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ATTITUDE OF YOUTHS TOWARDS INVESTMENT IN THE NIGERIAN STOCK MARKET

By

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ABSTRACT

The importance of Nigerian Stock Market cannot be overemphasized. This is due to the fact that it assists in the allocation of the nation's capital resources among numerous competing alternative uses, thus serving as an aid in financing industry. The problems of ignorance of the public, especially the youths as to the meaning of shares and stocks and benefits derivable from market operations are also an impediment to this market. The main objective of this study is to critically find out problems which have been affecting youth 's attitude towards investment in the Nigerian Stock Market. The methods of research employed for this work include both primary and secondary data. The primary source of data used was questionnaire while the secondary source of data used was literary works, textbooks and publications. Parametric statistical techniques, such as Spearman Rank Order Correlation and Z-test were used to evaluate the formulated hypothesis. The findings of this study revealed among other things that financial constraint contributed to the negative attitude of youths towards investment in the Nigerian Stock Market. On this note the study among other things recommended that good leadership, adequate dissemination of information and financial assistance from government would encourage the youth participation towards investment in Nigerian Stock Market. Moreover, members of the public especially the youths need to be educated and be informed on the advantages of investing in shares and stocks so as to improve the investment habit of the people.

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Introduction

Generally speaking, investment connotes the use of money for the creation of further wealth (be it shares or property) or to develop a business enterprise, etc in order to earn interest. One of the safest terrains for this is investment in stock or shares of viable companies. This is because there are measurable parameters that can help to take an informed decision.

The second richest man in the whole world Warren Buffet, according to Olowe (1998) made his money from the American Stock Market.

Everyday, shares worth millions of naira are traded in the stock market. In Africa, the Nigerian Stock Exchange is the most technologically advanced, comparable to New York and London and second largest in terms of volume, after Johannesburg.

A stock market is a place where you can buy and sell shares, stocks bonds etc. It is an international market for the listing, trading and financing of big, medium and small

companies. What happens here affects investors around the world. Stock market activities in Nigeria dated back to 1946 when the then British Colonial masters began to raise funds to finance public utilities. According to Fadina A.(1976) the Nigerian Stock Exchange (then Lagos Stock Exchange) was incorporated on September 15, 1960 and it commenced business on June 5,1961. The exchange was renamed the Nigerian Stock Exchange in December 19, 1977 to have a national outlook. Stock market has since then become fully operational in Nigeria. The Nigerian stock exchange today has evolved into a world venture concern. With seven branches nationwide serving as trading floors with total market capitalization of about N400 billions. It comprises equities, government stocks and industrial loans among others.

Statement of Problems

As a result of the recognition of the role of Nigerian Stock Exchange in economic development through the stock and shares for mobilizing private and public savings and made this available for productive investments, it facilitates the continued operation and attraction of foreign capital for Nigerian development. In spite of this, there are some problems especially about the youth attitude towards investment in Nigerian stock market. This accounted for the reason why many of them are averse to investment in the stock market. This according to Olowe (1998) may be due to diverse factors among which are:

- i) Ignorance of the public, especially the youths as to the meaning of shares and stocks and benefits derivable from market operations.
- ii) Lack of financial resources necessitating the negative attitude of youth towards investment in Nigerian stock market.
- iii) Infrastructural inadequacies in the market, which results in delays in effecting transactions on timely basis.
- iv) Delay in returns on investment, which causes fear, panic or impatience on part of the shareholders and, multiple taxation on investments.

In view of all the above, the study intends to re-examine the problems in order to fashion out feasible antidotes to ameliorate the situation for the benefit of all and sundry.

Objectives

The main objective of the study is to critically assess the problems which have been affecting youth's attitude towards investment in the Nigerian stock market.

To sensitize the culture of saving as a means of living a wealthy future life with peace of mind. To assess the Nigerian populace's perception of the operations of the Nigerian stock exchange and the youth participation.

Hypothesis

In view of the objectives, it is of great and paramount importance to formulate hypothesis to be tested using the data that were collected. Therefore, for the purpose of this work, the following hypotheses were formulated.

H0 - financial constraint contributed to the negative attitude of youths towards investment in the Nigerian stock market

H1 - financial constraint did not contribute to the negative attitude of youths towards investment in the Nigerian stock market.

Theoretical Framework

As for the capital market, the establishment of unit trust is to add a new dimension to the scheme for there in the fund managers uses their expertise to invest on behalf of the uniformed investors. Moreover, members of the public needs to be educated and informed on the advantages of investing on shares and stocks so as to improve the investment habit of the people Ayodele (1998).

The exchange also assists in transmitting information on price and trading volume to the public as a means of protecting investors. It also protects security owners through regulations designed to eliminate dishonest and irregular practices in brokerage business and contributes to the development of the nation economy Olowe (1998).

In the view of Chubiyajo (2005) many have been able to multiply their savings by investing in the Nigerian stock market and they have been able to have a share in Nigeria's wealth.

Generally, according to Ayodele (1998) the roles and functions of the stock exchange include:

- To support a market place where companies can raise capital. This is called primary market. When securities (shares and bonds) are first issued to the public, it is done on the primary market.
- To provide a market place where shareholders can trade in shares of listed companies. When the shareholders buy or sell these shares, it is done on the secondary market.
- To furnish continuous information to dealing members to enable them perform their functions. Usually all quoted companies submits their quarterly, half-yearly and annual accounts to the Nigerian stock exchange who will in turn furnishes these to all brokers and,
- To help in the effective allocation of resources within the economy.

Dealings at the Stock Exchange

This can take different forms as presented by Olowe (1998) and given below:

- i) Direct Issue Or Offer For Subscription: This happens when there are new securities or new shares as well as when a company wants to raise finance from the general public. What the company has to do is to issue new shares. In other words, it is the process of offering to sell new shares of a company to investors.
- ii) Offer For Sale: This is a system by which existing shareholders offer their shareholding or part of them for public subscription, that is, transfer of ownership from existing shareholders to new shareholders.
- iii) Private placing: By this method, stocks are placed with a broker who then seeks out prospective purchasers.
- iv) Right Issue: This is a method whereby the company offers more of its shares to existing shareholders.

Transaction Procedure

Stocks and shares are bought and sold through dealing members known as brokers. A stockbroker is a dealing member of the stock exchange. He provides services to any one (an investor) who wants to buy and sell shares. The dealers in stocks and shares are known as Jobbers, they buy and also sell shares. The shares have two different prices usually a lower one for buying and a higher one for selling. The difference between the two prices is known as the Jobbers turn and this represents the profit that the Jobbers made. A stock Jobber is a

member or an official of the stock exchange from whom a stockbroker buys and to whom he sells.

The prices of the shares are usually quoted to show whether they are Cum-Div or Ex-Div. When the price of the share is quoted “Cum-Div”, it means that the buyer will be entitled to the next dividend that will accrue from the shares being sold. If on the other hand, the price is quoted “Ex-Div”, it means the person buying the shares will not be entitled to the next dividend due to the shares. Members of the public buy shares through Jobbers who serve as agents.

Summary of Buying or Selling Shares

(Stockbroker takes order to buy or sell)

CONTACT STOCKBROKER
(Person who buys and sells shares)

Stockbroker buys or sells shares
(As contracted to him)

Stocker gives broker’s contract note to prospective buyer showing:

- Number of shares to be bought or sold and
- The amount to pay if he has bought share or the amount to be received if he sells shares.

Transaction cycle is T +3 where,
T = Trading day (i.e. the number of days it took the broker to buy or sell all the quantity of shares assigned to buy or sell, +3 plus three working days) RECEIVE CROSS CHEQUE OR CASH FROM BROKER. IF YOU SOLD SHARES, OR CERTIFICATE OF STOCKHOLDING IF YOU BOUGHT SHARES.

The Securities and Exchange Commission serves as the apex regulatory organ of the capital market. Following the acceptance of the recommendations of the financial system reviewing committee in 1976, the Federal Government endorsed the establishment of the Securities and Exchange Commission to supersede the capital issues commission.

Consequently, the securities and exchange commission Decree No. 71 of 1979 was promulgated, effective retrospectively April 1, 1978, thus establishing the commission and vesting wider power on it, to regulate and develop the Nigerian Capital Market, in addition to determining the prices of issues and setting the basis of allotment of securities. Unlike its two predecessors, the commission at this stage was excised from the CBN, although it continued to receive further funding from the apex bank.

Functions of Securities and Exchange Commission

The functions of the commission are multifarious. These could be summarized to include:

- i) Determining the price at which securities are to be sold, the amount to be bought as well as the appropriate time to issue the securities either through offer for sale or offer for subscription.
- ii) Registering of securities proposed for offer for sale or offer for subscription.
- iii) Reviewing, appointing and regulating business combination.
- iv) Maintaining surveillance over the securities market to ensure orderly, fair and equitable dealings in securities
- v) Acting as regulatory apex organization for the Nigerian Stock Exchange and its branches to which it would be at liberty to delegate power.

The Securities and Exchange Commission Protect the Investors

- i) Full disclosure in prospectus.
- ii) Accurate and timely financial reporting.
- iii) Fair and equitable issuance of securities.
- iv) Fair trading practice.

Benefits of Nigerian Stock Exchange to the Investors by Buying Shares

The shareholders in companies are entitled to all the rights and privileges of ownership, which include among others the followings:

- i) Annual Dividends and Bonus Shares: Shareholders have the right to receive dividend and bonus shares when declared, proportional to the number of shares held.
- ii) Capital Appreciation: When the share price of any stock increases, the shareholders are in better position to participate in the financial benefit.
- iii) Voting Right: Shareholders voting right is the decision making instrument since ownership is separated from management by law, in a public company, Shareholders reserve the right to appoint or remove directors as they meet regularly to direct the affairs of the organization.
- iv) The right to participate in rights issues and/or public offers for subscription. A right issue is an additional issue of a company's shares for which only existing shareholders can participate.
- v) The right to attend company's Annual General Meeting (AGM). It is the right of every shareholder to be notified and invited for every AGM.

Research Methodology

In this study of survey research, the questionnaire approach was adopted. The information for this research was gathered by issuing questionnaire to Respondents in the field of the study. Here, the representation of a population was studied and the results were generalized.

This research work was carried out in Adamawa state.

Population of Study

The population of the study, was basically centered on the idea that there are finite large number of Corps member in Nigeria comprises of batch “A” and batch “B” in a year as at the time the research was carried out.

Sample Size and Sampling Techniques

The sample size of this research covers only Adamawa State Corps member (NYSC) as a case study. This is easily accessible to the researcher, where enough information could be obtained for the purpose of this research study.

Simple random sample method was adopted. This means that, questionnaire were distributed to the Corps member chosen at random, so that each member of the population has equal chance of being selected.

Sources of Data Collection

Both primary and secondary data sources were used.

The primary data source adopted was questionnaire having being considered as an efficient data collection instrument while; the information required has been designed to avoid biasness and to extract adequate and relevant data for the study.

The secondary data sources used for this research were literary works, textbooks, publications and past literature written by various scholars on the topic.

Method of Data Analysis

The data collected was analyzed using the parametric statistical technique, such as spearman rank order correlation and Z-test, to test the formulated hypothesis. Using the coefficient of correlation to test the relationship that exists between the variables e.g.

- i. Pearson’s product-moment correlation.
- ii. Spearman’s Rank order correlation.

Data Presentation and Analysis

This section tries to analyses and interpret the data based on the responses of the respondents that were served with the questionnaires.

It is imperative to re-emphasis that the adopted statistical method is well amenable to the evaluation of the data. This assures the correct reconciliation of the findings of the research with the stated hypothesis which the research aimed at achieving.

Using Spearman’s Rank Order Correlation, denoted as ρ and defined by the formula:

$$p = 1 - \frac{6 \sum d^2}{n(n^2 - 1)}$$

w

p = rho rank correlation

d = difference between corresponding ranks.

n = number of observations.

Hypothesis Testing

The null hypothesis put forward for testing states as thus:

Ho: Financial Constraints contributed significantly to the negative attitude of youths towards investment in the Nigerian Stock Market.

In testing this hypothesis, both the Spearman Rank Order Correlation and the Pearson's Product-Moment Correlation were adopted as presented below.

Table 1: Summary of the Spearman Rank Order Correlation

Yes (responses)	No (responses)	Rank of Yes	Rank of No	Differences (d)	D ²
59	4	3	7	-4	16
13	50	8	2	6	36
32	31	6	4	2	4
47	16	5	5	0	0
17	46	7	3	4	16
7	52	9	1	8	64
52	11	4	6	-2	4
61	2	1	8	-7	49
61	2	1	8	-7	49
Total					= 238

Source: Field work 2006

By the application of the hitherto stated, Spearman Rank Order Correlation we have;

$$P = 1 - \frac{1428}{720} = 1 - 1.98 = -0.98$$

Therefore, there is a strong negative correlation between the vibrant youth's attitude and their investment drive in the Nigerian stock market which means that the youths attitudes are negative inclined towards investment in the Nigerian stock market.

For the test of hypothesis

However, with n = 9, df = (n-1) = 8 and at (a)=0.05 the critical value (as given on the Spearman Rank Order Correlation table) is 0.74.

Since 0.74 > -0.98 (i.e. the table value is greater than the calculated value), the hypothesis stands accepted.

It was therefore concluded that financial constraints contributed significantly to the youth's negative attitude to investment in the Nigerian Stock Exchange Market.

Using Pearson's Product Moment Correlation.

Formula donated by:

$$r = \frac{n\sum xy - \sum x \sum y}{\sqrt{(n\sum x^2 - (\sum x)^2) \cdot (n\sum y^2 - (\sum y)^2)}}$$

This when applied it gave the computations shown below:

Table II: Summary of Pearson's Product Moment Correlation

No (x)	Yes (y)	X ²	Y ²	xy
4	59	16	3481	236
50	13	2,500	169	650
31	32	961	1024	992
16	47	256	2209	752
46	17	2116	289	782
52	7	2704	49	364
11	52	121	2704	572
2	61	4	3721	122
2	61	4	3721	122
$\sum x = 214$	$\sum y = 349$	$\sum x^2 = 8682$	$\sum y^2 = 17,367$	$\sum xy = 4592$

Source: Field work 2006.

By application of the above model, we have

$$r = \frac{41328 - 74686}{\sqrt{(78138 - 45796) (156303 - 121801)}}$$

$$r = -0.99859$$

$$r = \underline{\underline{-0.999}}$$

This result further confirmed that a very strong negative relationship exists between youth's vibrant attitude and their inclination to investment in the Nigerian Stock Exchange.

To corroborate the above findings, Z-test was brought to play.

Using Z test, the researcher projected that about 80% of the Corp members would agree that financial constraint contributed to their negative attitude towards investment in the Nigerian stock market.

In testing the authenticity of this claim, a random sample of 63 Corp members were selected out of which 47 indeed agreed that financial constraint contributed to their negative attitude towards investment in the Nigerian stock market.

$$Z = \frac{p - \Pi_o}{\sqrt{\frac{\Pi_o(100 - \Pi_o)}{n}}}$$

By applying the z-test
model

Where p is the sample percentage and Π_o is the projected population percentage (Since that the null hypothesis (Ho) has been accepted).

Ho: $\Pi_o = 80\%$

H1: $\Pi_o = 80\%$

At a significance level of 0.05, the critical value are - 1.96 and + 1.96 that is, to accept Ho, it must fall within the range of -1.96 to + 1.96. If otherwise then reject null hypothesis.

In applying the above model we have,

The sample percentage is $\frac{47}{63} \times \frac{100}{1} = 74.6 = 75\%$

$$Z = \frac{75 - 80}{\sqrt{\frac{80(100 - 80)}{63}}} = \frac{-5}{5.0395} = -0.99$$

Therefore, the calculated value falls between the two critical values and hence we accept the Ho (null hypothesis) with the conclusion that the evidence from the sample is consistent with the researcher's projections that 80 % of the Corp members would agree that financial constraint contributed to the negative attitude of youths toward investment in the Nigerian stock market.

Summary and Conclusion

The Nigerian stock market today has evolved into a world class venture, with several branches nationwide serving as trading floors with total market capitalization of about N400 billions. It comprises of equities, government stocks and industrial loans as at the time of this study.

The Nigerian stock market creates opportunities for companies and government to raise medium and long-term funds for investors hence providing various investment opportunities.

It also promote increased capital formation in Nigeria by providing investors with a responsive, fair and effective stock market through competent and dedicated professionals using the latest technology, thus ensuring local and foreign investors access to the Nigerian stock market with confidence both in the regulatory framework and in the reliability of trading and settlement systems.

The stock market being the market where listed securities such as bonds, debentures, stock shares, etc. of varying types are bought and sold, the Nigerian stock exchange is the center point of market activities. The capital market instruments include: ordinary shares, preference shares and loan stocks and debentures.

New issues of ordinary shares for quoted companies can be raised through offer for sale, prospectus issue, placing and right issue, while unquoted companies, new issues, can be raised through private placement and right issues.

With all these, it revealed the fact that investors can benefit by taking the following privileges

- Dividend, which is a share of the part of company's profit.
- Bonus shares that is extra shares fully paid out of reserves, which are distributed to existing shareholder in proportion to their existing holdings.
- Capital appreciation as market prices of shares increases
- Use of shares as collateral to obtain loan.
- Right to attend meetings of shareholders and participate in its deliberations as part of decision maker.

Recommendations

On the strength of the findings of this study, the following are deemed worth considering.

Free educational enlightenment programmes should be considered to the youths especially in the tertiary institutions so as to increase the attitude of youths positively towards investment in the Nigerian stock market.

Adequate dissemination of information should be put in place as a means of increasing the mode of awareness of the youth especially on what is happening at the trading floor of Nigerian stock exchange.

Stakeholders in the capital market should continue to educate the public to imbibe the culture of investing as the market is not only for the elite.

The government should also be able to assist the youth financially through the financial institutions by giving them soft loans in order to invest and participate in the activities of the Nigerian stock market.

Finally, the youth should be encourage to invest in the Nigerian stock market so that they can have a share in Nigeria's wealth and contribute to the growth and development of the economy as the future of the country rests squarely on their shoulder.

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