

THE GLOBAL FINANCIAL CRISIS AND THE NIGERIAN STOCK MARKET CRISIS: SHAREHOLDERS' RESPONSE

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Introduction

The current global financial crisis otherwise known as the global financial or economic meltdown started around 2007 but became obvious especially in the United States of America during the second half of 2008. Since then, it has spread globally like a wild fire and its ripple effects are being felt throughout the world. Indeed, since the inception of the meltdown, leaders and the peoples of various countries throughout the world have been jittery and rather panicky, for fear of what the crisis portends. Many are already reaping the whirlwind.

Apart from strategies fashioned out and adopted by individual countries, the G20 countries met in late 2009 to discuss and agree on strategies for limiting the potential damage that could arise as a result of the crisis and to curtail its adverse consequences.

Ostensibly, the ripple effects of the global financial crises seem to have had a dramatic negative effect on the Nigerian stock market. Although it has been argued that in Nigeria, "the (economic) meltdown began much earlier than the 2007 global reference date" and that it started with the failure of several Nigerian banks in the mid-1990s", there is no

doubt that the global economic recession which originated in the United States has further exacerbated the Nigerian situation (Osaze, 2009:24).

By definition, an economic meltdown is a generalised recession which has severe implications for various sectors and sub-systems of the economy. One such sub-system is the stock market. The general theory of market behaviour suggests that no matter the type of market, whether commodity, labour, money or stock market, operators are likely to react in ways which will match the dramatic nature of the crisis. A key operator in the stock market is the shareholder or investor.

Against the background sketched above, the purpose of this paper is to determine shareholders' response to the current crisis in the Nigerian Stock Exchange market. Specifically, we sought to determine:

- (i) Shareholders' awareness/knowledge of the recent changes which have occurred in the Nigerian Stock market;
- (ii) Shareholders' behaviour regarding the

constant monitoring of the market;

- (iii) Shareholders' perceptions of the stock market in view of the current crisis;
- (iv) Shareholders' response to the stock market crisis in terms of acquiring more shares or disposing of share investments; and
- (v) Shareholders' intended future investment behaviour in view of the current crisis.

Our investigation was restricted to the aspects of investment behaviour referred to above.

The justification of this study is not far-fetched at all. Since the popularisation of the notion of the importance of the financial system to economic growth by Mckinnon (1973) and Shaw (1973), the significance of the financial market, "including the stock market which is the hub of the capital market" has become widely acknowledged (Tella, 2009). Consequently, studies of investment behaviour in the stock market are considered worthwhile and indeed significant. In the words of Shiller, Kon-Ya and Tsutsu (1991),

much can be learned about investor behaviour by tabulating responses to questions about expectations and reasons for investment behaviour. Doing this can yield direct evidence about investor behaviour, and its possible relation to investing patterns and price movements.

It is, therefore, expected that the results of this study will indicate how the Nigerian stock market is likely to fare in the near future and suggest measures for ensuring the continued viability and sustainability of the market.

Literature Review

In reviewing the relevant literature, this section shall focus on the nature of the global financial crisis, the Nigerian stock market crisis, and shareholders' investment behaviour.

The Global Financial Crisis

The global financial crisis, otherwise known as the

global economic meltdown is a world-wide financial and business situation that is characterised by sudden, sustained and alarming credit squeeze, tumbling stock market prices, shrinking demand, substantial job losses and rising prices and interest rates. In a nutshell, it is a global economic depression of monumental proportions, an economic tsunami. Osaze (2009) defines it as "the continuous and dramatic drop in all economic indices over a relatively short period of time leading to corporate failures, especially failures of financial institutions which provide the lubricants that oil the economy, unemployment and general recession."

In a general sense, the crisis has been attributed to the alleged "fundamental defect of the free market system regarding its capacity to distinguish between 'enterprise' and 'speculation' and hence its tendency to become dominated by speculators, interested, not in the long-term yield assets but only in the short-term appreciation in asset values" (Patnaik, 2008). While the crisis is generally acknowledged to have originated in the United States of America, other countries have quickly "imported it". The situation in each country seems to have been moderated and in some cases accentuated by factors that are internal and peculiar to each.

According to Osaze (2009), in the case of Nigeria, the additional causes include:

- Failure of CAMELS – Capital Adequacy, Asset Quality, Management Quality, Earnings Quality, Liquidity and Sensitivity to Market Risk;
- recapitalised banks too big for investment opportunities;
- stock market bubble not driven by any fundamentals whatsoever;
- stock market trades driven by emotion;
- high concentration of banks in the stock market over 60% of values;
- near-total collapse of growth-inducing

infrastructure; and

- insufficient investment in hard core production and manufacturing.

As is to be expected, operators in the stock market react to these developments in various ways. This is the subject of this enquiry.

The Nigerian Stock Market Crisis

There is no doubt that stock markets all over the world are somewhat interrelated in that developments especially in major markets throughout the world often have implications for, and often reverberates in, others. For example, we may wonder whether shocks in European and American stock markets have not impacted on the Nigerian Stock Market. This is the issue of contagion relations and impacts.

While Tella (2009:104) defines contagion issues as being "concerned with the transmission of financial variable movements from one country to another", Dornbusch and Claessens (2000) are of the view that it is best defined as a significant increase in cross-market linkages after a shock to an individual country or a group of countries. According to Tella (2009:104), "the increasing global integration in the financial market, including the capital market, is providing some ground for the suspicion that stock markets in both developed and developing countries influence each other in both positive and negative ways". In summarising the various channels of impact of the current world financial crisis on developing countries, de Velde (2008) listed the following: trade and trade prices, remittances, foreign direct and equity investments, commercial lending, Aide and other flows.

Using Dow Jones in the United States, Tella (2009) generated empirical data to test the impact of the current world financial crisis on the Nigerian stock market through contagion. He found that "there can be co-movement between the Nigerian stock market and the Dow Jones of the United States"

and concludes that the Nigerian stock market is therefore not totally immune to the vagaries of the world financial crisis. It is his tentative view that the contagion occurred through equity investments and commercial lending.

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The effect of the global financial meltdown on the Nigerian stock market has been a reduction of the market capitalisation from over N10.18 trillion to N5.2 trillion and a market index from 57,990 points to 22,000 points by October 2009 and flight of foreign portfolio investment; stocks and shares were no longer collateralisable (Osaze, 2009:26-27). It also affected the entire economy and individual companies, irrespective of their lines of business, negatively. By April 2010, the total market capitalisation and market index had increased to N6.2 trillion and 25,700 points respectively. However, although we can imagine how individuals have responded in terms of their stock holdings and investment behaviour that is at the mere level of speculation. We do not know of any empirical study of the phenomenon.

Shareholders' Investment Behaviour

By investment behaviour we mean the decisions and actions of existing and potential investors in shares in relation to buying, holding or selling shares and the attitudes that inform or shape such decisions and actions. It includes the formulation of investment objectives, information search, attitude formation, purchase intentions and

intention to sell or not to sell. Others are choice of investment portfolio, post-purchase and post-sale feelings, evaluations, decisions and actions. The following questions relate to various aspects of investor behaviour and so will assist us in realising its full gamut:

- (i) What are the investor's motives for buying shares or for selling his or her shares? In other words, what are his/her motives for buying or selling?
- (ii) What factors influence his/her decision to invest or not to invest in certain shares? What criteria shape his/her decisions?
- (iii) To what extent does he or she search for information to guide his/her investment decisions?
- (iv) How does he/she form or change his/her attitudes towards a specific company's shares?
- (v) How does he/she actualise the purchase/sale? Does he/she utilise the services of stockbrokers?
- (vi) To what extent do shareholders diversify their share holdings?
- (vii) How do investors generally react in the short run and in the long run to sudden shocks in the market?
- (viii) To what extent are shareholders confident and satisfied with their investment decisions during periods of stability and when the market is volatile?

We shall explore only some of these issues very briefly.

Investors invest in shares "in order to acquire a claim to a portion of the business's profits" (Scott, 2005:8). Investors in ordinary shares can profit in two ways, through receipt of dividends and capital gains arising from the appreciation of the market value of the shares over time. Related is the investor's motive for buying shares, some investors adopt the buy and hold strategy which is based on the view that in the long run, financial markets give a good rate of return despite periods of volatility or

decline. "This viewpoint also holds that short term market timing, i.e. the concept that one can enter the market on the lows and sell on the highs, does not work for small, or unsophisticated, investors so it is better to simply *buy and hold* (Wikipedia, 2010:1).

The proponents of the *buy and hold* strategy hinge their arguments on two main points. The first is based on the efficient market hypothesis which holds that "if every security is fairly valued at all times, then there is really no point to trade" (Wikipedia, 2010). The other is that the strategy involves the fewest number of transactions, all other things being equal.

The antithesis of the buy and hold strategy is the speculative strategy of buying when stock prices are low, not to hold but to sell when prices are high. By so doing, the speculator stands a chance of making more profits.

On this score (Tella, 2009:110) contends that:

Before the liberalization and dynamic activities in the stock market, most participants in the stock market were very conservative. The attitude of the average Nigerian shareholder was to buy and hold, even when it was obvious that the company could go bankrupt. This attitude might not have changed dramatically but the levels of trading on the markets in recent time indicate that most people have become more informed.

When should an investor buy and when should he/she sell? It has been suggested that whereas it is generally a mistake to invest a large sum all at one time, most investors are enthusiastic to invest in common stocks when they read or hear that such stocks have repeatedly earned large profits (Scott, 2005). Scott (2005) also warns against selling large amounts of shares at a time.

In a comparative study of the speculative behaviour in the American and Japanese stock markets, Shiller *et al* (1991) came to the conclusion that there may be some merit in the traditional notion of a speculative bubble or bull market as a time when investors are becoming relatively encouraged to invest in stocks, hoping to get out before the bull market is over, or of a negative bubble or bear market as a time when investors are becoming relatively discouraged from investing in stocks, hoping to get in after the bear market is over. They concluded that "the simple stories of these bull market or bear market investors has [SIC] only to be modified by specifying that what changes from time to time is the proportion of investors in the two categories, not the attitude of all investors" (p. 8).

Shareholders and potential shareholders need information about stock market fundamentals, that is, about the economy, the industry and the companies in which they have investments or wish to invest. They also rely on information about the stock market. Information about these factors may be obtained from sources as diverse as newspapers, financial digests, publications of the Central Bank of Nigeria, business surveys, trade sources, Nigerian stock Exchange Factbook, trade publications, company prospectus and on-line sources. Friends, relations, acquaintances and stockbrokers may also serve as information sources.

The investment behaviour of investors in shares is a function of their perceptions of the overall riskiness of investment in such securities as well as the perceived riskiness of each company's shares. The risk of investing in shares is directly related to the uncertainty associated with the returns (Scott, 2005: 142), in terms of both the variability and timing. The causes of the risks of loss include unexpected inflation, rising interest rates, unfavourable business environment, company's indebtedness, market fluctuations and infrequent trading (Scott, 2005).

One major way in which investors in securities are advised to reduce the risk of owning ordinary shares is by diversifying their portfolios such that they comprise stocks which have a diversity of investment characteristics. According to Scott (2005: 163),

Not only do you not want all your eggs in one basket, you want to make certain that the baskets are in different locations (in other words, that the stocks are in different locations) in the event that some unfortunate and unexpected event affects one basket of the eggs...

Your goal should be to construct a portfolio that is comprised of stocks that are influenced by different stocks that are influenced by different events and influenced differently by any one event.

Scott (2005) posits further that, for the same reason, "many investment professionals recommend that individuals (should) have from 10 to 20 percent of their portfolio invested in foreign securities."

There is no doubt that, as in other markets, investor behaviour is or should be information driven, that is, guided by information about the market, the business environment and investment brokers. The view of Karen Handel (2006) is that "everyone recognises that investors need to know certain key facts and concepts, but it is important that they learn the behavioral process of investing such as checking the background of a stockbroker or investment advisor...". In a major study by Securities Investor Protection Corporation (SIPC)/Investor Protection Trust (IPT) on key investor knowledge and behaviour in the U.S., more than four out every five of active investors (83 percent) failed a test of key knowledge and behaviour (Handel, 2006: 1). The study also found that only 58 percent of the responding investors

said they had ever read a prospectus while 77 percent claimed to have a financial plan of some sort in place while 28 percent predicted that bonds will move in the wrong direction.

In another study, Dreman, Jonson, MacGregor and Slovic (2001) investigated whether investor sentiment and confidence had undergone a significant and negative change and whether investors would subsequently flee stocks in favour of less volatile investment options. This was after steep declines in the value of publicly traded stocks in the first quarter of 2001 in the U.S. Surprisingly, the results revealed a high level of investor confidence. A similar study had been conducted into investor behaviour in the October 1987 stock market crash in the U.S. The results showed that investors' importance rating of news appearing over the preceding week showed only a slight relation to decisions to buy or sell, that many investors thought that they could predict the market, that both buyers and sellers generally thought before the crash that the market was overvalued and that many investors were influenced by technical analysis considerations. Other findings were that most investors interpreted the crash as due to the psychology of other investors and that some investors changed their investment strategy before the crash.

One conclusion that can be drawn from the foregoing review of the relevant literature is that contagion is real. Also, the capital market is complex, flux-filled and risky but potentially profitable to the initiated. Investors and potential investors in the market need some basic knowledge on how to invest. In addition, they need to be sensitive to developments in the business world which are capable of affecting their securities. They also need to be guided by stockbrokers and other financial advisors. Yet it would seem that most investors are casual in their approach to investing in the stock market thus exposing their investments to avoidable risks.

Methodology

In view of the descriptive, ex-post facto nature of the study, we adopted a survey/descriptive design. The population was defined as the entire adult population of the catchment area of the University of Benin, Nigeria. This is defined as those states from which the University draws its Master of Business Administration (MBA) students.

MBA students of the University of Benin where one of the authors teaches Research Methodology, among other courses, served as the research assistants. Each of the three hundred and fifty MBA II students was required as part of the research methodology course to administer the questionnaire utilised in generating the data for the study on ten adult respondents. The respondents were to be chosen by the student/research assistant from his/her town of residence and possibly from the organisation for which he/she worked. The research assistants were allowed thirty days within which to return the completed questionnaires. No further guidelines or restrictions were imposed. Thus, the sampling method adopted best approximates quota/convenience sampling.

The questionnaire proper consisted of three sections. The first section focused on the demographic data of the respondents. It sought information about the gender, age, marital status, education, profession and occupation of the respondent as well as his/her status and experience as a shareholder. Questions in the second section focused on the respondent's perceptions and beliefs about the Nigerian stock market. They also sought information about his/her investment strategy as far as buying and selling shares are concerned, his/her reactions to the recent and on-going changes in the stock market, his/her confidence in the market, and his/her behavioural intentions regarding future shareholding.

Using the method outlined above, a total of 2317 questionnaires were retrieved out of which 2296

were usable. The composition of the sample in terms of sex, education, qualifications, age, discipline/profession and occupation is contained in Appendix 1. It shows that 68.6% of the sample was males while 62.8% were married. The majority (70%) of the respondents were between 30 and 50 years of age and over 87% had the Higher National Diploma or bachelor's degree as their minimum education qualification. The distribution of the respondents in terms of disciplinary background/profession shows that the sample was dominated by management sciences (29.1%), social sciences (24.7%), engineering and sciences (21.7%) and education (8.1%). Finally, in terms of occupation the sample consisted of private sector employees (42.2%), civil/public servants (40.7%) and other occupations (17.1%).

Being a descriptive study, the major analytical tools employed were frequency distributions and simple averages which were achieved by means of the Statistical Package for the Social Sciences (SPSS).

Results

The research findings are presented in the following order: shareholders' general investment status and behavior prior to the advent of the financial crisis, their awareness/knowledge of the recent changes in the Nigerian stock market, their behavior regarding the monitoring of the stock market, and their perception of the stock market in view of the current crisis. The other aspects of the results are shareholders' response to the stock market crisis in terms of acquiring more shares or disposing of their share investments and their intended future investment behaviours and strategies.

Shareholders' Pre-Financial Crisis Investment Status and Behaviour

Under this heading, we sought to know whether the respondents owned shares of any publicly quoted companies prior to the advent of the current global financial crisis and if so for how long they had been shareholders. They were also asked whether they utilised the services of stockbrokers in the acquisition/sale of their shares. Finally, they were asked about their investment strategy in terms of whether they generally "buy and hold" or "buy and sell". The results of these enquiries are displayed in Table 1.

Approximately eight out of every ten respondents (78.3%) indicated that they owned shares in one company or the other while about two out every ten respondents (that is 21.7%) said they owned no shares. Of the 1785 respondents who indicated the number of years for which they had owned shares, 60.9% had been shareholders for five years or less, 29.3% had been for between six and ten years (both inclusive) while only 9.8% had been for over ten years.

With respect to the use of the services of stockbrokers as financial intermediaries in buying/selling their shares, shareholders were asked whether they patronised stockbrokers. Approximately six out of every ten shareholders (61.9%) said they did while nearly four out of every ten (38.1%) said they did not. Finally, an overwhelming majority (74.2%) of the shareholders claimed that they adopted the 'buy and hold' strategy while 23.1% adopted the opposite strategy of 'buy and sell'. Those who claimed to apply both strategies, perhaps with respect to different shares or at different times, constituted 2.7% of the sample.

Table 1
Investment Status of Respondents before the Global Financial Crisis

VARIABLES	LABEL	FREQUENCY	PERCENTAGE
Are You a Shareholder?	Yes	1798	78.3%
	No	498	21.7%
	Total	2296	100.0%
Years of experience as Shareholder	1 to 5 years	1087	60.9%
	6 to 10 years	523	29.3%
	Above 10 years	175	9.8%
	Total	1785	100.0%
Buy shares through a Stockbroker?	Yes	1113	61.9%
	No	685	38.1%
	Total	1798	100.0%
Kind of Shareholder	Buy and Hold	1334	74.2%
	Buy and Sell	415	23.1%
	Both	49	2.7%
	Total	1798	100.0%

Source: Authors' fieldwork, 2010

Investors' Awareness/Knowledge of Recent Changes in the Nigerian Stock Market

To ascertain respondents' awareness/knowledge of the general developments in the Nigerian stock market since it crashed, respondents were asked to describe the market in terms of stability or fluctuation in market stock prices and value of

shares listed on the stock exchange. The responses show that 84.0% and 84.5% answered correctly that 'prices have generally crashed' and that 'the market values of shares have been decreasing' respectively. This is very strong indication that the public is quite knowledgeable of the developments in the markets

Table 2
Shareholders' Awareness/Knowledge of Developments in the Stock Market

LABEL	FREQUENCY	PERCENTAGE
Prices generally crashed	1928	84.0%
Prices generally stable	126	5.5%
Prices generally skyrocketed	78	3.4%
Not sure	164	7.1%
Total	2296	100.0%
Market value generally decreasing	1941	84.5%
Market value generally stable	105	5.5%
Market value generally increasing	76	3.3%
Not sure	173	7.6%
Total	2296	100.0%

Source: Authors' fieldwork, 2010

Stock Market Monitoring by Shareholders

Market monitoring by shareholders is imperative as it provides signposts to guide their decisions regarding which stocks to buy and which to sell and when. Respondents were, therefore, confronted with questions in this regard. Were they monitoring the Nigerian stock market prior to the meltdown? Slightly less than four in ten respondents (37.9%) said they did regularly; 36.6% said they did sometimes while 25.5% said they rarely did or did not monitor the market at all. Newspapers were the major media (67.6%) from which respondents sourced and obtained information about the

market. Others were television (22.7%) and interactions with stockbrokers (12.4%). For details, please see Table 3.

Finally, on market monitoring, we asked the respondents about the ease or difficulty of understanding and interpreting stock market information. Most of the respondents claimed that stock market information is "easy to understand" (62.5%) or "very easy to understand" (15.9%). Only 20.1% of the respondents said they were difficult or very difficult to understand.

Table 3
Shareholders' Behaviour Regarding 'Buy and Hold'
and Monitoring of the Stock Market

VARIABLES	LABEL	FREQUENCY	PERCENTAGE
Kind of Shareholder	Buy and Hold	1334	74.2%
	Buy and Sell	415	23.1%
	Both	49	2.7%
	Total	1798	100%
Frequency of monitoring share prices in the market	Not at all	203	8.8%
	Rarely	384	16.7%
	Sometimes	840	36.6%
	Regularly	869	37.9%
	Total	2296	100%
Media patronized for monitoring share prices	Television	522	22.7%
	Satellite	141	6.1%
	Newspaper	1553	67.6%
	Interaction with stockbrokers	285	12.4%
	Interaction with friends/family member	218	9.5%
	Others (Internet, banker marketers, etc)	106	4.6%
	Total		100%
Complexity of Stock Market Information published in media	Very easy to understand	365	15.9%
	Easy to understand	1435	62.5%
	Difficult to understand	403	17.6%
	Very difficult to understand	58	2.5%
	No Response	35	1.5%
	Total	2296	100%

Source: Authors' fieldwork, 2010

Shareholders' Current Perception of the Stock Market

Given the dramatic changes in the stock market situation since the onset of the current global financial meltdown, what is the public perception of the market? How do investors and shareholders see the market? Responses to these questions showed that slightly over four out of every ten respondents (43.2%) saw investing in the stock market now as "highly risky" while about three in ten (31.4%) saw it as "moderately risky". Nearly two out of ten (18.2%) saw it "slightly risky" while only a negligible 6.2% believed that it is "not risky at all".

Nearly a third (32.8%) of the respondents perceived the market as profitable (25.2%) or very profitable (7.6%). About the same proportion of the respondents (31.7%) believed that it was unprofitable (20.6%) or very unprofitable (11.7%). It is noteworthy that 35.5% were not sure whether the market was profitable or not.

Finally, about 36% of the respondents were not sure whether or not stock prices would stabilize, fall or rise in both the short- and long-runs while nearly 35% believed that the prices would stabilize in both the short- and long-runs. Others believed that stock prices would decline further. For details of shareholders' perceptions, see Table 4.

Table 4

Shareholders' Perceptions of the Stock Market in the Aftermath of the Global Financial Meltdown

VARIABLES	LABEL	FREQUENCY	PERCENTAGE
Perception of the level of risk involved in the Stock Market at this time	Highly risky	992	43.2%
	Moderately risky	721	31.4%
	Slightly risky	419	18.2%
	Not risky at all	142	6.2%
	No Response	22	1.0%
	Total	2,296	100%
Perception of the profitability of investing in shares now	Very profitable	174	7.6%
	Profitable	578	25.2%
	Unprofitable	459	20.0%
	Very Unprofitable	269	11.7%
	Not sure	816	35.5%
	Total	2296	100%
Outlook of the Nigerian Stock market in the next 24 months	Further decline in stock prices	240	10.5%
	Further increase in stock prices	417	18.2%
	Stability in stock prices	790	34.7%
	Not sure	830	36.1%
	No Response	19	0.8%
	Total	2296	100%
Outlook of the Nigerian Stock market in the long run	Further decline in stock prices	196	8.5%
	Further increase in stock prices	604	26.3%
	Stability in stock prices	819	35.7%
	Not sure	627	28.6%
	No Response	20	0.8%
	Total	2296	100%

Source: Authors' fieldwork, 2010

As a way of gauging their perceptions of the stock market, respondents were also requested to rank some of the possible major sources of risk in the market. The results showed that fraudulent acts on the part of stockbrokers were perceived as the most risky source, followed by poor corporate governance on the part of quoted companies and

possible insolvency of the company invested in (Table 5). It is again noteworthy that, on the average, about 26% of the respondents did not answer this question, a possible indication that they felt unable to evaluate the different sources of risk.

Table 5
Perceived Sources of Risk of Investing
in the Nigerian Stock Market

PERCEIVED SOURCES OF RISK	NO/PERCENT OF RESPONDENTS	RANK INDEX	RANK
Fraudulent acts on the part of stockbrokers	1661 (72.3%)	2.87	1 ST
Price fluctuations in the stock market	1822 (79.4%)	2.76	4 TH
Insolvency of the companies invested in	1657 (72.2%)	2.81	3 RD
Insider trading	1684 (73.3%)	2.49	5 TH
Poor corporate governance in quoted companies	1661 (72.3%)	2.85	2 ND

Source: Authors' fieldwork, 2010

Shareholders' Response to the Stock Market Crisis

Our inquiry into how shareholders responded to the current Nigerian Stock Exchange crisis in terms of selling their shares or buying more shares showed that most of the respondents (65.0%) responded by doing nothing, that is, they neither bought more shares nor sold their shares. In addition, 77.7% reported that they had lost interest in buying shares in future. For details, please see Table 6.

Ostensibly as strategy to hedge against perceived risks, 60.5% of the respondents said that they would henceforth rely more on using the services of stockbrokers, 85.4% said that intended to monitor shares prices more regularly and 85.7% said they would devote more effort to studying and understanding stock market information. Finally, 83.5% of the respondent reported that they had decided to be more selective in choosing the shares to invest in.

Table 6
Shareholders' Response to the Stock Market Crisis

VARIABLES	POSSIBLE RESPONSES	FREQUENCY	PERCENT
Reaction to financial meltdown in terms of shareholdings	1. Did nothing	1,492	65.0%
	2. Sold some or all my shares	318	13.9%
	3. Bought more shares	290	12.6%
	4. Others(Sold and Bought more)	196	8.5%
Interest in investing in share henceforth	1. Much more interested investing in shares	153	6.7%
	2. More interested in investing in shares	333	14.5%
	3. Less interested in investing in shares	1,402	61.1%
	4. Very much less interested	382	16.6%
	5. No response	26	1.1%

Source: Authors' fieldwork, 2010

Summary and Discussion of Findings

The results of this study show that nearly eight out every ten respondents owned shares in publicly quoted companies and about six out of every ten patronized stockbrokers. Approximately 74% of the respondents adopted the "buy and hold" strategy as opposed to the "buy and sell strategy". Most of the respondents were conversant with the recent developments in the stock market although less than four out of every ten respondents said they monitored the stock market regularly. Most of those who monitored the market at all did so by reading the stock market reports which feature daily in most national newspapers. Surprisingly, 62.5% of the sample members claimed that they had no difficulty understanding stock market reports/information. Most respondents believed that investing in the stock market at this time is moderately or highly risky yet unprofitable or very unprofitable. Generally, the respondents seemed confused or unsure about what is likely to happen to share prices in the short- and long-runs. Finally, this study found that most respondents did nothing about their shareholding in response to the current

stock market meltdown. Rather than sell their shares or buy more, the major impact of the meltdown has been to make shareholders to lose interest in buying shares in the near future, make them resolve to rely more on using the services of stockbrokers, and to monitor shares prices more regularly. Most respondents also said that henceforth they would devote more effort to studying and understanding stock market information; they would also be more selective buying shares.

The revelation by this study that up to 78% of the respondents owned shares in publicly-owned companies is surprising but quite reassuring as it is indicative of broad participation in the stock market which is itself essential to the desired vibrancy and development of the market. Perhaps the high proportion is explicable by the fact that the sample had a very high concentration of highly educated people; apart from the 2.6% who had the Senior Secondary School Certificate, all other had at least some tertiary qualification. With such an enlightened group, it should, on second thought, not be a surprise that such a large proportion were shareholders. The broad

participation in the stock market just reported above is consistent with the observation by (Tella, 2009:110) that "the levels of trading on the (Nigerian Stock) markets in recent time indicate that most people have become more informed".

The obvious popularity of the "buy and hold" strategy reported in this study runs against what is to be expected against the background proposition that investors seek to maximize their wealth/net worth by expect to profit from dividends and capital gain when the shares appreciate in value. It is insightful to relate this to Tella's (2009) observation that "before liberalization and dynamic activities in the stock market, most participants in the stock market were very conservative. He asserted further the attitude of the average Nigerian shareholder was to buy and hold, even when it was obvious that the company could go bankrupt and that this attitude might not have changed dramatically. The findings of this study confirmed this observation.

It is heartening to find that the public seemed knowledgeable about developments in the stock market, that they claimed to understand stock market reports and information even when a smaller proportion monitors the market regulation. This enigma may be explained by the fact that the questions on knowledge were limited to very elementary issues. Faced with more sophisticated questions about the dynamics of the market and the strategies that work, it is likely that they will fail such a test of knowledge as did American investors in a study by SIPC/IPT (See Handel, 2006).

Asked about the future direction of the stock

market, the respondents in this study seemed confused, or at best, unsure. This is in contradistinction to the high level of investor confidence displayed by American respondents after steep declines in the values of publicly traded stocks in the first quarter of 2001 in the U.S. Finally, whereas capital market theories would suggest that when share prices are at their lowest, speculators should buy in the hope of making capital gain when they appreciate, the study shows that our respondents generally do not believe that this was in reality a good time to buy. This is perhaps due to the fact that shareholders are yet to recover from the huge losses they suffered during the current stock market meltdown.

Recommendations

Although the findings of this study show that most of the respondents own shares, we believe that everyone ought to strive to become a shareholder because of the obvious benefits. Even those who already own some should buy more. Share ownership is an investment from which the shareholder expects to earn some income in the form of capital gain and dividends from time to time. Thus, for many persons, shares represent an additional source of income. It is also a form of savings and "insurance"; in times of need, it can easily be liquidated.

Some possible barriers to investment in shares revealed in this study are ignorance, risk aversion and the associated lack of confidence in the stock market. Although, most respondents were cognizant of the recent developments in the Nigerian stock market, it is doubtful whether they understand the

determinants of share value and the most appropriate strategy to adopt as a shareholder in different market situations. For example, their buy and hold strategy may not have been a deliberate strategy calculated to achieve a specific investment objective but a default strategy borne out of ignorance of the alternative strategy. There is, therefore, a need for shareholder education which will, among other things, acquaint shareholders and prospective shareholders, not only of the need to invest and the benefits of investing in shares, but also of the strategies for reducing risk such as portfolio diversification and reliance on the expert advice of stockbrokers and other stock analysts. Shareholder education can also address the issue of how to study and interpret key market indices. In our view, shareholder education is the tripartite responsibility of the Nigerian Stock Exchange, the Securities and Exchange Commission and Shareholders associations. In addition, educational institutions and business correspondents of the numerous national newspapers and television/radio stations in this country can be quite useful in this regard.

The reported resolve of most of the respondents to patronise stockbrokers more, monitor stock market developments more and devote more effort towards studying, understanding and interpreting stock market reports is a positive move which is praise worthy.

We saw that one positive fall out of the stock market meltdown in Nigeria is that the public has become more interested in the activities and dynamics of the market. We hope that this will be sustained and will translate into a

broader and deeper participation in the market. This is good for the economy in the long-run as the stock market is indeed the hub of any modern economy.

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Appendix 1
PROFILE OF RESPONDENTS

VARIBLES	CATEGORIES	FREQUENCY	PERCENTAGE
Gender	Male	1574	68.6%
	Female	722	31.4%
	Total	2,296	100%
Age in years	19 - 30	528	23.0%
	30 - 50	1,607	70.0%
	Above 50	161	7.0%
	Total	2,296	100.0%
Marital Status	Married	1,442	62.8%
	Single	826	36.0%
	No Response	28	1.2%
	Total	2,296	100.0%
Highest Educational Qualification	SSCE	60	2.6%
	OND/NCE	147	6.4%
	HND/B.Sc	1,324	57.7%
	Higher Degree	683	29.7%
	Professional	82	3.6%
	Total	2,296	100.0%
Discipline	Arts/Humanities	145	6.3%
	Agriculture	69	3.0%
	Education	186	8.1%
	Engineering/Sciences	499	21.7%
	Law	78	3.4%
	Medicine	66	2.9%
	Management Sciences	669	29.9%
	Social Sciences	568	24.7%
	Total	2,296	100.0%
Occupation	Civil/Public Servants	934	40.7%
	Private Sector Employees	968	42.2%
	Others	394	17.1%
	Total	2,296	100.0%

Source: Authors' fieldwork, 2010