

ECONOMICS OF VOLATILITY SPILLOVERS ON CORPORATE EQUITY RETURNS: EVIDENCE FROM NIGERIA CORPORATE GOVERNANCE

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ABSTRACT

This paper examines the volatility spillovers on corporate equity returns: evidence from Nigeria corporate governance. First, we examined the unconditional patterns during the full sample (January 1990-December 2010) using a measure recently proposed by Diebold and Yilmaz (2012). Second, we made use of a dynamic analysis to evaluate net directional volatility spillovers for each of the eight sectors under study, and to determine whether there exist differences. Our analysis identifies a number of phases of interaction in those sectors (markets) particularly after the introduction of SEC's code of corporate governance in 2003; and also the likely effect of the recently introduced TSA account in Nigeria. We found a substantial spillover in returns (yields) in these sub-sectors particularly in the agro-allied industries. The spillover index and its components can be rationalized on a continuing basis as new data become available and can provide useful information to policymakers and analysts alike.

Keywords: Nigerian Corporate Governance, Spillover Index, Equity Returns, Forecast Error Variance Decomposition.