

**A STUDY OF INVESTORS PERSPECTIVE ON NIGERIAN  
CAPITAL MARKET AND WEALTH CREATION**

**BY**

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MBA/MT/09/0190**

**DECEMBER, 2012**

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**BEING A DISSERTATION SUBMITTED TO THE DEPARTMENT OF  
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## APPROVAL PAGE

This project thesis entitled “A Study of Investors’ Perspective on Nigerian Capital Market and Wealth Creation” meets the requirement governing the award of Masters of in Business Administration. In the Modibbo Adama University of Technology, Yola and is approved for its contribution to knowledge and literary presentation.

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## **DECLARATION**

I hereby declare that this project thesis was written by me and it is a record of my own research work. It has not been presented before in any previous application for a higher degree. All references cited have been duly acknowledged.

## **DEDICATION**

This project is dedicated to the Almighty Allah who has been the course of our help and encouragement throughout the period of this research project, and to my beloved family.

## **ACKNOWLEDGEMENT**

I am indebted to the number of people who have been instrumental to the preparation of the research work. I wish in this point to express my profound and endless gratitude to almighty Allah who in His infinite mercy guide me throughout the duration of my course of study. My thanks begin with the entire members of my family, for their valuable contributions towards the success of this work.

Equally, I wish to recognize the unlimited effort of my distinguished project supervisor, Mr. V. Deva for his untiring pushing encouragements to me to write this piece of work. I would like to thank my Head of Department Mal. Ahmed U. Alkali and lecturers of Management Technology, including visiting lecturers. My gratitude's goes to my entire course mates and friend.

## ABSTRACT

*The Nigerian Capital Market has been identified as an institution that contributes to the socio-economic growth and development of emerging and developed economies. Essentially, investors' perceptiveness on capital market greatly determines level of resources committed to investment in the market, level of awareness of the investment risks and subsequently, return on the investments. Hence, the study examined investors' perspective on Nigerian capital market and wealth creation. The study covered investors in Adamawa and Kaduna States. Questionnaires were administered to 100 investors purposively selected in the study area. Data collected were analyzed using descriptive and inferential statistics. Hypotheses were tested using Chi-square analysis. Findings showed that interest rates have significant effect on rate of returns on investment in Nigerian capital market; character and behaviors of investors have significant effect on rate of returns on investment in Nigeria capital market and the returns on investment in Nigerian Capital market are dependent on investor's risk attitude. The study concluded that most of the investors have little knowledge about the workings of the Nigerian capital market as result of lack of information and thus earn low rate of return on their investments. However, it was recommended that adequate awareness policy and programmes should be initiated on the workings of Nigerian Capital market to save investors from investing in what they have little knowledge on.*

## TABLE OF CONTENT

Cover Page	i
Title page	ii
Approval page	iii
Declaration	vi
Dedication	v
Acknowledgement	vi
Abstract	vii
Table of contents	viii
List of Tables	xi
<b>CHAPTER ONE: INTRODUCTION</b>	
1.1 Background of Study	1
1.2 Statement of Research Problem	2
1.3 Objective of the Study	3
1.4 Research Questions	4
1.5 Research Hypotheses	4
1.6 Significance of the Study	5
1.7 Scope of the Study	6
1.8 Limitations of the Study	6
1.9 Definitions of Key terms	7

## **CHAPTER TWO: REVIEW OF RELATED LITERATURE**

2.1	The Concept of Nigerian Capital Market	8
2.2	Roles of Capital Market in Economic Development	9
2.3	Capital Market Instruments	10
2.4	Structure of Capital Markets in Nigeria	12
2.5	The Securities and Exchange Commission (Sec)	13
2.6	The Nigerian Stock Exchange (NSE)	14
2.7	NSE Guidelines for foreign Investment in Nigeria.	17
2.8	Stock Market Delivery System in Nigeria:	17
2.9	Methods of New Issues by Quoted Companies	19
2.10	The Regulatory Environment of Nigerian Capital Market	22
2.11	Factors/Considerations Influencing Individual Investor's Rate of Returns in Capital Market	22
2.12	The Wealth Creation Process	23
2.13	2008 Stock Market Crash – Factors Responsible	24
2.14	House of Representative Intervention on the collapse of the Nigerian Capital Market	25
2.15	Summary	26

## **CHAPTER THREE: METHODOLOGY**

3.1.	Research design	27
3.2.	Population of the study	27

3.3	Sample of Study	27
3.4	Method of Data Collection	28
3.5	Reliability Analysis	29

#### **CHAPTER FOUR: DATA PRESENTATION AND ANALYSIS**

4.1.	Introduction	32
4.2	Presentation of data	32
4.3	Findings	35
4.4	Summary of Findings	45
4.5	Discussion and interpretation of Findings	46

#### **CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS**

5.1	Summary	47
5.2	Conclusion	47
5.3	Recommendations	48
	References	49
	Appendix	51

## **LIST OF TABLES**

Table 4.1	Gender of the respondents	32
Table 4.2	Academic Qualification	33
Table 4.3	Professional Qualification	33
Table 4.4	Occupation of the Respondents	34
Table 4.5	Experience of the Stock Market	34
Table 4.6	The effect of interest rate on investments	35
Table 4.7	Test Statistics on interest on rate	38
Table 4.8	Characters and behaviours of investors	39
Table 4.9	Test Statistics on investors' characters and behaviours	42
Table 4.10	Rate of return on investment and risk	42
Table 4.11	Rate of return on investment and income	43
Table 4.12	Test Statistics on investment and investors' risk attitude	44
Table 4.13	Test Statistics: Returns on investment and investors risk	45

# CHAPTER ONE

## INTRODUCTION

### 1.1 Background of Study

Globally, the economy is divided into sectors such as: financial, manufacturing, oil and gas, education, transportation, agriculture, etc. the essence of the grouping is for professionalism and for efficient resource allocation for optimum performance of the entire economy.

Our environment is dynamic and hence the need for regulation for conformity to standards is necessary. Financial environment is a subset of the total environment. Thus, in every country there exists a financial system charged with the responsibility of regulating the financial environment. The financial system is made-up of two components: Money market and Capital market. The Money market is the market for short-term funds and securities. These include treasury bills and certificates, central banks notes, negotiable certificates of deposit, commercial papers, all investment notes and other funds with maturity of less than one year. Meanwhile, capital market is the market for longer-term funds and securities whose tenor of maturity extends beyond a year. These include long-term loans, mortgage bonds, preference and ordinary shares, Federal Government stocks/ bonds and debentures.

Ekundayo (2002) observed that a nation requires a lot of local and foreign investments to attain sustainable economic growth and development. The capital market provides a means through which this is made possible. However, the paucity of long-term capital has posed the greatest predicament to economic development in most African countries including Nigeria .

Osaze (2001) sees the capital market as the driver of any economy to growth and development because it is essential for the long-term growth capital formation. It is crucial in the mobilization of savings and channeling of such savings to profitable self-liquidating investment. The Nigerian capital market provides the necessary lubricant that keeps turning the wheel of the economy. It not only provides the funds required for investment but also efficiently

## **1.2 Statement of Research Problem**

The capital market has been described as the prime motor that drives any economy on its part to growth and development because it is responsible for long-term growth and capital formation. The money market only complements the capital market by providing the necessary working capital to support gross fixed capital formation (Osaze, 2001). In spite of the importance of capital market as described above, the Nigerian capital market faces a lot of developmental

challenges. It has been grouped as one of the emerging markets of the world with huge growth potential if properly harnessed.

Moreover, there has been increase in the level of awareness about capital market as one of the sources of wealth creation. However, there is dearth of empirical studies that provide qualitative evidence on investors' perceptive on Nigerian Capital Market and wealth creation. The fact is that investors' perceptive on capital market greatly determines level of resources committed to investment in the market, level of awareness of the investment risks and subsequently, return on the investments. Hence, there is need to study investors' perceptive on Nigerian Capital Market and wealth creation.

### **1.3 Objective of the Study**

The main objective of this study is to examine investors' perceptive on Nigerian Capital Market and wealth creation. Other specific objectives include:

- i. To examine investors' perspective on the factors that affects interest rate of returns in Nigerian capital market.
- ii. Determine whether character and behaviors of investors affect rate of returns on investment in capital market.
- iii. Ascertain if returns on investment in Nigerian capital market is dependent on investor's risk attitude.

## 1.4 Research Questions

The following questions were raised in line with the stated objectives:

- i. How much do investors know about the factors /considerations that influence interest rate of returns on investment in the Nigerian capital market?
- ii. Does the character and behaviours of investors affect rate of returns on investment in Nigerian capital market?
- iii. Do the returns on investment in Nigerian Capital Market depend on investor's risk attitude?

## 1.5 Research Hypotheses

The following hypotheses were formulated in the null form:

$H_{0i}$ : Interest rates have no effect on rate of returns on investment in Nigerian capital market.

$H_{0ii}$ : Character and behaviours of investors has no effect on rate of returns on investment in Nigeria capital market.

$H_{0iii}$ : The returns on investment in Nigerian Capital market are not dependent on investor's risk attitude.

## **1.6 Significance of the Study**

The capital market has been identified as an institution that contributes to the socio-economic growth and development of emerging and developed economies. This is made possible through some of the vital roles played such as channeling resources, promoting reforms to modernize the financial sectors, financial intermediation capacity to link deficit to the surplus sector of the economy, and a veritable tool in the mobilization and allocation of savings among competitive uses which are critical to the growth and efficiency of the economy. Therefore, the study would contribute to realizing best performance in Nigerian Capital Market. In addition, this study would appreciably assist investors in making informed investment decisions to enhance returns on investment having identified factors that affect rate of return in Nigerian Capital Market and how those factors could be accurately controlled.

Moreover, the study would provide guideline for formulation of result-oriented policy in the Nigerian Capital Market as factors affecting investors' orientations in the market have been critically examined and their effects on the performance of the market have been established. This study would also serve as an eye-opener to further research in Nigerian Capital Market.

## **1.7 Scope of the Study**

This study is restricted to investors' perspective on Nigerian Capital Market within Adamawa and Kaduna States between 2007 and 2012 periods. During periods, investors experience dwindling returns on stocks and shares in Nigeria. Hence, the study covered 6years within which there was occurrence of global crisis.

## **1.8 Limitations of the Study**

The study could not cover investors' perspectives in all the six geopolitical zones in Nigeria where stocks are traded because time constraint. Also, only investors' perspectives were examined, other participants in the capital market such as brokers, jobbers, etc perspectives were not examined. Although limitation exists, it is believed that the limitations are insignificant to invalidate the result from the study. Other limitations include:

- i. smallness of the sample size
- ii. Financial problem to move within the sample size to cover more states.

## 1.9 Definitions of Key terms

**Bear Market:** A market in which prices of securities are falling or are expected to fall.

**Blue Chip:** Describing an investment that is regarded as extremely safe without being gilt-edged, it also describes a company whose shares are regarded as an extremely safe investment; analyst believes that blue chip-stocks will continue strong.

**Bonus Issue:** Issue of shares made by a company wishing to reduce the average price of its shares, shareholders receive a number of extra shares in proportion to the number already held, this also known as capitalization issue.

**Bull Market:** A market which prices of securities are moving or are expected to move higher.

## CHAPTER TWO

### REVIEW OF RELATED LITERATURE

#### 2.1 The Concept of Nigerian Capital Market

Many research works have been carried out on capital market. It is also a fact that many authors have written books on the same subject matter. They have all come to agreement that capital market is an engine for economic growth and development. Capital market is a vehicle for wealth creation and preservation, economic growth and development. A review of the literature of some research studies are as follows:

Central Bank of Nigeria “The Nigerian capital market origin can be traced to the colonial era”. The idea of capital market was necessitated by short fall in revenues to meet the financial needs for developmental goals of the then colonial administration, The colonial administration saw the need to raise funds for public sector to cover financing gap in addition to other revenue sources like taxation and other funds generating activities. This need gave rise to the establishment of financial system and basic infrastructure needed for take-off. Odife (2000:6) the first step in this direction was to secure the necessary finance for development of this infrastructure and long-term capital projects. This was done in 1946 ten years plan and the local loan ordinance for the floatation of the first ₦300,000 (3%). Also, in 1951, the colonial administration also enacted a law for the creation of loan funds for the financing of public utilities. The Government and other Securities (Local Trustees Powers) Act was enacted in 1957. This law specified the types of securities in which trust funds may be invested. Also, the power and responsibilities of trustees were clearly stated. To boost shares

trading, the colonial administration set up a committee known as Prof. Barback committee with responsibilities to examine the ways and means of fostering a share market in Nigeria. Part of the terms of reference of the committee included the possibility of establishing a capital market in Nigeria. The committee recommendations were as follows:

- I. A multiple exchange format for greater competition and more rapid development.
- II. A new national stock exchange with on-line trading facilities giving simultaneous and equal access to funding for all Nigerians. This led to the establishment of the Abuja Stock Exchange.

This has been scrapped and converted to a commodities exchange due to its perceived non-viability by Federal Government of Nigeria.

- III. An enlarged and restructured securities and exchange commission.
- IV. Establishment of a judicial tribunal for dispute resolution.
- V. Establishment of an Institute of Capital Market Studies for capacity building.
- VI. Establishment of commodities and derivatives exchanges.

## **2.2 Roles of Capital Market in Economic Development**

Nigerian Stock Exchange (1990), the capital market plays the following roles in economic development:

- I. It provides a medium for assisting companies to raise funds to meet their financing requirements.

- II. It serves as a means of allocating the nations real and financial resources between various industries and companies.
- III. It serves as a medium for the provision of liquidity for investors' investments.
- IV. It serves as an instrument for measuring confidence in the economy and determines economic growth and development.
- V. It helps to determine cost of capital.
- VI. It helps to broadening ownership structure of Nigerian companies that were formally family owned.
- VII. It facilitates the transmission and implementation of macroeconomic policies of the government.

### **2.3 Capital Market Instruments**

Capital market instruments can be categorized into three major groups of securities:

- (a) Debt Instruments (b) Preference Shares (c) Ordinary Shares

- (a) **Debt Instruments:-** Debt instruments are long term loans raised by company or government or government agencies for which interest is paid and at a fixed rate. A debt instrument has a nominal value, which is debt owned by the issuer, and interest is paid at a stated rate on the amount.

Debt instruments issued by a company are usually evidenced in form of debentures while governments issue bonds. Debt instruments are usually redeemable but it can also be irredeemable. It is redeemable if the investor has the option to recoup its investment a specified time. Debt instruments can

also have convertible features. This implies that they convertible into ordinary shares of the companies at the option of the holder in the future.

**(b) Preference Shares**

This is another major source of long term financing to a company. Preference shares are part of the shareholders' funds of a company but the holder is not an owner of the company and as such cannot exercise any voting right in the company. A preference shareholder is also not a creditor of the company. The holders of preference shares are entitled to a fixed percentage dividend before any dividend is paid to ordinary shareholders. The following are the different types of preference shares: Cumulative Preference Shares -arrears of dividend can be carried forward to future years when distributable profit is enough.

**(c) Ordinary Shares:**

Ordinary shares are issued to owners of a company. They have nominal or face value. The memorandum and the Articles of Association of a company specify the number of authorized ordinary shares a company can issue. The holders of ordinary shares are the real owners of the company and such each ordinary share carries a voting right. The ordinary share holders of a company have residual claims in the company; their claims to income and assets come after the creditors (debt holders) and preference shareholders have been paid in full. As a result, a shareholder's return on investment is less certain than the return to a lender or to a preference shareholder. However, there is no limit to return of ordinary shareholder when compared to the others.

## 2.4 Structure of Capital Markets in Nigeria

The Nigerian capital markets consist of:

### (a) The Stock Market

This is the market for both new issues of securities as well as trading on the existing securities.

The Nigerian Stock Exchange manages the capital markets in Nigeria. The Nigerian Stock Market can be grouped into two as follows:

- i. **Primary Market:** This is the market for new issue of securities for the capital market.
- ii. **Secondary Market:** this is the market for the trading on the existing (old) securities. The market make it eased to transfer ownership of securities and hence liquidity.

The Nigerian stock market can also be grouped based on traded instruments as follows:

- (i) **Equity Market:** Is the market for ordinary shares.
- (ii) **Preference Shares/Industrial Loan Market:** This is the fixed income private securities market.

**The Government Long Term Debt Market:** It is the market for government long term debt securities.

- (b) **Derivatives Market:** This is the market for trading on derivative products. This is grossly undeveloped in Nigeria.
- (c) **Banks:** Companies as well as individual can approach banks for their financing needs for both medium and long term with different strutting.
- (d) **Mortgage Market:** This is market for financing real estate (building, projects, land, land properties etc).

## **2.5 The Securities and Exchange Commission (Sec)**

The Securities and Exchange Commission is the apex regulatory body in the Nigeria Capital market. It was established in 1979 through the Securities and Exchange Commission Decree 1979. This was further empowered by SEC Decree 1988 and investment and Securities Decree 45 of 199.

The role of the commission was further enhanced and enlarged by Companies and Allied Matters Decree 1990, which empowers it to approve and regulate merger and acquisition as well as the establishment of unit trust.

The Investment and Securities Decree No.45 of 1999 provides for the continuous establishments of the Securities and Exchange Commission, the repeal of the Securities and Exchange Commission Decree of 1988, the enlarged powers and functions of the commission over the capital market and a set of new market infrastructure and wide ranging system of regulation of investments and securities business in Nigeria. The following are the functions of SEC:

- a. Regulate investments and securities business in Nigeria.
- b. Register and regulate securities exchanges, capital, trade points, future, options and derivatives exchanges and any other recognized investment exchanges.
- c. Register securities to be offered for subscription or sales to the public.
- d. Render assistance in all aspects including funding as may be deemed necessary to promoters and workers wishing to establish securities exchange and capital trade points.
- e. Prepare adequate guidelines and organize training programs and disseminate information necessary for the establishment of securities exchanges and capital trade points

## **2.6 The Nigerian Stock Exchange (NSE)**

The Stock Exchange is an organized market place where listed securities of various types are bought and sold. For the shares of companies to be traded on any exchange they must be listed. For the company to be listed, it must meet some listing requirements. The Nigerian Stock Exchange is life wire of the Nigerian Capital Market. It is the "hub" of the activities of the capital market. It provides mechanism for funds mobilization from both private and public sectors, payment settlements, resources allocation, prices of securities determination among others services.

The Stock Exchange also represents an idea setting for a mart and daring speculator to make fortune with relatively little effort in terms of contributing

anything of substance to National Output; but also a remarkably easy means for the unwary to lose a fortune through false judgment (Alile and Anao, 1986).

Managers of companies pay much attention to the prices of the shares of their companies on the exchange-secondary market because high prices in the secondary market is a reflection of investors' confidence and a measure of their wealth creation capacity of the company. Also, the prices of company shares in the secondary market determine the cost to raise additional capital in the primary market for expansion and growth. The Nigerian Stock Exchange was established in 1960 as Lagos Stock Exchange. In December 1977 it became The Nigerian Stock Exchange, with branches established in Kaduna, Port Harcourt, Kano, Onitsha, Ibadan, Abuja, Yola and Uyo. Also recently, more branches have been opened including the Benin-City branch.

The NSE started operations in Lagos in 1961 with 19 securities listed for trading. As 2004, there were 271 securities listed on The Exchange made up of 17 Government Stock, 52 Industrial Loan debenture/Preference Stock, and 22 Equities/Ordinary shares of companies with a total market capitalization of N2.1 trillion.

There are two types of ownership of NSE. There are the ordinary and dealing members. An ordinary member (institution or individual) of NSE is member who has, in accordance with the Articles of the Exchange taken up qualifying shares of the issued shares capital of the Exchange and has been admitted into the register of members. A dealing member (referred to as a stockbroker) is a person or institution who in addition to being an ordinary member is licensed to buy and sell securities on the trading floor of the Exchange on behalf of the investing public.

Trading on the NSE is through the automated trading system (ATS). The ATS has facility for remote trading and surveillance. Consequently, many of the dealing members' trade online from their offices in Lagos, Abuja, Kano, Port Harcourt and Yola branches.

The NSB has a subsidiary -Central Securities Clearing System Ltd (CSCS) which does the trading electronically and other operations. The transactions cycle is T + 3 where T is transaction date for settlement to be effective. The CSCS also serves as the custodian of information regarding investor's holdings and other information above investors.

The NSE is self regulatory organization in the capital market. The SEC Decree of 1988 provides that SEC can delegate part of its functions to the Exchange. The instrument traded on the NSE include: Federal Government bonds, Development Loan Stock and State Revenue Bonds, Commercial and industrial Loans or Debenture Stock, Preference shares, ordinary shares and option products. The NSE is a three -tier market structured of the following:

1. First -Tier Securities Market: This covers the majority of securities of big companies.
2. Second Tier Securities Market: This is a market where medium sized companies that are less big obtain a full listing on the Stock Exchange, the Second-TTER Securities Market - (SSM) is also a market for second-hand-shares. It is regulated by the Stock Exchange.
3. The Third -Tier Securities Market: This is a market where small and medium scale wholly indigenously promoted companies that are not big to obtain full or SSM listing can raise new capital by issuing shares.

## **2.7 NSE Guidelines for foreign Investment in Nigeria.**

The NSE as part of its contribution to the development of the capital market also compliments SEC in attracting foreign portfolio investments. In this regard, the NSE has the following guidelines for foreign investors who wish to invest in Nigeria.

- a. They (foreign investors) must appoint a local stockbroker.
- b. The NSB must agree with the foreign investors on the choice of a local Nigerian bank for the investor.
- c. The investors) are required to inform the chosen bank about the magnitude of the investment.
- d. The amount involved is then transferred electronically to the designated bank.

## **2.8 Stock Market Delivery System in Nigeria:**

### **Central Securities Clearing System (CSCS)**

Before the establishment of CSCS in Nigeria, delivery and settlement was a problem in Nigerian stock market that is exhibiting transactions in the secondary market. Then, the only evidence of shares ownership in Nigeria is through possession of shares certificate which could take 3-12 months to receive. The poor delivery system of receiving shares certificates significantly slowed down trading of shares on the stock market as shares transfer will require cancellation and frequent issuance and re-issue of certificates. The poor delivery system, thus gives room to buy and hold attitude among Nigerian investors. It has also brought about lack of transparency in securities business.

## **Functions of CSCS**

The functions of CSCS are as follows:

- i. Central depository for shares certificates of listed companies.
- ii. Sub-registry for all quoted securities together with registrars of listed companies.
- iii. Issue of central securities identification numbers to stockbrokers and investors,
- iv. Clearing and settlement of transactions.
- v. Sale keeping/custodian to members for local and foreign instruments.

## **Market Markers**

They are big time player in securities market. They are large institutions that buy securities in large amount. If a security is in short supply in the market, the market marker will offer to sell the securities in the market whereas they will bid to buy securities with surplus supply in the market. Some market markers specialize in a particular or group of securities. There are operational guidelines for market making.

## **The Issuing House**

An issuing house is the key adviser in the issuing process. The issuing house acts as the sponsor of the issuing company and performs the following functions:

- i. An issuing house will first examine in details the circumstances and the financial position of the company or organization purposing to raise funds: evaluates the intended use of funds and advises its clients on the most suitable capital structure.
- ii. The issuing house will also comment on the composition and the quality of the board of directors if the current composition seems to be inadequate in all terms.
- iii. It determines the most suitable type of security to be issued and the terms of the issue.
- iv. It draws up issuing time-table y. It advises on the appropriate methods of floatation e.g. offer for sale, offer for subscription, placing etc.
- v. It prepares the issue or sales documents (prospectus) and commission an special duty required to be undertaken by experts (e.g. Values, accountants, solicitors).

## **2.9 Methods of New Issues by Quoted Companies**

The following are the methods of raising funds through the capital markets.

### **(i) Offer For Sale**

This is a means of bringing shares of company to the investing public with an issuing house acting as agent to the offer. The issuing house offer shares to the public by inviting subscriptions from members of the public. The prospectus widely advertised in newspapers and application forms are

made available through various outlets while the issuing house underwrites the issue. Underwriting is a process whereby the issuing house agrees to pay up any unsubscribed shares. Any over subscriptions is pruned down on the basis of application received.

The pricing of the offer is the responsibility of the issuing house. It is critical to the success or otherwise of the offer and also to the investors both existing and intending.

**(ii) Offer for Sale by Tender**

This is a method of bringing an offer to the market and the issuing house only determine the minimum price while subscribers (investors) are invited to tender for shares at a price equal to or above the minimum price. The shares will eventually be allotted at a price where all will be taken up. This price is called the **striking price**.

**(iii) Offer for Subscription**

This is similar to offer for sales in that the company decides to make a direct invitation to the public to subscribe for shares with issuing house acting as agent of the issue. However, unlike offer for sales, the issues are partially underwritten. In an offer for subscription there may sometimes be a minimum subscription level. If the issue is not successful, with a large number of unsubscribed shares, it will be cancelled and any money received by the company will be returned to the subscribers.

**(iv) Introduction**

In an introduction, no new money is raised for the company. As part of the conditions for listing, the Stock Exchange requires at least 25% of the company's shares to be in the hands of the public. If a company seeking quotation is already quoted on another Stock Exchange or the company has more than 25% of its shares in the hands of the public, the Stock Exchange can permit the company to be introduced by a sponsoring stockbroker (a dealing member of the exchange). For companies seeking listing on the securities market (SSM), only 10% of the shares need to be in the hands of the public.

However, companies listed in the SSM can use introduction to move to the main official list. Foreign companies already quoted on foreign stock exchange can also use this approach to seek quotation. Introduction thus is the cheapest means of seeking quotation as it does not require underwriting or publicity cost.

**(v) Placing:**

A placing is an arrangement whereby the shares are not all put on offer to the public but rather the issuing house or sponsoring firm arranges for most of the issue to be bought by few investors, usually high net worth individuals and institutional investors such as insurance companies and pension funds. This is cheaper than both offer for sale by tender and offer for sale as there is lower underwriting and publicity cost. However, the disadvantage is limited numbers of shareholders.

## **2.10 The Regulatory Environment of Nigerian Capital Market**

The Nigerian capital market is regulated by various laws, degrees, acts and rules which set up relevant institutions that are responsible for the orderly growth and development of the market.

### **Major Regulations in the Capital Market**

The major laws regulating the Nigerian Capital market are as follows:

1. The companies and Allied Matters Act of 1990
2. Insurance Degree of 1997
3. The Trustees Investment Act of 1962
4. Central Banking of Nigerian Rules and Regulations.
5. The Nigerian Securities and Exchange Commission, rules and regulation. he above rules, regulations, laws and degrees through the relevant agencies regulating authorities make for the orderly conduct of the capital market.

## **2.11 Factors/Considerations Influencing Individual Investor's Rate of Returns in Capital Market**

The following are some of the factors that help to shape and influence the rate of returns (wealth creation) of an individual investor in the capital market.

- I. Definition of investment objective of an investor- is the investment short, medium and long term? This objective is very importance as other investment decisions are affected by this objective.
- II. Personality and stage in life of an investor. A person (investor) stage in life/personality affects investment decisions. The young ones are more favorably disposed to risk taking than the aged ones.

- III. Emotional maturity. Life decisions are affected by individual emotional balance. This is true of investment decisions.
- IV. Investor's attitude to risk. Investor's attitude to risk is a strong determining factor of his/her rate of returns on investment.
- V. Information. Life success to a large extent is a function of the amount of information and knowledge an individual has couple with his/her ability to manage such very well. This is equally true in investment world.

## **2.12 The Wealth Creation Process**

Wealth is created in capital market through any of the following ways:

- a. Capital appreciation. This happens when the prices of shares traded on the Exchange rise upwards especially by some factors we have seen previously. Please see table A below. Thus wealth is created as money or income higher than that initially invested has been earned (when investment has been realized).
- b. Bonus Issue- This is the creation of additional share capital from the retained profit by a company in a particular yearend report. Example, a company may decide to create one share for every existing four held. Thus, a shareholder holding four before becomes five. By this wealth is created. A good example of a company with consistent bonus issue on the Nigerian Stock Exchange is First Bank of Nig. Plc. Table B refers.
- c. Dividend Payment-This represents the distributable portion of a company profit. It is the rewards for taking investment risk by hold a certain quantity of shares in a particular company. The amount of wealth created by an investor through this process is a function of the profit made and the

dividend pay out ratio of that company. Table C shows examples of dividend pay out of some companies.

- d. **Right Issue:** This is discount (price reduction) given to existing shareholders. A publicly quoted company that is coming to the market for more funds may decide to do this in two ways. That is, through public offers and right issue. A share of a particular company will be priced below the market price. For example, the public offer can be N15 per share while the right issue can be N14 per share. The N1 discount /price reduce for the existing shareholders is an income (wealth creation) for the mere fact that the investors have put their money in that company for some time.

### **2.13 2008 Stock Market Crash - Factors Responsible**

The following factors were /are responsible for 2008 market crash:

- I. Cancellation of Margin Trading Facilities through CBN pronouncement.
- II. Uniform financial year end for banks as proposed by CBN by December 2008 but subsequently aborted after havoc has been done.
- III. Liquidity problem in the financial system.
- IV. Massive disinvestment by foreign investors
- V. Market correction- shares prices were over priced through sharp practices.
- VI. Lost of confidence in the market by investors.

Though prices of equities are very low now resulting from the above factors, hopes are high that market will rebound again shortly. Market capitalization (number of shares registered on the Exchange \* market price) was

N10,402,706,780,1 55.40 as at 03/01/08 and was about N6,936,760,373,738.40 by the end of 2008. Thus, market has lost over N3.5T within seven months. The Nigerian capital market is reputed to be among top ten emerging markets of the world, the number of listed companies and securities increased from 202 and 288 in 2006 to 212 and 309 in 2007 respectively.

### **Wealth Defined**

According to Advanced Learner Dictionary, Wealth is possession of a great amount of property, money, etc or having riches by an individual. Wealth is a stock-it is an amount that an individual has at a particular time period. Ken Heather (3rd Edition p 31) Understanding Economics. Richard Templar - The Rules of Wealth p 9 defined Wealth as having enough so that I don't have to worry about having enough. From the above, it clear that wealth has to do with the possession of both materials and financial resources of great deal. Thus the concept of enough wealth is a function of individual financial objective and what drives the individual.

#### **2.14. House of Representative Intervention on the collapse of the Nigerian Capital Market**

It is understandable that the report prepared in 2011 has some recommendations that should be of importance and assistance to the House Committee in successfully concluding its assignment. The recommendations covers the following areas; Market expansion, Liquidity enhancement, Collective investment schemes, structure for market making, length of trading house, offer process, transaction cost SEC's recognition, improving market efficiency and

regulation, capacity building, Nigerian Stock Exchange (NSE) demutualization and prevention of manipulation.

## **2.15 Summary**

The related literature review of this research will focus on these key areas; Namely, the concepts of Nigerian Capital Market, functions of Nigerian Capital Market, the roles of Nigeria Capital Market in Economic development, Capital market instrument, structure of capital market in Nigeria, the securities and Exchange Commission, Capital market delivery system in Nigeria, factors influencing shares price on the exchange. Finally, strategies to offset these problems will be determined.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1. Research design**

Research design deals with structuring of an investigation for the purpose of identifying relevant variables and their relationship to another. Osuagwu (2002) describes research design as a general framework for conducting research or investigation. The study adopted survey research design. Survey research design is one in which relative element of the population with a common attributes are chosen with a view to representing the entire population.

#### **3.2. Population of the study**

Population of the study was all investors in Adamawa and Kaduna State. The investors were trading in stocks and shares.

#### **3.3 Sample of the study**

One hundred investors in Adamawa and Kaduna State constitute sample of the study. The investors are willingness to volunteer all necessary and relevant information and explanations.

### **3.4 Method of Data Collection**

Data for this study will be obtained from two major sources. Namely:

1. Primary sources
2. Secondary

#### **(a) Primary Sources**

The primary source of data consists of information gathered from the use of questionnaire, oral interview and personal investment experience.

#### **Questionnaire**

The primary instrument for the study was questionnaire administered to selected investors who are also in charge of wealth creation for their clients in selected stock broking firms in Adamawa and Kaduna State. Each questionnaire contains twenty-nine questions which I personally distributed to the investors of selected Stock broking firms. The objectives of the questionnaire are as follows:

- a. To determine those factors /considerations that affect rate of returns on investment in the Nigerian stock exchange.
- b. To determine the extent to which investment objective of an investor can influence rate of returns on of investment in the Nigerian capital market.
- c. To determine the extent to which personal considerations can influence rate of returns on investment in the Nigerian capital market.

## **(b) Secondary Sources**

Secondary data for this study is collected from text books, periodicals, seminal papers, internet and review of relevant documentations.

### **Decision Rule**

To reiterate briefly, it is worth to note that if the calculated value of  $X^2$  exceeds the table values at a given level of significance and degree of freedom, the difference between observed and expected frequency is taken to be significance , hence we accept the alternative hypothesis .However, if the table value is more than the calculated value of  $X^2$ ,then the difference between the observed and the expected frequency is considered as insignificant i.e. considered to have arisen as a result of chance and as such can be ignored ( i.e. accept null hypothesis )

### **3.5 Reliability Analysis**

Reliability analysis tests whether a scale consistently reflects the subset it measures (Churchill, 1979; Dunn *et al.*, 1994; Nunnally and Bernstein, 1994). By consistency it is firstly meant that a respondent should score questionnaire the same way at different times. Secondly, two respondents with the same attitude towards a product/service be able to identically score the survey. Thus, scale reliability is a necessary prerequisite for survey validity test (Carmines and Zeller, 1979; Lam and Woo, 1997).

In this thesis, the Cronbach's  $\alpha$  is used as measure of internal scale consistency, using SPSS (Statistical Package for the Social Sciences). According to

Field (2005), values between 0.7 and 0.9 of Cronbach's  $\alpha$  are acceptable values of consistency. Any values less than that would be considered as unreliable.

Cronbach's alpha is the most common measure of internal consistency ("reliability"). It is most commonly used when you have multiple Likert questions in a survey/questionnaire that form a scale and you wish to determine if the scale is reliable.

### Case Processing Summary

		N	%
Cases	Valid	100	100.0
	Excluded <sup>a</sup>	0	.0
	Total	100	100.0

Source: Field Survey, 2012

The table above indicates Listwise deletion based on all variables in the procedure. It shows that during analysis no value of the variables was excluded from the analysis; the 100 responses were all captured and analysed.

### Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.989	.989	30

Source: Field Survey, 2012

The table above indicates the Cronbach's Alpha value of 0.989 and a Cronbach's Alpha based on standardized items of 0.989 for all the 30 questions responded to. The closer the Cronbach's Alpha values are to 1, the more reliable the instrument of data collection is, this indicates that the research instrument (questionnaire) is reliable, therefore can be used in carrying out similar research on different case studies.

## CHAPTER FOUR

### DATA PRESENTATION AND ANALYSIS

#### 4.1. Introduction

This chapter is basically concerned with the presentation and classification of respondents according to highest academic qualification, professional qualification and investment experience in capital market and above all the extent to which the respondents “agree” or “disagree” with the research questions or statement. It is noteworthy to mention that data collected through the administration of questionnaires were analyzed by the use of Chi-square. The hypotheses tested using 0.05 (5%) level of significance. The findings are discussed and interpreted. This is done by examining the results of each hypothesis tested in the study and given the findings of the study empirical interpretation.

The Researcher adopted SPSS for data storage and interpretation because of its ease of data capture and interpretation.

#### 4.2 Presentation of data

##### 4.2.1 Personal Bio-data of Respondents

**Table 4.1 Gender**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Male	65	65.0	65.0	65.0
Female	35	35.0	35.0	100.0
Total	100	100.0	100.0	

Source: Field Survey, 2012 (SPSS Output File)

Table 4.1 shows gender distribution of the respondents in which male 65 (65%) had the healthiest proportion while female respondents were 35 (35%).

**Table 4.2 Highest Academic Qualification**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid HND	20	20.0	20.0	20.0
B.SC	50	50.0	50.0	60.0
Masters	30	30.0	30.0	100.0
Total	100	100.0	100.0	

Source: Field Survey, 2012 (SPSS Output File)

As regards the highest educational qualifications of the respondents, the bulk of the respondents 50 (50%) have B.Sc/B.A degrees. Those with HND are 20 (20%), MBA/MSc are 30 (30%). None of the respondents possess a Ph.D.

**Table 4.3 Professional Qualification**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid ACA	50	50.0	50.0	50.0
ACCA	20	20.0	20.0	70.0
CIS	30	30.0	30.0	100.0
Total	100	100.0	100.0	

Source: Field Survey, 2012 (SPSS Output File)

For the professional qualifications, of all the respondents that indicated their professional status, out of these, 50 have ACA/FCA, 20 have ACCA/FCCA, 30 have CIS, and none of the respondents are professionals in other fields. These could include: members of Chartered Institute of Stockbrokers, members of Chartered Institute of Bankers, members of Nigerian Institute of Management and members of Chartered Institute of Taxation. The data on educational and professional qualifications reveal that most of the respondents have either first or both first and second degrees and are professionally competent. They are able to understand the content of the questionnaire and express unbiased opinion.

**Table 4.4 Occupation**

	<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
Valid Banker	20	20.0	20.0	20.0
Accountant	40	40.0	40.0	60.0
Broker	10	10.0	10.0	70.0
Other	30	30.0	30.0	100.0
Total	100	100.0	100.0	

Source: Field Survey, 2012 (SPSS Output File)

The occupation of the respondents analyzed reveals that accountants are in the majority; they number 40, which is 40% of the total sample. Out of the remaining respondents, stockbrokers are 10 (10%), bankers are 20 (20%) while others are 30 (30%). The others include managers and supervisors, financial analysts/consultants, accounting educators.

**Table 4.5 Stock market experience**

	<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
Valid 1 - 5 years	10	10.0	10.0	10.0
6 - 10 years	40	40.0	40.0	50.0
11 - 15 years	20	20.0	20.0	70.0
16 - 20 years	30	30.0	30.0	100.0
Total	100	100.0	100.0	

Source: Field Survey, 2012 (SPSS Output File)

The stock market experience data as presented in Table 4.5 above reveals that majority of the respondents are in the experience bracket of 6 to 10 years; this constitutes 40% of the total sample. The respondents with 1 to 5 years experience represent 10% while those above ten years experience constitutes a total of 50%. The analysis reveals that the stock market experience of the respondents is mixed. The respondents have considerable experience in their fields that will enable them to have a good knowledge of capital market disclosures.

## **4.4 Findings**

The major findings of the study include:

- i. To examine investors' perspective on the factors that affects interest rate of returns in Nigerian capital market.
- ii. Determine whether character and behaviors of investors affect rate of returns on investment in capital market.
- iii. Ascertain if returns on investment in Nigerian capital market is dependent on investor's risk attitude.

### **4.4.1 Investors' perspective on the factors that affects interest rate of returns in Nigerian capital market.**

**Research Question 1:** How much do Nigerians know about the factors / considerations that influence interest rate of returns on investment in the capital market?

**Table 4.6: Descriptive Statistics on Responses on how much Nigerians know about the factors / considerations that influence interest rate of returns on investment in the capital market?**

	Mean	Std. Deviation	SA	A	U	D	SD
Investment decisions are influenced by investors personality and stage in life	1.90	.835	80 80%	20 20%	- -	- -	- -
Rate of returns on investment in Capital Market is dependent on investment decisions of investor	2.20	1.082	30 30%	60 60%	- -	10 10%	- -
Rate of return on investment in Capital Market is a function of the amount of information the investor has	2.00	.899	30 30%	50 50%	10 10%	10 10%	- -
Rate of returns on investment in Capital Market is influenced the investor's experience	2.10	.835	20 20%	60 60%	10 10%	10 10%	- -
Rate of returns on investment in Capital market is dependent on the choice of investment adviser	2.20	.876	20 20%	50 50%	20 20%	10 10%	- -
Rate of returns on investment in capital market depend on the professional fee of the investor's adviser.	4.10	.948	- -	10 10%	10 10%	40 40%	40 40%
Investment returns in Capital Market depend on the timing of investment entry and exist points.	2.00	.778	20 20%	70 70%	- -	10 10%	- -

Source: Field Survey, 2012 (SPSS Output File)

The analysis of the data generated for statement item relating to investment decisions being influenced by investors personality and stage in life reveals that of the total response, majority 80 (80%) either strongly agree 20 (20%) to the fact that investment decisions are influenced by investors personality and stage in life. Neither of the respondents was undecided nor disagrees. The weighted average

mean is 1.90 and the standard deviation is .835. This buttresses the fact that investment decisions are influenced by investor's personality and stage in life.

Regarding item on rate of returns on investment in Capital Market being dependent on investment decisions of investor, Table 4.6 above shows that 30 (30%) strongly agree and 60 (60%) agree, indicating majority of the respondents are affirmative rate of returns on investment in Capital Market is dependent on investment decisions of investor, 10 respondents representing (10% disagree) are not affirmative. This is in conformity that rate of returns on investment in Capital Market is dependent on investment decisions of Investor.

The data collected in respect of statement item relating to rate of returns on investment in Capital market being a function of the amount of information the investor has as narrated in Table 4.6 above shows that majority of the respondents, 30 (30%) strongly agree and 50 (50%) agree, are affirmative that rate of returns on investment in capital market being a function of the amount of information the investor has. Those that are undecided and disagree are 10 (10%) and 10 (10%) respectively. depicts that with a weighed arithmetic mean of 2.00 and a standard deviation of 0.899, it confirms that there is a general agreement that rate of returns on investment in Capital Market is a function of the amount of information the investor has.

Statement item on rate of returns on investment in Capital Market being influenced by the investor's experience as analysed in the table above confirms that a predominant percentage, 20 (20%) strongly agree and 60 (60%) agree to the fact that rate of returns on investment in Capital Market being influenced by the investor's experience. 10 of the respondents representing 10% were undecided

while 10 (10%) disagrees with the statement item. Hence, the weighted arithmetic mean is 2.10 and the standard deviation is 0.835. These confirm Rate of returns on investment in Capital Market is influenced by the investor's experience.

The distribution of responses on item relating to rate of returns on investment in Capital Market being dependent on the choice of investment adviser of the investor and the expertise of the investment adviser as shown in Table 4.6 above shows that a vast number of the respondents (50%) agree to the statement item, (20%) are indecisive, while (10%) disagree. This is also confirmed with the weighted arithmetic mean of 4.10 and standard deviation of .948.

The analysis of statement item relating to investment returns in Capital Market depend on the timing of investment entry and exist points as presented in Table 4.6 above reveals that a vast number of respondents accede to the fact that Investment returns in Capital Market depend on the timing of investment entry and exist points. The weighted mean of 2.00 and standard deviation of .778 make it evident that indeed Investment returns in Capital Market depend on the timing of investment entry and exist points.

### ***Test of Hypothesis 1***

**H<sub>0</sub>:** Interest rates have no effect on rate of returns on investment in Nigerian capital market.

**Table 4.7 Test Statistics on interest rates having effect on rate of returns on investment in Nigerian capital market.**

	Investment returns in Capital Market depend on the prevailing interest rate
Chi-Square(a)	26.000
Df	2
Asymp. Sig.	.000

Source: Field Survey, 2012 (SPSS Output File)

Table 4.12 showed the test statistics on interest rates having no effect on rate of returns on investment in Nigerian capital market. The result obtained from Chi-square analysis ( $\chi^2 = 26.000$ ) were statistically significant at 5%. Thus, null hypothesis was rejected. Therefore, it can be inferred that interest rates have significant effect on rate of returns on investment in Nigerian capital market.

#### 4.4.2 Character and behaviors of investors affect rate of returns on investment in capital market.

**Research Question 2:** Do the character and behaviours of investors affect rate of returns on investment in capital market?

**Table 4.8: Descriptive Statisticsdistribution of Responses on whether character and behaviours of investors affect rate of returns on investment in capital market**

	Mean	Std. Deviation	SA	A	U	D	SD
Investment decisions on the Nigerian Capital Market depend on the objective of the investor.	1.20	.402	80 80%	20 20%	- -	- -	- -
Rate of return on investment in Capital Market is affected by investor's emotional maturity	2.40	1.119	30 30%	20 20%	30 30%	20 20%	- -
Rate of returns on investment in Capital Market is a function of timely decisions making by the investor	1.80	.603	60 30%	30 30%	10 10%	- -	- -
Rate of returns on investment in Capital Market is a function of decisions making skills of the investor	1.90	.835	40 40%	30 30%	30 30%	- -	- -
Investment returns in Capital Market depend on the level of greed of the investor	4.10	.948	20 20%	10 10%	10 10%	40 40%	20 20%
Investment returns in Capital Market depend on the personal characteristics of the investor	2.00	.770	20 20%	20 20%	40 40%	20 20%	- -

Source: Field Survey, 2012 (SPSS Output File)

*SD= Strongly Disagree, D = Disagree, U = Undecided, A = Agree, SA = Strongly Agree*

From the table above, regarding item on investment decisions on the Nigerian Capital Market being depend on the objective of the investor, 80 respondents (80%) strongly agree, and 20 respondents (20%) agree, hence all respondents were affirmative that investment decisions on the Nigerian Capital Market depend on the objective of the investor. The weighted arithmetic mean is observed to be 1.20, while the standard deviation is 0.402. This shows that investment decisions on the Nigerian Capital Market depend on the objective of the investor.

Responses on investor's emotional maturity (item 2) as shown on the above table reveal that all the respondents responded to this question. The responses are: strongly agree 30 (30%), agree 20 (20%), undecided 30 (30%) and disagree 20 (20%). The weighted arithmetic mean is 2.40 with a standard deviation of 1.119. This result confirms that the respondents moderately agree that rate of return on investment in Capital Market is affected by investor's emotional maturity.

Timely decisions making by the investor is considered next on table 4.7. There is a considerable agreement to the fact that it influences the extent of rate of returns on investment in Capital Market. 60 or 60% strongly agrees, 30 or 30% agree, which far supersedes the percentage of those that disagree (10%). The arithmetic mean is observed to be 1.80 while the standard deviation is .603. This result confirms that rate of returns on investment in Capital Market is a function of timely decisions making by the investor.

The next Item on the table addresses the decision making skills of an investor (Table 4.7). Although the results are varied, it can be seen that 40% of the respondents strongly agree to the fact that rate of returns on investment in Capital Market is a function of decisions making skills of the investor, 30% agree,

about the same percentage 30% were undecided to this fact, neither of the respondents strongly agree nor disagree to this fact. The arithmetic mean is 1.90 while the standard deviation is .835. With this result, it is suggested that there is a mixed opinion about rate of returns on investment in Capital Market being a function of decisions making skills of the investor

The results from Table 4.7 above show that only 20% of the respondents strongly agree that investment returns in Capital Market depend on the level of greed of the investor, 10% agree, 40% disagree, 20% strongly disagree and 10% couldn't decide. With a weighted arithmetic mean of 4.10 and a standard deviation of .948, it therefore confirms that investment returns in Capital Market does not depend on the level of greed of the investor.

The size of audit firm is addressed by the last item (Table 4.7). The analysis of the result as stated on the table above indicates that out of the total sample that responded to the question, 20% of the respondents agree with the notion that investment returns in Capital Market depend on the personal characteristics of the investor, 20% strongly agree with this, 20% disagree with this, none of the respondents strongly disagree, while 40% of the respondents were undecided. This emphasises that a cumulative percentage of those that didn't concur is higher, that is 60%. With a computed arithmetic mean of 2.00 and standard deviation of 0.770, the result further suggests that there is a moderate agreement to the opinion that investment returns in Capital Market depend on the personal characteristics of the investor.

## Test of Hypothesis 2

H<sub>0</sub>: Character and behaviors of investors has no effect on rate of returns on investment in Nigeria capital market.

**Table 4.9 Test Statistics on Character and behaviors of investors having no effect on rate of returns on investment in Nigeria capital market.**

	Investment returns in Capital Market depend on the personal character of the investor
Chi-Square(a)	30.000
Df	4
Asymp. Sig.	.000

Source: Field Survey, 2012 (SPSS Output File)

Table 4.13 showed the test statistics on character and behaviors of investors having no effect on rate of returns on investment in Nigeria capital market. The result obtained from Chi-square analysis ( $\chi^2 = 30.000$ ) is statistically significant at 5%. Thus, null hypothesis was rejected. Therefore, it can be inferred that Character and behaviors of investors have significant effect on rate of returns on investment in Nigeria capital market.

#### 4.4.3 Relationship between returns on investment in Nigerian capital market and investor's risk attitude.

**Research Question 3:** Do the returns on investment in Nigerian Capital Market depend on investor's risk attitude?

**Table 4.10: Responses on whether rate of returns on investment in Capital Market is a function of the investor's attitude to risk**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Agree	40	40.0	40.0	40.0
Agree	40	40.0	40.0	80.0
Undecided	10	10.0	10.0	90.0
Disagree	10	10.0	10.0	100.0
Total	100	100.0	100.0	

Source: Field Survey, 2012 (SPSS Output File)

From the table above, regarding item on returns on investment in Nigerian Capital Market depend on investor's risk attitude, 40 respondents (40%) strongly agree, and 40 respondents (40%) agree, hence majority of the respondents were affirmative that rate of returns on investment in Capital Market is a function of the investor's attitude to risk, 10 (10%) were undecided, while 10 (10%) disagree.

**Table 4.11 Rate of returns on investment in Capital Market is influenced by the amount of investable funds at the disposal of the people**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Agree	30	30.0	30.0	30.0
Agree	20	20.0	20.0	50.0
Undecided	30	30.0	30.0	80.0
Disagree	20	20.0	20.0	100.0
Total	100	100.0	100.0	

Source: Field Survey, 2012 (SPSS Output File)

The analysis of statement item relating to rate of returns on investment in Capital Market being influenced by the amount of investable funds at the disposal of the people as presented in Table 4.9 above reveals that the responses are mixed. 20 respondents representing 20% firmly accede to the fact that rate of returns on investment in Capital Market is influenced by the amount of investable funds at the disposal of the people, 20 (20%) agree, 30 (30%) opined to being undecided, while 20 (20%) disagree.

**Table 4.12 Statistics on returns on investment in Nigerian Capital Market depending on investor’s risk attitude**

		Rate of returns on investment in Capital Market is a function of the investor's attitude to risk	Rate of returns on investment in Capital Market is influenced by the amount of investable funds at the disposal of the people
N	Valid	100	100
	Missing	0	0
Mean		1.90	2.40
Std. Deviation		.948	1.119
Variance		.899	1.253

Source: Field Survey, 2012 (SPSS Output File)

Table 4.10 above reveals the Statistics on returns on investment in Nigerian Capital Market depending on investor’s risk attitude. The weighted arithmetic mean is observed to be 1.90, while the standard deviation is 0.948 on statement item relating to rate of returns on investment in Capital Market being a function of the investor's attitude to risk. On item on rate of returns on investment in Capital Market being influenced by the amount of investable funds at the disposal of the people. The weighted mean of 2.40 and standard deviation of 1.119 make it evident that indeed rate of returns on investment in Capital Market is somewhat influenced by the amount of investable funds at the disposal of the people.

### ***Test of Hypothesis 3***

H<sub>0</sub>: The returns on investment in Nigerian Capital market are not dependent on investor's risk attitude.

**Table 4.13 Test Statistics on the returns on investment in Nigerian Capital market being dependent on investor's risk**

	Rate of returns on investment in Capital Market is a function of the investor's attitude to risk
Chi-Square(a)	36.000
Df	3
Asymp. Sig.	.000

Source: Field Survey, 2012 (SPSS Output File)

Table 4.14 showed the test statistics on the returns on investment in Nigerian Capital market being dependent on investor's risk. The result obtained from Chi-square analysis ( $\chi^2 = 36.000$ ) is statistically significant at 5%. Thus, null hypothesis was rejected. Therefore, it can be inferred that the returns on investment in Nigerian Capital market are dependent on investor's risk attitude.

### **4.5 Discussion Finding Results**

From the analysis above, it is crystal clear that investors perspective on the interest rates, investors risk attitude and income level have effect on rate of returns on investment in Nigerian Capital Market.

However, it is interest is the cost of using borrowed funds. A very high interest rate has effect of discouraging borrowing and hence shrinking/limiting

investment. Also, it has effect of increasing investment costs and hence reducing returns on investment. Since returns on investment is calculated thus:

Income level or income is one of the determinants for demand for shares. A rise in income all things being equal will move demand for shares up forwards. As prices increase through capital appreciation coupled with dividend paid out, if an investor who bought shares while prices were low can now decides to sell at higher prices. In the process, the investor would have made some margins called returns on investment.

This is the difference between investment cost and amount realized (sales value). If it is positive i.e. amount realized is greater than amount invested. Then, the investment is said to have yielded positive returns. The opposite holds true if the amount realized is less than amount invested. In another words, the investment is a lost.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSION AND RECOMMENDATION**

#### **5.1 Summary**

The study examined investors' perspective on Nigerian capital market and wealth creation. To achieve the objective of the study, research question were raised and hypotheses were formulated. The study covered investors in Adamawa and Kaduna States. Interview, questionnaires and observation were employed as instruments of data collection. Data collected were analyzed using descriptive and inferential statistics. Hypotheses were tested using Chi-squares analysis. Findings showed that interest rates have significant effect on rate of returns on investment in Nigerian capital market; character and behaviors of investors have significant effect on rate of returns on investment in Nigeria capital market; the returns on investment in Nigerian Capital market are dependent on investor's risk attitude.

#### **5.2 Conclusion**

The capital market has been identified as an institution that contributes to the socio-economic growth and development of emerging and developed economies like Nigeria. Essentially, investors' perceptive on capital market greatly determines level of resources committed to investment in the market, level of awareness of the investment risks and subsequently, return on the investments. Thus, based on finding of the study, it was concluded that most of the investors have little knowledge about the workings of in Nigerian capital market and thus earn low rate of return on their investments as result of information asymmetry.

### **5.3 Recommendation**

The following recommendations were made based on research findings:

- i. Since interest rate affects the Nigerian capital market, potential investors or investors should be provided with adequate information on interest rate trends in the market to enable them forecast accurately.
- ii. Awareness policy and programmes should be initiated on the workings of Nigerian Capital market to save investors from investing in what they have little knowledge of. This would shape investors characters, attitudes and behaviours towards strengthening of the markets.
- iii. To boost the value of transactions in the Nigerian capital market, there is need for availability of more investment instruments such as derivatives, convertibles, futures, swaps, options in the market.

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## **APPENDIX**

Department of Management Technology,  
School of Management and Information  
Technology,  
Modibbo Adama University of Technology,  
Yola.

Dear Sir/Madam,

### **REQUEST FOR YOUR COOPERATION IN COMPLETING THIS QUESTIONNAIRE**

I am a post graduate student MBA program of the University of Benin. As part of the requirement of the program, I am under taking a study on the **Nigerian Capital Market: Vehicle for Wealth Creation**. In this regard you have been duly selected as a member of the sample.

I wish to appeal to you to assist this study by kindly sparing a few minutes to complete his questionnaire. You may wish to leave out identity. I also wish to assure you that your answers will be treated in strict confidence and used for the stated academic purpose only.

Thank you for your anticipated cooperation.

USMAN SANI  
**Student**

MR. V. DEVA  
**Supervisor**

## Instructions

For statement in section “B”, please indicate the extent to which you agree or disagree with each of them by circling the answers which most correctly answers the question using the following key:

- 1 Strongly agree
- 2 Agree
- 3 Undecided
- 4 Strongly disagree

## APPENDIX SECTION "A": PERSONAL DATA

1. Name
2. Organization
3. Sex: male ( ) female ( )
4. Age
5. Highest academic qualification HND: B.SC: Masters: PhD
6. Professional qualification -ACA ACCA CIS Others
7. Do you have any experience in capital market? One year: two -four: five-  
nine: ten and above
8. Occupation: ( banker ), ( accountant), ( broker ), ( others ).
9. Are you an investor or trader on The Nigerian Capital Market?

## SECTION "B"

### Personal Considerations of an Investor

1. Investment decisions on the Nigerian Capital Market depend on the objective of the investor. 1 2 3 4 5
2. Investment decisions are influenced by investor’s personality and stage in life. 1 2 3 4 5
3. Rate of returns on investment in Capital Market is dependent on investment decisions of investor. 1 2 3 4 5

4. Rate of return on investment in Capital Market is affected by investor's emotional maturity. 1 2 3 4 5
5. Rate of returns on investment in Capital Market is a function of the investor's attitude to risk. 1 2 3 4 5
6. Rate of returns on investment in Capital Market is influenced by the amount of investable funds at the disposal of the people 1 2 3 4 5
7. Rate of returns on investment in Capital Market is a function of the amount of information the investor has. 1 2 3 4 5
8. Rate of returns on investment in Capital Market is influenced the investor's experience. 1 2 3 4 5
9. Rate of returns on investment in Capital Market is a function of timely decisions making by the investor. 1 2 3 4 5
10. Rate of returns on investment in Capital Market is a function of decisions making skills of the investor. 1 2 3 4 5
11. Rate of returns on investment in Capital Market is dependent on the choice of investment adviser of the investor and the expertise of the investment adviser. 1 2 3 4 5
12. Investment returns in Capital Market depend on the professional fee of the investor's adviser. 1 2 3 4 5
13. Investment returns in Capital Market depend on the timing of investment entry and exist points. 1 2 3 4 5
14. Investment returns in Capital Market depend on the level of greed of the investor. 1 2 3 4 5
15. Investment returns in Capital Market depend on the personal characteristics of the investor. 1 2 3 4 5
16. Investment returns in Capital Market depend on the patience of the investor. 1 2 3 4 5

### **SECTION C: OTHER EACTORS/CONSIDERATIONS**

17. Investment returns in Capital Market depend on the prevailing interest rate. 1 2 3 4 5
18. Investment returns in Capital Market depend on how balanced and efficient is the portfolio of investment of the investor. 1 2 3 4 5
19. Investment returns in Capital Market are inversely related with the money market returns. 1 2 3 4 5

20. Investment returns in Capital Market depend on the government policies and programs. 1 2 3 4 5
21. Investment returns in Capital Market depend on political stability of the nation. 1 2 3 4 5
22. Investment returns in Capital Market depend on the amount of foreign investment received. 1 2 3 4 5
23. Investment returns in Capital Market depend on global financial system crisis. 1 2 3 4 5
24. Investment returns in Capital Market depend on the general awareness and income level of the people. 1 2 3 4 5
25. Investment returns in Capital Market is driven by liquidity level of the economy. 1 2 3 4 5
26. Investment returns in Capital Market depend on timely execution of investment orders by brokers. 1 2 3 4 5
27. Investment returns in Capital Market depend on the cost of funds. 1 2 3 4 5
28. Investment returns in Capital Market depend on the tenor of fund invested. 1 2 3 4 5
29. Investment returns in Capital Market can be enhanced through investment in mutual funds. 1 2 3 4 5

**Thank you.**

**Usman Sani**