresse.qc.ca](http://www.conseildepresse.qc.ca)

## **Unit 4 Users/Consumers of Business Information**

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- 7.0 References/Further Reading

### **1.0 Introduction**

In recent times, business and economic news has witnessed increasing growth. Eventhough, business and econmic has existed over the years, the demand for business news around the globe have increased. Business news today, often times appear on newspaper front pages on a daily basis.

### **2.0 Objectives**

The end of this unit, it is expected that you should:

- Know the different users of business/economic information
- Have adequate knowledge of the importance of Econmic reporting in the society.

### **3.0 Main Content**

#### **3.1 Users of Business and Economic Information**

Gone are the days when business/economic news were for the elitist or a specialized group of audience. Today, business and economic information is invaluable and needed by potential consumers. Business information is helping companies discover insight on innovations and how to improve their businesses through information on competition's performance. With sources like; Forbes, The New York Times, Business Day, Harvard business review, the list is endless.

According to Esiri, Business information plays a major part in the success or failure of political institutions. It concerns the worker, his employer, shareholders, everybody involved in production and then the almighty consumer. In fact, business information affects everybody in one way or the other.

With the current increase in demand of business news, business reporters and writers have become very important to the society. Business news is all around us and can be used by just anybody. We are all affected by some of these if not all; inflation, national budget, interest rates, increase in commodity prices. Students, housewives, politicians etc, all need one or more business information.

According to Hayes (2013), stock markets are springing up all over developing regions such as the Balkan/CIS, so it is important that reporters in such countries establish a relationship of trust and cooperation with market management. Most of these stock exchanges don't have the sophistication of Western market establishments, but journalists can assist in their development by introducing reporting skills and practices when writing stories about their local exchanges.

Consequently, the business reporter when writing a story must know his or her audiences are. Knowing the audience helps in streamlining the story and giving a better focus to suit its recipients. To newspapers and reporters, the audience comprises of people with vast interests and demographic differences as well as likes and dislikes. Writing or reporting with the interests of the audience in mind, helps to boost readership and circulation of the newspaper.

Nwanwene (2001), highlights the following as the core users of business information:



1. Government: the government and its agencies are interested in finance and business news. The agencies include, Board of Internal Revenue, Price and income Board, Standard Organization.
2. Public: The general public, consumers and political parties are interested in business and finance news. The general public wants to know employment opportunities, prospects and performance of the companies in which they have some interest. They also want to know about the quality and quantity of products and prices to guide them in planning their family budget and shopping lists.
3. Entrepreneurs: shareholders, investors, partners and holding corporations are interested in the profitability, progress of their organizations and competitors to determine the future of their companies and high returns on investment.
4. Creditors, Bankers, Debenture holders and Lending institutions: these use business information in order to know whether their current customers are liquid or not, whether they are repaying loans on schedule, their investment policies and prospects in areas of interest.
5. Debtors: customers want to know the quality, quantity and cost of products and available services. Employees are interested in opportunities and incentives. While those holding deposits are concerned with interest rates.
6. Analysts and Reports: financial analysts examine financial positions of project write-ups. Tax advisors advise the government and company on taxation policies.
7. Management: corporate management- chairmen, and board of directors, chief executives and other management team would like to have financial statements from accountants, information on business competitors, banks prospective investors, and government policies on business and finance.
8. Project Promoters: they include potential investors, shareholders, publishers and trade associations such as chamber of commerce. They use business information to know what to invest on. Hence, they need information on competitors, taxation, rates and so on.

9. Bankers: commercial banks, investment banks, central bank and such financial institutions such as the African Development Bank (ADB) would like to know about the public, private business and finance at home and abroad. This will help formulate policies that will attract various customers, conduct banking transactions for trading partners and so on.

#### **4.0 Conclusion**

The business media industry has witnessed spiking growth in recent years. Its readers have evolved from specialized audience to people of all kinds. This is because, business news information is beneficial to anybody who exists in a society. The business reporter must write stories bearing his or her audience in mind in order to satisfy their needs and for ease of communication flow.

#### **5.0 Summary**

This unit focused on the users of business and economic information. It also subtly highlighted the importance of business news to the general public within a society. It is expected that you are now very familiar with the importance of business reporting and its users.

#### **6.0 Tutor-Marked Assignment**

1. Why should a business reporter write stories with the audience in mind?
2. Why is business information important to anybody in the society?
3. Who are the users of business information?

#### **7.0 References/ Reading Further**

Hayes, K. (2013). *Business Journalism: How to Report on Business and Economics*. APress.

M.J, E. (n.d.). Economic News Reporting. *College of Management Science Department of Mass Communication* .

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## **Unit 5 Reasons for the Growth of Economic Reporting**

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### **1.0 Introduction**

Business/economic reporting has continued to rise in recent years. This is as a result of major economic changes happening in the world, today. Its growth can also be attributed to the growth of the private economic sector all over the world but most especially in Africa. According to Kariithi, economics journalism might have existed in some African countries for nearly half a century, but its real roots can be traced to the protracted economic crises of the late 1970's and early 1980's. The failure of the World Bank-sponsored structural adjustment programs and the subsequent frantic search for alternatives catapulted economics into public discourse in many African countries.

## **2.0 Objectives**

At the end of this unit, you should be able to:

- Identify the reasons behind the growth of economic reporting in the world and especially Africa.
- Identify where to find business news in Nigeria
- Identify where to get finance news in Nigeria

## **3.0 Main Content**

### **3.1 Reasons for the Growth of Economic Reporting**

Since the financial crisis of 2008, business and economic news around the world have experienced remarkable growth. Some of the reasons behind its growth include:

1. **New Media:** the birth of new media has changed the way economic news is reported and has made it even easier for journalists to report on business issues. Its introduction has made the shift from traditional forms of journalism to online technologies. With the new media, journalists can easily access business information sources and also have feedback from users of the information they pass.
2. **Growth in Modern Technology:** With new products and system being produced, marketed and advertised, economic reporting will continue to grow as no business can grow nor survive without effective communication of its products to its stakeholders. Companies have to make its publics aware of new products, changes in prices amongst other things and also have to continue to seek for ways to beat competition.
3. **Growth of Private Economic Sector:** According to Kariithi, for decades, government activity has dominated the economies in most African countries. However, in recent times, with more private enterprises flourishing, economic reporting has begun to grow.
4. **Broadened Opinion on the Economy:** Kariithi notes that, initial coverage captured contesting economic voices, debating whether World Bank and International Monetary Fund (IMF) ideas were appropriate for Africa, and whether to adopt alternatives proposed

by the United Nations Economic Commission for Africa. A decade later, a wind of democratic change sweeping across Africa and Eastern Europe ushered in the dimension of political competition and broadened opinion on the economy. As African nations embarked on their political transitions, the still fledgling economics media again kept pace, constantly advocating through their coverage the need to open up both the political and economic systems.

5. New Consumerism: with the growth in the production of modern technologies, there has also been an increase in the demand or consumption of these products. With these high demand, private companies and the government now come up with new marketing strategies to keep up with the consumers.
6. Economic Liberalization: One issue receiving a lot of attention these days is the economic liberalization and deregulation taking place in most African countries. From commodities to natural resource management, from civil service to health and education and legal enforcement, stories of economic liberalization are changing every day according to Kariithi.

### **3.2 Where to Get Business and Finance News in Nigeria**

According to Roush in 2011, a good economic journalist uses real-life examples to make those numbers come alive. Find people that are experiencing the trend that the numbers are showing, and you will do your readers a service. In Nigeria, business and finances news are generated anywhere but mostly in cities like; Lagos, Abuja, Calabar, Onitsha, Kaduna, Ibadan. Business and finance news can be generated from:

1. Government Records: the government assembles data on national, regional and state economies. This kind of information can be useful to business journalists. Roush (2011) highlights the following as news gotten from government economic data releases:
  - i. Unemployment

What to write about:

- Has the unemployment rate for the country risen or fallen dramatically from the past month? A change of more than a tenth of a percentage point can be a big change.
- What is the change in payroll employment? The unemployment rate can fall, but that doesn't mean more people are working.
- Are there any changes in employment by race, age or sex? This data is often overlooked but can show important trends.

ii. **Interest rates**

What to write about:

- Change in federal funds rate. An increase in the rate means that the committee wants to slow the economic growth by making it harder to borrow money. A decrease in the rate means that the committee wants to stimulate economic growth.
- What does the committee think about the current economic situation? There are usually a few paragraphs explaining what the committee believes are current economic conditions.
- The vote. The release will state who voted to change the rate, and who opposed. Rarely do you see dissention. When you do, that signals a disagreement about what the members believe about current economic conditions.

iii. **New home sales**

What to write about:

- The focus in any new home sales story is on the level of sales and the monthly change in total sales.
- Major changes in the median price of a new home.
- Major changes in sales in a geographic region of the country.
- An increase or decrease in the inventory of new homes.

2. **Company Reports:** business stories can be gathered from annual reports of companies, changes in management, and notices to stakeholders etc.
3. **Chamber of Commerce:** local businesses are members of the chamber of commerce. It is a business network of local businesses in a town, whose interests are to the benefits of its members. Local business news on happenings around a particular business community can be gotten from the chamber of commerce.

#### **4.0 Conclusion**

In the world today, especially in Africa, economic and business journalism has taken the front sit. The publics have become increasingly aware of the need to more interested in economic stories in their environment. Eventhough, economic reporting has existed in the past, it has now become a very important sector of journalism which could be attributed to the economic crisis in 2008. Business and economic stories can be found almost anywhere in Nigeria but mostly in major cities like; Lagos, Abuja and Calabar.

#### **5.0 Summary**

This unit discusssed reasons behind the growth of economic reporting in the world but most especially Nigeria. It also highlighted areas where economic and finacial news can be gotten in Nigeria.

#### **6.0 Tutor-Marked Assignment**

1. Highlight economic stories that can be gotten from government economic data releases
2. Discuss five reasons why economic reporting has experienced sudden growth
3. From what sources can economic stories be found in Nigeria?

## 7.0 References/Further Reading

Kariithi, N. (2002). Economics and Business Journalism in Africa. *Nieman Reports* .

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### **Module 3**

Unit 1 The Role of the Capital Market in the National Economy

Unit 2 The Primary Market

Unit 3 The Secondary Market

Unit 4 The Money Market and Its Institutions

Unit 5 Problems Facing the Capital Market in Nigeria

## **Unit 1 The Role of the Capital Market in the National Economy**

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### **1.0 Introduction**

The Nigerian capital market seeks to mobilize long-term funds. It is hinged on the Nigerian stock exchange while the Securities and Exchange Commission serves as its top regulatory body. The Nigerian Capital Market continues to play a role of mobilizing medium to long-term funds for development to take place in the country.

### **2.0 Objectives**

At the end of this unit, you should be able to:

- Understand the Nigerian Capital Market
- Highlight the functions of the capital market
- Identify the regulatory body in charge of the Nigerian Capital Market
- Know a brief history of how the Nigerian Capital Market started.

### **3.0 Main Content**

#### **3.1 The Capital Market in Nigeria**

According to the Securities and Exchange Commission in Nigeria, The capital market, as it is known, is that segment of the financial market that deals with the effective channeling of medium to long-term funds from the surplus to the deficit unit. In recent years, the capital market has undergone massive reforms. These include; the introduction of the Central Securities Clearing System which is an automated clearing, settlement and delivery system aimed at making transactions a lot easier.

Nigeriansite. Com states that, The Exchange also provides a means for trading in existing securities. To enable small as well as large-scale enterprises gain access to public listing, the NSC operates the main Exchange for relatively large enterprises, and the Second-Tier Security Market (SSM) where listing requirements are less stringent for small and medium-scale enterprises. The exchange which started with only 19 securities traded on its floors in 1961, now has 279 securities made up of 34 Federal Government Stocks. 62 Corporate/Bonds and 183 equities all with a total market capitalization of N170 billion. The debt of the capital market has increased with the introduction of the Unit Trust Scheme for mobilizing the financial resources of small and big savers and managing such funds to achieve relatively high returns with minimum risks through efficient portfolio diversification. Efficiently managed unit fund schemes offer the advantages of low costs, liquidity and high returns. The promulgation of the Companies and Allied Matters Decree of 1990 provided the legal framework for the establishment of unit trusts.

#### **3.2 The Role of the Capital Market in the National Economy**

The primary role of the capital market in an economy is to raise long-term funds for the government, banks, etc while also providing a platform for the trading of securities. According to Nwanwene, capital market instruments have long-term maturities. For instance, equity stocks have indefinite maturity dates. All financial

transactions which involve maturity over three years are presumed to belong to the capital market.

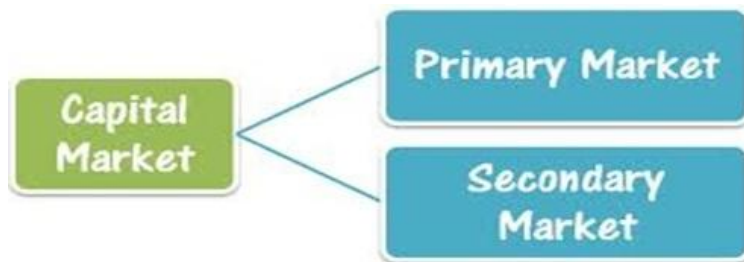
Kaylan City Life Blog highlights the following as functions of the capital market in the national economy:

- **Mobilization of Savings** : Capital market is an important source for mobilizing idle savings from the economy. It mobilizes funds from people for further investments in the productive channels of an economy. In that sense it activate the ideal monetary resources and puts them in proper investments.
- **Capital Formation** : Capital market helps in capital formation. Capital formation is net addition to the existing stock of capital in the economy. Through mobilization of ideal resources it generates savings; the mobilized savings are made available to various segments such as agriculture, industry, etc. This helps in increasing capital formation.
- **Provision of Investment Avenue** : Capital market raises resources for longer periods of time. Thus it provides an investment avenue for people who wish to invest resources for a long period of time. It provides suitable interest rate returns also to investors. Instruments such as bonds, equities, units of mutual funds, insurance policies, etc. definitely provides diverse investment avenue for the public.
- **Speed up Economic Growth and Development** : Capital market enhances production and productivity in the national economy. As it makes funds available for long period of time, the financial requirements of business houses are met by the capital market. It helps in research and development. This helps in, increasing production and productivity in economy by generation of employment and development of infrastructure.
- **Proper Regulation of Funds** : Capital markets not only helps in fund mobilization, but it also helps in proper allocation of these resources. It can

have regulation over the resources so that it can direct funds in a qualitative manner.

- **Service Provision** : As an important financial set up capital market provides various types of services. It includes long term and medium term loans to industry, underwriting services, consultancy services, export finance, etc. These services help the manufacturing sector in a large spectrum.
- **Continuous Availability of Funds** : Capital market is place where the investment avenue is continuously available for long term investment. This is a liquid market as it makes fund available on continues basis. Both buyers and seller can easily buy and sell securities as they are continuously available. Basically capital market transactions are related to the stock exchanges. Thus marketability in the capital market becomes easy.

Capital markets can be classified into two segments; the primary market which is the instrument for raising funds through the issuance of new securities and the secondary market for trading of already existing securities which must remain liquid in nature because they are sold by investors.



**Source:** [www.financewalk.com](http://www.financewalk.com)

### **Self-Assessment Exercise**

1. How do you think the Nigerian capital market has grown?
2. Do capital market play any significant role in the economy?

#### **4.0 Conclusion**

It is pertinent that investors fully understand market trends while trying to invest in the capital market especially in Nigeria. This is because the capital market is clad with various kinds of risks. Capital markets provide long-term debt and finance for the government and private organizations. However, capital markets all around the world are closely monitored by financial regulators in order to protect investors from fraud.

#### **5.0 Summary**

This unit critically examined the Nigerian Capital Market. It also highlighted the functions of the capital market in the national economy. Two segments of the capital market were highlighted as well.

#### **6.0 Tutor-Marked Assignment**

1. Highlight and explain five functions of the capital market in the economy
2. Give a brief history of the Nigerian Capital Market
3. How many segments does the capital market have? Discuss them,

#### **7.0 References/Further Reading**

Nwawene, A. T. (2001). *Fundamentals of Business and Economic News Reporting*. Aboki Publishes.

The Securities and Exchange Commission (Nigeria)

[www.nigeriasite.com](http://www.nigeriasite.com)

[www.kaylan-city.blogspot.com](http://www.kaylan-city.blogspot.com): What is capital Market? Meaning, Functions and Role

## **Unit 2 The Primary Market**

### **Contents**

- 1.0 Introduction
- 2.0 Objective
- 3.0 Main Content
  - 3.1 The Primary Market
- 4.0 Conclusion
- 5.0 Summary
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### **1.0 Introduction**

The capital market has two inter-related segments; the primary market is one of the two. The Primary market is the channel for raising funds through the issuance of new securities. The mode of offer for the securities traded in this market includes offer for subscription, right issues, offer for sales, private placement.

### **2.0 Objectives**

At the end of this unit, you should be able to:

- Identify primary markets
- Define primary markets
- Identify forms of securities sold in the primary market

### **3.0 Main Content**

#### **3.1 The Primary Market**

The capital market is divided into two different markets; one of them is the primary market otherwise known as the New Issue market. And according to Esiri, it is the first section of or original point of call in the capital market. It is seen as primary because it involves the creation of completely new products by the issuer and its offer is most times made at once.

The key players of the primary markets are mostly private and public companies that offer equities in order to raise money for the growth of their businesses. These companies sell their securities to the public by an Initial Public Offering (IPO). These securities can be bought directly from shareholders. Finance maps of world defines primary markets as, markets that deal with the trading of newly issued securities. The corporations, governments and companies issue securities like stocks and bonds when they need to raise capital. The investors can purchase the stocks or bonds issued by the companies. Money thus earned from the selling of securities goes directly to the issuing company. The primary markets are also called New Issue Market (NIM). Initial Public Offering is a typical method of issuing security in the primary market. The functioning of the primary market is crucial for both the capital market and economy as it is the place where the capital formation takes place.

Investment banks are usually the main underwriters in the primary markets and are the major facilitators of these types of markets. These banks decide the standing price of securities and then manage the entire process of sales with its investors. They also safeguard the issue related risks for companies offering their shares for sale. After trading in the primary market, the securities then enter the secondary market.

In the primary market, two main forms of instruments are issues and sold. They are; debt instruments and equities.

#### **Debt Instruments**

According to the Securities and Exchange Commission, A debt instrument is used by either companies or governments to generate funds for capital-intensive projects. It can be obtained either through the primary or secondary market. The relationship in this form of instrument ownership is that of a borrower – creditor and thus, does not necessarily imply ownership in the business of



the borrower. The contract is for a specific duration and interest is paid at specified periods as stated in the trust deed\* (contract agreement). The principal sum invested, is therefore repaid at the expiration of the contract period with interest either paid quarterly, semi-annually or annually. The interest stated in the trust deed may be either fixed or flexible. The tenure of this category ranges from 3 to 25 years. Investment in this instrument is, most times, risk-free and therefore yields lower returns when compared to other instruments traded in the capital market. Investors in this category get top priority in the event of liquidation of a company.

When the instrument is issued by the Federal government it is called a sovereign bond, by a state government it is called a state bond, by a local government a municipal bond and a corporate body, a debenture, industrial loan or corporate bond.

## **Equities**

Equities are also known as common stock. Ampcapital.com defines equities as, a broad and deep asset class which forms the basis for many institutional portfolios, providing access to both capital growth and yield opportunities. Equities are important sources of liquidity and provide the potential for capital growth and income. According to SEC, it is issued by companies only and can also be obtained either in the primary market or the secondary market. Investment in this form of business translates to ownership of the business as the contract stands in perpetuity unless sold to another investor in the secondary market. The investor therefore possesses certain rights and privileges (such as to vote and hold position) in the company. Whereas the investor in debts may be entitled to interest which must be paid, the equity holder receives dividends which may or may not be declared.

The risk factor in this instrument is high and thus yields a higher return (when successful). Holders of this instrument however rank bottom on the scale of preference in the event of liquidation of a company as they are considered owners of the company.

#### **4.0 Conclusion**

The primary market is market for new issues of securities. It is also known as long-term debt market because the money raised from it provides long term capital. Primary Issues, which are sold in the capital market, provides essential funds for companies. These are used by the companies to set new businesses of expand already existing ones.

#### **5.0 Summary**

In this unit, we discussed in detail the primary markets and the forms of securities sold in the primary market. The unit identified different forms of debt instruments as well as equities.

#### **6.0 Tutor-Marked Assignment**

1. Define primary markets
2. What are the two main forms of securities issued and sold in the primary market?

#### **7.0 References/Further Reading**

M.J, E. (n.d.). Economic News Reporting. *College of Management Science Department of Mass Communication* .

[www.ampcapital.com](http://www.ampcapital.com)

[www.finance.mapsofworld.com](http://www.finance.mapsofworld.com)

[www.sec.gov.ng](http://www.sec.gov.ng): The Securities and Exchange Commission

## **Unit 3 The Secondary Market**

### **Contents**

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- 3.0 Main Content
  - 3.1 The Secondary Market
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### **1.0 Introduction**

Apart from the primary market, the capital market also has the secondary market. Secondary market is the market for trading in existing securities. It is formed by other investors who deal with the primary market investor to buy and sell financial securities as; bonds, future and bonds. These transactions take place in the Stock Exchange.

### **2.0 Objectives**

At the end of this unit, you should be able to:

- Define secondary markets
- Identify secondary markets
- Know the sub-divisions of the secondary market

### **3.0 Main Content**

#### **3.1 The Secondary Market**

Finance maps of world define secondary markets as, that part of the capital market that deals with the securities that are already issued in the primary market. The investors who purchase the newly issued securities in the primary market sell them in the secondary market. The secondary market needs to be transparent and liquid in nature as it deals with the already issued securities. In the secondary market, the value of a particular stock also varies from that of the face value. The resale value of the securities in the secondary market is dependent on the fluctuating interest rates.

The Secondary market provides a resourceful platform for the general investor to trade his/her securities. Usually, trade happens between investors without any form of investment with the company that issued the securities in the primary market. According to [financewalk.com](http://financewalk.com), the secondary market is further divided into two kinds of market:

##### **1. Auction Market**

The auction market is a place where buyers and sellers convene at a place and announce the rate at which they are willing to sell or buy securities. They offer either the 'bid' or 'ask' prices, publicly. Since all buyers and sellers are convening at the same place, there is no need for investors to seek out profitable options. Everything is announced publicly and interested investors can make their choice easily.

##### **2. Dealer Market**

In a dealer market, none of the parties convenes at a common location. Instead, buying and selling of securities happen through electronic networks, which are usually fax machines, telephones or custom order-matching machines.

Interested sellers deliver their offer through these mediums, which are then relayed over to the buyers through the medium of dealers. The dealers possess an inventory of securities and earn their profit through the selling. Many dealers operate within this market and therefore, a

competition exists between them to deliver the best offer to their investors. This makes them deliver the best price to the investors. An example of a dealer market is the NASDAQ.

The secondary markets are important for price discovery. The market operations are carried out on stock exchanges.

A variation to the dealer market is the *OTC market*. OTC stands for ‘*Over the Counter*’ market. The concept came into existence during the early 1920’s period through Wall Street trading, which implied the prevalence of an unorganized system of dealers who conducted trades via networks. Stock shops existed to buy and sell shares over-the-counter. In other words, these were unlisted stocks, which were sold privately.

#### **4.0 Conclusion**

Investors buy and sell issued shares through intermediaries in the secondary market. These transactions include; traditional and electronic exchanges and Over-the- Counter market. The main goal of many investors is to realize a capital gain. Due to the market’s heavy trading volume, the market is liquid. It is highly unlikely to know where the shares are coming from since trade transactions are done through intermediaries.

#### **5.0 Summary**

This unit dealt with the secondary market. It gave a detailed description of secondary markets and the sub-divisions of the secondary market.

#### **6.0 Tutor-Marked Assignment**

1. What are secondary markets?
2. What are the differences between primary and secondary markets?
3. Highlight two sub-divisions of the secondary market.

## 7.0 References/Further Reading

M.J, E. (n.d.). Economic News Reporting. *College of Management Science Department of Mass Communication* .

[www.financewalk.com](http://www.financewalk.com)

[www.finance.mapsofworld.com](http://www.finance.mapsofworld.com)

## **Unit 4 The Money Market and its Institutions**

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### **1.0 Introduction**

Money markets provide banks, retail investors and generally those with funds a means of safe, liquid, short-term investments. Money markets cover several types of market and vary according to needs of borrowers on the lenders. The most important instruments in the money market are; treasury bills, commercial papers, central bank certificates etc. Assets bought and sold in the money markets are short term and can be easily converted to cash.

### **2.0 Objectives**

At the end of this unit, you should be able to:

- Understand money markets
- Distinguish between money markets and capital markets
- Identify money market instruments
- Know several money market institutions

### **3.0 Main Content**

#### **3.1 The Money Market and Its Institutions**

Investopedia defines the money market as, a subsection of the fixed income market. We generally think of the term fixed income as being synonymous to bonds. In reality, a bond is just one type of fixed income security. The difference between the money market and the bond market is that the money market specializes in very short-term debt securities (debt that matures in less than one year). Money market investments are also called cash investments because of their short maturities. Hence, the money market is the channel through which short-term debt instruments are traded. According to Esiri, the major function of the market is to facilitate the raising of short-term funds for the deficit sectors of the economy from the surplus sectors. The deficit units, which could be public or private, obtain funds from the market to bridge budgetary gaps by trading in short term securities.

Esiri also notes that, the money market performs an essential function for the Central Bank. It provides a channel for the injection of Central Bank's cash into the system; and the stable cash and liquidity ratios, which the market helps banks maintain and provide the fulcrum for the operation of open market operations and special deposits.

#### **Money Market Institutions**

The following are money market institutions:

##### **Commercial Banks**

These are financial institutions that provide services as; granting business and car loans, mortgage lending, accepting deposits etc. In Nigeria, commercial banks operate under the legal framework of the Central Bank of Nigeria Act of 2007. Commercial banks make their profit mainly by taking small, short-term, liquid deposits and transforming it into larger and longer maturity loans.

##### **Microfinance Banks**

The main aim of microfinance banks is extending small loans( also known as microloans) to individuals, businesses, and organizations in under-developed communities. In Nigeria, microfinance banks were established by the CBN in 2006 to



replace community banks. According to Esiri, the microfinance policy seeks to make financial services available on a sustainable basis to the economically active poor, low-income earners through privately owned microfinance banks.

### **Discount Houses**

Discount houses are financial institutions that specializes in discounting bills of exchange, treasury bills and short-dated government bonds. They were established to act as intermediaries between Central Bank and other financial institutions. The CBN describes the overall performance of discount houses as satisfactory except for a few recorded contraventions, which have been addressed by the CBN.

## **3.2 Money Market Instruments**

Financial instruments are the means by which financial and non-financial institutions acquire short-term funds. Financial instruments are bought and sold in a financial market. Money market instruments include:

### **1. Treasury Bills**

Treasury bills are short-term securities that mature in one year or less from their issue date. This instrument is created by the federal government to finance short-term fiscal operations. According to investopedia, treasury bills (as well as notes and bonds) are issued through a competitive bidding process at auctions. If you want to buy a T-bill, you submit a bid that is prepared either non-competitively or competitively. In non-competitive bidding, you will receive the full amount of the security you want at the return determined at the auction. With competitive bidding, you have to specify the return that you would like to receive. If the return you specify is too high, you might not receive any securities, or just a portion of what you bid for.

### **2. Certificate of Deposit (CD)**

CD is a time deposit with a bank. They are generally issued by commercial banks but can be bought through brokerages. Its maturity date is between three months to five years.

Like bonds, it can be issued in any denomination. In Nigeria, it was introduced by the CBN in 1975 as an interbank instrument considered relevant at a time when banks had excess liquidity. They are certificates issued by commercial banks for large cash deposits. Investopedia describes CDs as offer a slightly higher yield than T-Bills because of the slightly higher default risk for a bank but, overall, the likelihood that a large bank will go broke is pretty slim. Of course, the amount of interest you earn depends on a number of other factors such as the current interest rate environment, how much money you invest, the length of time and the particular bank you choose. While nearly every bank offers CDs, the rates are rarely competitive, so it is important to shop around.

### **3. Commercial Paper**

Eagletraders.com defines commercial paper as, a short-term unsecured promissory note issued by corporations and foreign governments. It is a low-cost alternative to bank loans, for many large, credits worthy issuers. Issuers are able to efficiently raise large amounts of funds quickly and without expensive Securities and Exchange Commission (SEC) registration.

### **4. Bankers Acceptance**

Bankers acceptance or letters of credit is a time draft which is drawn on and accepted by banks. Eagletraders states that before acceptance, the draft is merely an order by the drawer to the bank to pay a specified sum of money on a specified date to a named person or to the bearer of the draft; it is not an obligation of the bank. Upon acceptance, which occurs when an authorized bank employee stamps the draft "accepted" and signs it, the draft becomes a primary and unconditional liability of the bank. If the bank is well known and enjoys a good reputation, the accepted draft may be readily sold in an active market.

### **5. Bank Guarantees**

It is a written undertaken in which the bank agrees to make specific payments on ones behalf in case the person fails fulfill certain terms in the contract.

## **4.0 Conclusion**

In the money market, trades are short term. Participants' borrow or lend for short periods and it provides short-term liquid funding for the financial system all over the world.

Securities sold on the money market mature range is between a day up to a year. The money market allows firms to invest in short-term securities when they have temporary cash surplus.

## **5.0 Summary**

In this unit, various money market instruments were identified. Five of them were adequately explained. It is expected that you are now very familiar with these instruments.

## **6.0 Tutor-Marked Assignment**

1. What are money market instruments?
2. Differentiate between bankers acceptance and bank guarantees

## **7.0 References/Further Reading**

M.J, E. (n.d.). Economic News Reporting. *College of Management Science Department of Mass Communication* .

[www.eagletraders.com](http://www.eagletraders.com)

[www.investopedia.com](http://www.investopedia.com)

## **Unit 5 Problems Facing the Capital Market in Nigeria**

### **Contents**

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### **1.0 Introduction**

The Nigerian Capital Market has benefitted from structural reforms to the economy. These reforms which started in 1999, has led to additional investments into the capital market. However, the current situation of the market has made a lot of companies reluctant in raising money from the capital market. Like the national economy, the Nigerian Capital Market continues to face a lot of challenges.

### **2.0 Objectives**

At the end of this unit, you should:

- Know the problems facing the Nigerian Capital Market
- Understand the core problems of the Nigerian Capital Market

### **3.0 Main Content**

#### **3.1 Problems Facing the Capital Market in Nigeria**

Just like Nigeria's national economy, the Nigerian capital market faces various problems which comprises of those problems outside the direct control of the market and those that are internal which could be improved by operational procedures.

Babalola et al, highlights the following as some of the problems faced:

### **1. Small Size of the Market**

Among the major problems facing the Nigerian capital market is the size of the market. At about 200 quoted companies and a market capitalization of 294.1 billion at the end-December, 1999 the size of the market can be considered to be small when compared with stock market in other emerging markets. For example, the South African stock market has about 650 listed companies while South Korea has about 700 listed companies. The small size of the Nigerian Stock market has been traced to apathy of Nigerian entrepreneurs to public due to the fear of losing control of their businesses.

### **2. Problem of Liquidity of the Market**

The lack of adequate number of investors in the Nigerian stock market is a reflection of problem of illiquidity in the market. At an average ratio of 2 per cent per year, the turn-over ratio, a measure 'of the value of shares traded relative to local market capitalization is very low in Nigeria, compared with 10.0 per cent, 9.0 per cent and 4.6 per cent in Botswana, Zimbabwe and Mauritius, respectively.

### **3. Slow Growth of Securities Market**

Lack of cooperation between the Securities and Exchange Commission (SEC) and the Nigerian Stock Exchange (NSE) has been responsible for slow growth of the securities market. For example, one of the major criticisms of SEC was that it did not allow the issuing houses and stockbrokers to undertake the pricing of equities.

### **4. Delay in Delivery of Share Certificates**

Prior to April, 1997 when the Central Securities Clearing System (CSCS) started operation, the delay in delivery of share certificates to investors and intra-firm settlements used was a problem in the market. Many of the unclaimed certificates

and dividend warrants that are being published regularly are as a result of the delay in delivery of certificates.

**5. Problem of Manual Call-Over**

The manual call-over whereby all stockbrokers have to be physically present on the floor of the Exchange for trading in securities had also contributed to the slow growth of the market. With the recent introduction of Automated Trading System (ATS), it is expected that stockbrokers will be able to do business more efficiently and thus contribute to the growth of the market.

**6. Lack of Effective Underwriting**

Underwriting could be in the form of firm contract, or stand-by arrangement and when an issue is large, there would be need for an underwriting syndicate. An observed deficiency of the Nigerian securities market is the non-existence of effective underwriting.

**7. Macroeconomic Instability**

The problem of macroeconomic instability in the country has continued to be a hindrance in the development of the Nigerian capital market. Macroeconomic policies that would ensure long-term stability are essential in attracting a sustainable long term investments. Such policies should be conducive to both savings and investment to ensure confidence in the economy.

**4.0 Conclusion**

In the last two decades, the Nigerian Capital Market has experienced several reforms and has continued to grow. However, several factors hinder its growth. In recent times though, the investing public are now more interested in participating in the Nigerian Capital Market.

## **5.0 Summary**

In this unit, we pointed out certain impediments to the growth of the Nigerian Capital Market. Seven of these factors were discussed.

## **6.0 Tutor Marked Assignment**

- List and discuss five factors hindering the growth of the Nigerian Capital Market.

## **7.0 References/Further Reading**

J. A. BABALOLA, M. A. (VOL. 39 NO. 1). THE PERFORMANCE OF THE NIGERIAN CAPITAL MARKET SINCE. *CBN ECONOMIC & FINANCIAL REVIEW*.

Onwe, D. U. (2013). THE NIGERIAN FINANCIAL MARKET AND THE CHALLENGES. *Kuwait Chapter of Arabian Journal of Business and Management Review*.

## **Module 4**

Unit 1 The Stock Exchange

Unit 2 The Nigerian Stock Exchange

Unit 3 Securities Transaction on the NSE

Unit 4 Securities and Exchange Commission

Unit 5 The Nigerian Financial System



## **Unit 1 The Stock Exchange**

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    3.2 Functions of the Stock Exchange

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7.0 References/Further Reading

### **1.0 Introduction**

The Stock Exchange provides facilities for governments and firms to help them raise money for projects, expanding businesses through investors. It is a market where diverse investors both big and small buy and sell shares of companies through stockbrokers.

### **2.0 Objectives**

At the end of this unit, you should:

- Know what the stock exchange is
- Know the objective behind stock exchange
- Understand the functions of the stock exchange

### **3.0 Main Content**

#### **3.1 The Stock Exchange**

Shares are not owned by stock exchanges but it is a market where people who want to buy stocks or sell come together to interact. The stock exchange gives those who want to sell their shares a place to liquidate their share holdings. Kaylan-city defines the stock exchange as, an organized market for the purchase and sale of industrial and financial security. It is convenient place where trading in securities is conducted in systematic manner i.e. as per certain rules and regulations. It performs various functions and offers useful services to investors and borrowing companies. It is an investment intermediary and facilitates economic and industrial development of a country. Harper (2014) notes that Stocks first become available on an exchange after a company conducts its initial public offering (IPO). In an IPO, a company sells shares to an initial set of public shareholders (the primary market). After the IPO "floats" shares into the hands of public shareholders, these shares can be sold and purchased on an exchange (the secondary market).

In stock exchange, securities that are bought and sold have to follow well defined rules and regulations. These securities include; shares and debentures issued public companies and bonds and debentures issued by the government or public corporations.

### **3.2 Functions of the Stock Exchange**

Saritha pujari notes nine functions of the stock exchange. They include:

#### **1. Economic Barometer:**

A stock exchange is a reliable barometer to measure the economic condition of a country. Every major change in country and economy is reflected in the prices of shares. The rise or fall in the share prices indicates the boom or recession cycle of the economy. Stock exchange is also known as a pulse of economy or economic mirror which reflects the economic conditions of a country.

#### **2. Pricing of Securities:**

The stock market helps to value the securities on the basis of demand and supply factors. The securities of profitable and growth oriented companies are valued higher as there is more demand for such securities. The valuation of securities is useful for investors, government and creditors.

The investors can know the value of their investment, the creditors can value the creditworthiness and government can impose taxes on value of securities.

### **3. Safety of Transactions:**

In stock market only the listed securities are traded and stock exchange authorities include the companies names in the trade list only after verifying the soundness of company. The companies which are listed they also have to operate within the strict rules and regulations. This ensures safety of dealing through stock exchange.

### **4. Contributes to Economic Growth:**

In stock exchange securities of various companies are bought and sold. This process of disinvestment and reinvestment helps to invest in most productive investment proposal and this leads to capital formation and economic growth.

### **5. Spreading of Equity Cult:**

Stock exchange encourages people to invest in ownership securities by regulating new issues, better trading practices and by educating public about investment.

### **6. Providing Scope for Speculation:**

To ensure liquidity and demand of supply of securities the stock exchange permits healthy speculation of securities.

### **7. Liquidity:**

The main function of stock market is to provide ready market for sale and purchase of securities. The presence of stock exchange market gives assurance to investors that their investment can be converted into cash whenever they want. The investors can invest in long term investment projects without any hesitation, as because of stock exchange they can convert long term investment into short term and medium term.

## **8. Better Allocation of Capital:**

The shares of profit making companies are quoted at higher prices and are actively traded so such companies can easily raise fresh capital from stock market. The general public hesitates to invest in securities of loss making companies. So stock exchange facilitates allocation of investor's fund to profitable channels.

## **9. Promotes the Habits of Savings and Investment:**

The stock market offers attractive opportunities of investment in various securities. These attractive opportunities encourage people to save more and invest in securities of corporate sector rather than investing in unproductive assets such as gold, silver, etc.

(Source: [www.yourarticlelibrary.com](http://www.yourarticlelibrary.com))

## **4.0 Conclusion**

The stock exchange is a market where securities are bought and sold. These securities can be from corporate bodies or the government. It provides the infrastructure for trading securities to its members, it cannot sell nor buy these securities on its own. The major function of the stock exchange is to provide sellers with liquidity.

## **5.0 Summary**

This unit looked at an overview of the stock exchange. It briefly discussed the stock exchange and its activities. Nine functions of the stock exchange were also highlighted and discussed.

## **6.0 Tutor-Marked Assignment**

1. Can the stock exchange operate on its own?
2. Give a general overview of what stock exchange is
3. Discuss five important functions of the stock exchange

## **7.0 References/Further Reading**

Harper, D. (n.d.). Getting To Know The Stock Exchanges. *investopedia*.

Pujari, S. (n.d.). 9 Most Important Functions of Stock Exchange/Secondary Market.  
*www.yourarticlelibrary.com*.

*www.kaylan-city.blogspot.com*

## **Unit 2 The Nigerian Stock Exchange (NSE)**

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### **1.0 Introduction**

The Nigerian Stock Exchange was founded in 1960 first, as the Lagos Stock Exchange. However, in 1977 its name changed to the Nigerian Stock Exchange. Its functions are in no way different from other exchanges found all over the world; it provides the infrastructure to facilitate the buying and selling of shares to the general public in Nigeria.

### **2.0 Objectives**

At the end of this unit, you should:

- Be familiar with the activities of the Nigerian Stock Exchange
- Know the roles of the NSE

### **3.0 Main Content**

#### **3.1 The Nigerian Stock Exchange**

The Nigerian Stock exchange was founded in 1960 as the Lagos Stock Exchange before its name change in 1977. Then, it started operations in Lagos with 19 securities which were listed for trading. It currently has over 200 listed companies with a total market capitalization of about N12.88 trillion. The exchange is regulated by the Securities and Exchange Commission of Nigeria.

Wikipedia notes that, The Nigerian Stock Exchange has been operating an Automated Trading System (ATS) since April 27, 1999, with dealers trading through a network of computers connected to a server. The ATS has facility for remote trading and surveillance. Consequently, many of the dealing members trade online from their offices in Lagos and from all the thirteen branches across the country. The NSE states that it is committed to adopting the highest levels of international standards in all its dealings with its stakeholders. To support this commitment, the Exchange belongs to a number of international and regional organizations that promote the development of standards and best practices in its operations, such as the International Organization of Securities Commissions (IOSCO), the World Federation of Exchanges (WFE), the SIIA's Financial Information Services Division (FISD), Sustainable Stock Exchanges, Financial Services Regulation Coordinating Committee (FSRCC) Nigeria and the Intermarket Surveillance Group (ISG).

Esiri, however highlights a few functions of the NSE and they are as follows:

1. To provide opportunities for continued operation and attraction of foreign capital the nation's development.
2. To facilitate dealings in government securities and hence enhance foreign investment in Nigeria's manufacturing since government goes into joint venture with foreign investors.
3. To provide machinery for mobilizing private and public savings and making these available for productive investment through stocks and shares

4. To encourage the investment of savings as soon as it is clear that stocks and shares are readily available.
5. To promote increasing participation by the public in the private sector of the economy.

#### **4.0 Conclusion**

With about 250 listed securities, the NSE continues to evolve. It operates under the regulation of the Securities and Exchange Commission of Nigeria. Most of its listed companies represent a cross section of Nigeria's economy and are mostly of foreign affiliation. Data on the performance of listed companies are published daily, weekly, monthly etc.

#### **5.0 Summary**

This Unit briefly discusses the Nigerian Stock Exchange, its activities and functions. It is expected that you now fully understand the role of the stock exchange to the economy.

#### **6.0 Tutor-Marked Assignment**

1. Give an overview of the Nigerian Stock Exchange
2. Do the functions of other stock exchanges and the Nigerian Stock Exchanges differ?

#### **7.0 References/Further Reading**

M.J, E. (n.d.). Economic News Reporting. *College of Management Science Department of Mass Communication* .

[www.nse.com.ng](http://www.nse.com.ng)

[www.wikipedia.com](http://www.wikipedia.com)



## **Unit 3 Securities Transaction on the NSE**

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- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
  - 3.1 Securities Transaction on the NSE
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Reading

### **1.0 Introduction**

Transactions done on the stock exchange are done bearing certain rules and regulations in mind. Procedures exist for the buying and selling of shares, stocks and bonds. These rules are set up to guard against risks which interested persons could influence the issuer or associated companies.

### **2.0 Objectives**

At the end of this unit, you should:

- Know securities transaction done on the NSE
- Understand the call-over system and the Automated Trading System (ATS)

### **3.0 Main Content**

#### **3.1 Securities Transaction on the NSE**

Trading operations can be done either by the call-over system or the Automated Trading System (ATS).

#### **Call-Over System**

According to Esiri, the call-over system is very similar to the purchase of goods by auction. In this market, brokers representing prospective sellers and buyers meet at a

location also known as a trading floor at an agreed time to transact their business – every working day from 10.00am to 1.30pm.

In this system, the trading session is supervised the chairman who is an officer of the exchange. A list called the daily official list which contains information on all listed securities on the exchange is given to stockbrokers. In most cases, the opening price for any day would be the securit's closing price for the previous day's transaction. Here, communication between professionals are involves shouting and the use of hand signals. The part of the trading floor where this transaction happens is known as a pit. Some examples of markets which have used to call-over system include: The London Metal Exchange, The Chicago Board of trade and the New York Mercantile Exchange.

Egunbiyi notes that the call-over system is being replaced by electronic trading systems (such as CATS and Globex). The supporters of electronic trading claim that they are faster, cheaper, more efficient for users, and less prone to manipulation by market makers and broker/dealers. However, many traders advocate for the open outcry system on the basis that the physical contact allows traders to speculate as to a buyer/seller's motives or intentions and adjust their positions accordingly.

### **The Automated Trading System (ATS)**

According to Folger, Automated trading systems, also referred to as mechanical trading systems, algorithmic trading, automated trading or system trading, allow traders to establish specific rules for both trade entries and exits that, once programmed, can be automatically executed via a computer. The trade entry and exit rules can be based on simple conditions such as a moving average crossover, or can be complicated strategies that require a comprehensive understanding of the programming language specific to the user's trading platform, or the expertise of a qualified programmer. Automated trading systems typically require the use of software that is linked to a direct access broker, and any specific rules must be written in that platform's proprietary language.

In April 1999, the NSE upgraded its trading system to the Automated Trading System from the daily call-over system. Egunbiyi, notes that, Prior to automation, the Nigerian capital market contended with a cumbersome manual process that threatened to erode investor confidence in the market. Transaction cycle was long and inconclusive in some cases; there were incidences of overtrading in stock and cash; and the price discovery function of the secondary market was constrained by the prevailing manual Call-over Trading System.

#### **4.0 Conclusion**

The goal of Automated Trading System is to reduce trading costs so that when trading volumes increase, costs don't increase significantly. Because of the speed of computers, Automated Trading Systems are able to create orders as soon as criteria are met.

#### **5.0 Summary**

This unit identified two modes of trading securities. The call-over trading system and Automated Trading System were adequately discussed.

#### **6.0 Tutor-Marked Assignment**

1. Identify two modes of trading securities in the stock exchange
2. What is the difference between the call-over trading system and the Automated Trading System?

#### **7.0 References/Further Reading**

Egunbiyi, P. A. (2009). TRADING, CLEARING AND SETTLEMENT SYSTEMS IN THE. *West African Institute for Financial Economic Management.*

Folger, J. (n.d.). The Pros And Cons Of Automated Trading Systems. *www.investopedia.com.*

M.J, E. (n.d.). Economic News Reporting. *College of Management Science Department of Mass Communication .*

## **Unit 4 Securities and Exchange Commission (SEC)**

### **Contents**

1.0 Introduction

2.0 Objectives

3.0 Main Content

3.1 Securities and Exchange Commission (SEC)

4.0 Conclusion

5.0 Summary

6.0 Tutor-Marked Assignment

7.0 References/Further Reading

### **1.0 Introduction**

The Securities and Exchange Commission is the centre point of the Nigerian Capital Market. It is the apex regulatory agency for the market and is supervised by the Federal Ministry of Finance. It came into existence by the promulgation of the Nigerian Enterprises Promotion Decree in 1972. This decree necessitated the establishment of a regulatory body to regulate activities in the capital market.

### **2.0 Objectives**

At the end of this unit, you should:

- Familiar with the Securities and Exchange Commission and its activities

### **3.0 Main Content**

#### **3.1 Securities and Exchange Commission (SEC)**

SEC dates back to 1962, when an ad hoc consultative and advisory body, known as the Capital Issues Committee, was established under the aegis of the Central Bank of Nigeria (CBN). Its mandate was to examine applications from companies seeking to raise capital from the capital market and recommend the timing of such issues to prevent issues clustering which could overstretch the market's capacity. The Committee operated within the Central Bank of Nigeria unofficially as a capital market consultative and advisory body with no regulatory framework.

The Securities and Exchange Commission (SEC) joined the International Organisation of Securities Commissions (IOSCO) in June 1985. The IOSCO is a body of Securities Commissions with the goal of cooperating in developing, implementing and promoting adherence to internationally recognised and consistent standards of securities market regulation. The Nigerian SEC qualified as an Appendix 'A' Signatory to the IOSCO MMOU in 2006 and has continuously been benchmarking its market rules and regulations against those of IOSCO, the global international standards setter (source: [www.sec.gov.ng/ourhistory](http://www.sec.gov.ng/ourhistory)).

Esiri, lists the following as some specific functions of the Securities and Exchange Commission (SEC):

1. To register and regulate securities exchanges, capital trade points, futures, options, and derivative exchanges, commodity exchanges and any other recognized investment exchanges.
2. To register securities to be offered for subscription or sale to the public
3. To render assistance in all aspects including funding as may be deemed necessary to promoters and investors wishing to establish securities exchanges and capital trade points.
4. To facilitate the establishment of nation-wide system for secondary trading in the capital market.

#### **4.0 Conclusion**

The major function of the Securities and Exchange Commission is to develop and regulate the capital market in Nigeria. The commission has evolved over the years and has taken various steps in carrying out its developmental role in the capital market. It derives its power from the Investment and Securities Act (ISA).

#### **5.0 Summary**

This unit dealt with the Securities and Exchange Commission (SEC) of Nigeria. It discussed its history and functions briefly.

#### **6.0 Tutor-Marked Assignment**

1. Give an overview of SEC in Nigeria
2. Discuss five function of SEC

#### **7.0 References/Further Reading**

M.J, E. (n.d.). Economic News Reporting. *College of Management Science Department of Mass Communication* .

[www.sec.gov.ng](http://www.sec.gov.ng)

[www.wikipedia.com](http://www.wikipedia.com)

## **Unit 5 The Nigerian Financial System**

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#### 1.0 Introduction

#### 2.0 Objectives

#### 3.0 Main Content

##### 3.1 The Nigerian Financial System

#### 4.0 Conclusion

#### 5.0 Summary

#### 6.0 Tutor-Marked Assignment

#### 7.0 References/Further Reading

### **1.0 Introduction**

The Nigerian Financial system comprises the regulatory/supervisory authorities, financial markets and other financial institutions. The Central Bank of Nigeria is the apex regulatory authority of the Nigerian financial sector.

### **2.0 Objectives**

At the end of this unit, you should:

- Understand the financial system in Nigeria
- Identify vital components of the Nigerian financial system

### **3.0 Main Content**

#### **3.1 The Nigerian Financial System**

The Nigerian financial system comprises bank and non-bank financial institutions which are regulated by the Federal Ministry of Finance (FMF), Central Bank of Nigeria (CBN), Nigeria Deposit Insurance Corporation (NDIC), Securities and Exchange Commission (SEC), National Insurance Commission (NIC), Federal Mortgage Bank of Nigeria (FMBN), and the National Board for Community Banks (NBCB).

According to [info-naija.blogspot.com](http://info-naija.blogspot.com), the CBN is a major regulator and supervisor in the money market, with the NDIC playing a complementary role. The CBN exclusively regulates the activities of finance companies and promotes the establishment of development banks. The National Board for Community banks, while the final granting of licence is the CBN's responsibility. The SEC is the Apex regulator/ supervisor in the capital market, with NSE as self-regulatory institution. The FMF and the CBN share control over Bureaux de change while the NISB is the regulatory authority in the insurance sector. The FMBN regulates mortgage financial business in Nigeria (CBN, 1990). Developmentally, the Nigeria financial system has witnessed a rapid growth in the last two decades. This could be seen from the widespread establishment of many financial institutions. The growth can be claimed to due to the oil boom and the awareness of the importance of money by Nigerians. One of the characteristics of the Nigerian financial system is the dominant role the Federal and State Government play in the financial intermediation directly or indirectly. There are a number of government parastatals, which the government often lend money to. The state and federal governments also borrow money from the financial system. The governments are also involved in the financial intermediation indirectly through ownership of banks or financial institutions.

Nigeriasite.com also notes that, Other developments in the financial system include the promulgation of Failed Banks (Recovery of Debt) and Financial Malpractices in Banks Decree No. 18 of 1994. This is to facilitate the prosecution of those who contributed to the failure of banks and to recover the debt owed to the failed banks. Another major development was the inauguration of a Financial Services Regulation Co-ordinating Committee (FSRCC) by the CBN. The aims is to co-ordinate and standardize the regulatory policies of all financial institutions in the system with the view of evolving co-operation among regulatory agencies. The CBN also



granted forbearance to finance companies operating in Nigeria by being given a maximum of four years to amortize their classified assets portfolio against their current profits.

## **Structure of the Nigerian Financial System**

The Nigerian financial system is made up of four components. They are:

- Regulatory Authorities
- Financial Institutions
- Financial Instruments
- Financial Markets

## **4.0 Conclusion**

Financial systems are institutions, regulators and markets that deal financial instruments in which the activities of the participants are regulated by law. The Nigerian financial system comprises the regulatory/supervisory authorities, banks and "other" financial institutions. The regulatory/supervisory authorities are the Central Bank of Nigeria, the Nigeria Deposit Insurance Corporation (NDIC) the Securities and Exchange Commission (SEC).

## **5.0 Summary**

This unit dealt with the Nigerian financial system. It gave an overview of the Nigerian financial system and also highlighted four components of the system.

## **6.0 Tutor-Marked Assignment**

1. What are the components of the Nigerian financial system?
2. What makes up the Nigerian Financial System?

## **7.0 References/Further Reading**

[www.info-naija.blogspot.com](http://www.info-naija.blogspot.com)

[www.nigeria-consulate.org](http://www.nigeria-consulate.org)

[www.nigeriasite.com](http://www.nigeriasite.com)