Determinants of Investors' Preferences for Sectoral Investments in Nigeria Capital Market

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ABSTRACT

An investor in the Capital market has to make a choice on which portfolio to invest in. A portfolio is a combination of securities which include debt and equity. The combination of debt and equity is necessary because while debt provide assured opportunities, equity gives higher and consistent long term returns but with an element of uncertainty. Therefore in a portfolio, a combination of debt instrument and equity is important to complement each other. By foregoing consumption today and investing their savings, investors expect to enhance their future consumption possibilities by increasing their wealth. According to classical economic theory, investors are assumed to be rational and competent. The theory assumes that investors have the same preference, perfect knowledge of all alternatives and an understanding of the consequences of their decisions. Also, markets are assumed to be efficient. Neither technical nor fundamental analysis would assist an investor to achieve returns greater than those that could be obtained by holding a randomly selected portfolio of individuals stock with comparable risk. In recent years, there has been increased enthusiasm in the stock market by individual investors. Attention is increasingly directed to local investors whose investments are known to have longer horizon than foreign ones. The problems lays in the fact that more and more attention has been paid to institutional investors while less attention has been given to small scale or individual investors, therefore, this study looks into the determinant of investors' preferences for sectorial investment in the Nigerian Capital Market, the study is been guided by two objective and two research question, also two null and two alternate hypotheses were postulated. The result of the findings reveals that government policies do significantly influence investor's perceptions in the Nigerian Capital Market;

giving incentives to investors do significantly influence their perception to invest in Nigeria Capital Market.Based on the findings the following recommendations were made; policies regarding investment in Nigerian Capital Market should be looked into, to make room for investors participation in decision making as well; new policies that will include investors motivation should be enacted and implemented.

INTRODUCTION

The capital market is a market for securities, where companies and the government can raise medium to long-term funds. The capital market includes the stock market and the bond market. Financial regulators oversee the capital markets in their respective countries to ensure that investors are protected. The Nigerian capital market (NCM) is an organized market which provides facilities to the government and private investors to raise long term loans to finance capital expenditures for expansion and modernization of industries. It also exists to offer platforms where suppliers of capital can quickly and easily restore their liquidity. This implies that the capital market should serve the purpose of efficient capital mobilization and allocation of the nation's capital resources among various competing alternative uses.

The Nigerian Stock Exchange (NSE) organizes the Nigerian Capital Market for the buying and selling of debt and equity instruments. There are two markets within the NCM, these are: the primary market and the secondary market. While the primary market is a market for new issues, the secondary market is for trading of stocks issued at the primary market. Newly listed company offer their shares at the primary market to raise capital for expansion purposes, existing ones can also raise capital by offering new shares for sale in the existing company. The allocative function of the NCM is crucial in determining the overall growth and efficiency of the economy, this role is aided by the Nigerian Stock Exchange (NSE). If capital resources are not provided to those economic units where demand is growing, and which are capable of increasing productivity, at the appropriate time, the growth rate of the economy will be inevitably compromised. The NSE thus became the hallmark of the Nigerian capital market, hence NSE and capital market are used interchangeably in this research. An individual or an institution who commits money to investment with the expectation of financial return is termed an investor. Generally, the primary concern of an investor is to minimize risk while maximizing return. Investment is the commitment of funds for a period of time in order to derive a rate of return that will compensate the investor for the time during which the funds are invested. A person's investment decision is a tradeoff between immediate consumption and deferred consumption so as to enjoy greater consumption in future.

An investor in the Capital market has to make a choice on which portfolio to invest in. A portfolio is a combination of securities which include debt and equity. The combination of debt and equity is necessary because while debt provide assured opportunities, equity gives higher and consistent long term returns but with an element of uncertainty. Therefore in a portfolio, a combination of debt instrument and equity is important to complement each other. By foregoing consumption today and investing their savings, investors expect to enhance their future consumption possibilities by increasing their wealth. The issue that readily comes to mind is the criteria that an investor uses to actually make a choice on a specific investment decision. An insight is needed as to what drives investors to invest in a particular stock and not the other. There is no perfect system that indicates the exact reason investors prefer a stock. In traditional finance theory; which is stems from neo-classical economic theory, investors are assumed to be rational and competent (Popescu, 2008). The market actors make decisions according to the axioms of expected utility theory. According to the expected utility theory, a person is risk averse and the utility function is concave. Theoretically, earnings are what affect investors' valuation of a company, and are perhaps the most important factor for deciding the health of any company and influence the buying tendency in the market resulting in the increase in the price of that particular stock. However, earnings are not the only factor that can change the sentiment towards a stock especially a newly listed stock. In the case of a newly listed stock, the investor has no history of trading in the stock to base a fair judgment especially now that companies can manipulate their records. Investors eagerly anticipate the entrance of some newly listed stock, while other new entrants are greeted with little enthusiasm. The nature of the economy, deliberate government policies in the sector the stock is emanating, incentives giving to investors in some sectors to encourage them, are some points advanced by stake holders for embracing new listings. Most importantly however, it is believed that the investor's perception plays the critical role in choosing to invest. Hence investment choices are affected by business fundamentals, they are also affected by company, world events, human psychology and much more.

Furthermore, most developed and developing countries that have seen the increasing importance of the capital market have gone further to direct the impact of the capital market to be sector specific. Once these countries are aware of their country's potentials, they quickly support these sectors and allow individuals as well as institutional investors to invest using the instrumentality of the capital market to garner enough capital at the primary market for crucial investment into these sectors. Such an arrangement makes the investing public to have a sense of ownership thereby patronizing the product or services their investment has created and by so doing create wealth for themselves. Nigeria's Capital Market has grown considerably in the last decade, (from 5.12 trillion naira in 2006 to 10 trillion in 2016), playing vital and much needed role in creating required capital in some sectors of the economy. Observers are of the opinion that either these figures are wrongly quantified or there is a huge fault in the way the Nigeria capital market is skewed towards the development of the nation's economy. This is because the activities of the capital market of a nation are meant to enrich the citizens as well as the economy. For instance the United States of America have the largest stock market in the world (18 trillion dollars) and that country's economy is the greatest as individuals in the country have benefitted immensely from investing in the market. Next is China, whose capital market is worth more than 10 trillion dollars and its economy is the second largest in the world. Regional governments in China have invested massively in the Stock market in China and have made adequate returns which they in turn invested to develop their regions. Also Japan has a vibrant capital market structure and it is the third largest economy in the world with most of her citizens owning investment in their stock markets. These nations generate wealth through their stock market and systematically channel same to sectors that can create jobs and enhance the economic stability of their country while growing the profits of investors. Since their systems vigorously encourage individuals to invest in the capital market, the profit generated is translated to tangible wealth in the society. Other developing countries that are quickly following this model of channeling capital market funds to needed sectors includes Brazil, India, Russia among others.

Nigeria needs to copy this model by creating policies that will enhance investor's perceptions and motivate individuals to invest in specific sectors of the economy. Presently, investors have serious apathy in investing in the sectors that can enhance Nigerian economic growth especially the agriculture, manufacturing and mining. It has been agreed by every stakeholders in the Nigerian economy that unless these sectors are given the required funding and becomes vibrant, the poverty level in Nigeria will remain significantly high.

There are different sectors of the Nigerian economy. All are equally important. However, there are sectors of the economy that have immense potentials to not only create jobs, create wealth for her citizen but will also create the needed diversification required to stabilize the nation's economy. These sectors are; agriculture, Mining, Manufacturing, Telecommunications and Information Technology (IT). Economist, experts as well as the academia have all agreed that these sectors have potentials to transform Nigeria into an economic giant if they are properly packaged and well-funded. This study refers to them as core sectors. There is a huge literature as well as empirical data to buttress these facts. It is the role investors through the Nigerian Capital Market has played is playing and should play in these sectors to bring Nigeria to a world economic giant that is of paramount importance to this research.

STATEMENT OF PROBLEM

Capital investment is a supportive backbone of an individual, community, and society in general. According to classical economic theory, investors are assumed to be rational and competent. The theory assumes that investors have the same preference, perfect knowledge of all alternatives and an understanding of the consequences of their decisions. Also, markets are assumed to be efficient. Neither technical nor fundamental analysis would assist an investor to achieve returns greater than those that could be obtained by holding a randomly selected portfolio of individuals stock with comparable risk (Malkiel, 2003). However, Psychologists from the branches of cognitive and experimental psychology have made the argument that the basic assumptions of classical decision making theory are incorrect, this is because individuals often act in a less than fully rational manner.

In particular, the seminal work by Kahneman and Tversky (1979) advocated the prospect theory which assumes departures from rationality. The theory assumes that people are loss averse in which they are more concerned with losses than gains and as a result, a person will assign more significance to avoiding losses than achieving again. Some sectors of the Nigerian economy are considered core to creating the much needed employment, generate wealth and spread it evenly across board to everyone in the society. This implies the development of such critical sectors culminate in the development of the economy and the society. A typical case was when Malaysia developed her agricultural sector and every other aspect of their economy developed along because a huge number of their citizens are involved in the agricultural sector or in the value chain. Nigeria is blessed with huge arable land, massive deposits of minerals, a huge population that can sustain the market for manufactured goods as well as a considerable number of youth who are vast in information technology. The Nigerian Capital Market has been vibrant in the last few years. How can the country leverage on the huge resources which can be generated by the primary market and channel same to these five core and important sectors of agriculture, Manufacturing, Mining, I T and the Telecom? Since there is a link between these crucial sectors and Nigeria future economic growth, how can investor's perceptions be changed so that they can be motivated to invest in these critical sectors of the Nigerian economy? This is where the problem lies.

In recent years, there has been increased enthusiasm in the stock market by individual investors. Attention is increasingly directed to local investors whose investments are known to have longer horizon than foreign ones. Studies carried out in Greece (Merikas, Merikas, Vozikis& Prasad, 2003) focused on economic factors and individual investor behavior and dealt specifically with experienced investors, also in Pakistan (Kaleem, Wajid&Hessain, 2009), the focus was the factors affecting financial advisors perception in portfolio management. Al Tamini, (2004) in the United Arab Emirates (UAE) and Sultana (2010) India, studied factors influencing individual investor behaviour in UAE and India respectively. More and more attention has been paid to institutional investors while less attention has been given to small scale or individual investors. Most previous studies have occurred in developed countries of Europe and America. Those that have taken place in Africa were mostly in Kenya such as Waweru, Munyoki and Uliana (1998), Wera (2006) and Mbaluka (2008) have all paid attention to the behavioural factors influencing investor decisions while Ndiege (2012), address the factors influencing investment decision in equity stocks among teachers in Kisumu municipality. None of the previous studies address the perception of Investors on sectoral investment in the Nigerian Capital Market.

OBJECTIVES OF THE STUDY

The main objective of the study is to assess the perception of investors on sectoral investment in the Nigerian Capital Market. The specific objectives are to:

i. identify the perceptions held by investors in the NCM that limit their investment in core sectors of the Nigerian economy.

ii. examine the role of government policies in influencing perception of investors in the NCM.

Research Questions

This study tends to answer the following research questions among many other;

i. What perceptions are held by investors in the NCM that limit their investment in the core sectors of the economy?

ii. What role does government policies play in influencing investor's perception in the NCM?

STATEMENT OF HYPOTHESES

The study will test the following hypotheses:

HO_1: Government policies do not significantly influence investor's perceptions in the NCM

Ha_1: Government policies do significantly influence investor's perceptions in the NCM

HO_2: Giving incentives to investors does not significantly influence their perception to invest in the core sectors of the Nigerian economy.

Ha_2: Giving incentives to investors do significantly influence their perception to invest in the core sectors of the Nigerian economy.

SIGNIFICANCE OF THE STUDY

The study is significant in the following ways:The study will shed more light into the link that exists between the stock market and the economic growth of a nation. This will enable government to understand the significance of developing policies that will motivate investors to invest in the NCM and this will help channel needed funds into sectors it consider core to her economic growth; This study will also assist regulators to see the need to be very factual with figures and data generated through trading activities so that there will exist mutual trust between the populace and the Nigerian Stock Exchange as well as positively impact on the perception of investors. This will in turn boost investment by individuals which will then be ploughed back into the economy for long term investment thereby creating wealth for every investor; It will also assist stakeholders to understand the need to study how market trend fluctuate so as to know when to respond in case of international downturn which could upset the local stock exchange and cause massive losses resulting in loss of faith in the system.

SCOPE OF THE STUDY

The scope of the study covers the perceptions of individual investor in the Nigerian Capital Market. The study does not cover institutional investors neither does it include foreign investors. It focuses on the role government policies as well as private sector incentives could play in influencing investors to expand their portfolios to include more from core sector the economy consider pivotal in its diversification drive

REVIEW OF LITERATURE

Perception is presented as one of the personal factors determining consumer behaviour. According to Lovelock (2005), Personal factors mean the closest environment of a human, including everything that is inside the person's head and soul, characterizing him as a personality. Using his sensory receptors and being influenced by external factors, the person receives information, accepts and adapts it, forms his personal attitude, opinion and motive, which can be defined as factors that will influence his further activity and behaviour. Perception within this context is considered as one of the principal personal factors, conditioning the nature and direction of remaining variables. Our perception is an approximation of reality. Our brain attempts to make sense out of the stimuli to which we are exposed. This works well when we are about to perceive familiar facts. However, our perception is sometimes "off" when we are not clear about concepts. Perception is a process by which an individual select, organize

&Interpret stimuli in a meaningful picture of the world Also, we can describe it as "how we see the world around us" Perception is the process of selecting, organizing, & Interpreting or attaching meaning to events happening in environment.

An investor is any person or group of persons who commits capital with the expectation of financial returns. Investors utilize investments in order to grow their money and/or provide an income during retirement, such as with an annuity. A wide variety of investment vehicles exist including (but not limited to) stocks, bonds, commodities, mutual funds, exchange-traded funds (ETFs), options, futures, foreign exchange, gold, silver, retirement plans and real estate. Several Investors typically perform technical and/or fundamental analysis to determine favorable investment opportunities, and generally prefer to minimize risk while maximizing returns. This is true for informed investors. Some investors, especially in developing countries will invest by themselves if they are convinced that there will be hope of future returns without necessarily making any serious studies. Investors have varying risk tolerances, capital, styles, preferences and timeframes. For instance, some investors prefer very low-risk investments that will lead to conservative gains, such as certificates of deposits and certain bond products. Other investors, however, are more disposed to take on additional risk in an attempt to make better profits. These investors might invest in currencies, emerging markets or stocks. A simple axiom is '’the higher the risk; the higher the profit’’A distinction should be made between the terms "investor" and "trader" in that investors typically hold positions longer, that is for years to decades (also called a "position trader" or "buy and hold investor") while traders generally hold positions for shorter periods. Scalp traders, for example, hold positions for as little as a few seconds. Swing traders, on the other hand, seek positions that are held from several days to several weeks.

A sector is an area of the economy in which businesses share the same or a related product or service. Economies are comprised of four sectors. These are: The primary sector involves the extraction and harvesting of natural products from the earth (e.g. agriculture, mining and forestry). The secondary sector is made up of processing, manufacturing and construction. The tertiary sector provides services, such as retail sales, entertainment and financial services. The quaternary sector is made up of intellectual pursuits, like education. A sector can also be viewed as an industry or market sharing common characteristics. Investors use sectors to place stocks and other investments into categories like technology, health care, energy, utilities and telecommunications. Each sector has unique characteristics and a different risk profile as well as government interest in an economy. Human productive activities involve the employment of resources which include various forms of fixed and movable assets, men and money. These resources are employed to generate profitable results that ultimately culminate in enhancing shareholders' wealth. Investment projects, particularly those executed by large corporate organizations, facilitate national economic growth by increasing the output of goods and services. Given this scenario, corporate organizations contribute to the growth, development and stability of national economies by skillfully identifying and appraising potentially viable investment opportunities that exist in various sectors of their target economies. Consequently, they mobilize financial resources, other factor inputs and also, engage in the management of the productive and distributive processes in order to earn optimal returns. Robson, (1993) argues that sectoral investment activities are deemed essentially important for the improvement of the quality of human life and economic prosperity of nations because they give rise to output of goods and services.

However, for cost effectiveness, these required funds need to be effectively mobilized and allocated to the efficient productive units in the economy as they possess the capacity to optimally utilize the resources and effectively return the funds to the funding sources. Since the investment profiles of most real sector projects are mainly long-term prone, they correspondingly require long-term funds, mostly available in the capital market. The capital market is sophisticated and has capacity to guarantee greater efficiency in resources allocation. Consequently, an efficient capital market can theoretically provide basis for predictable changes in sectoral contributions to a nation's economic growth. Hence, Robson (1993) submitted that sectoral investment is precipitated upon knowing the most crucial sector(s) in an economy, study its future trends and sourcing for money to efficiently make the sector productive to benefit that economy.

Capital Market

According to Tercy (2015), it is the non-bank financial institutions that provide liquidity and safety to financial assets and help in transferring funds from ultimate lenders to ultimate borrowers for productive purposes. Thus, the quantity and composition of financial variables induce economic growth through increase purchase of financial assets. The buying of primary securities from ultimate borrowers and selling indirect securities to the ultimate lenders influence the availability of credit and of course, the structure and level of interest rate in the economy. There must be faith in the system by all stakeholders hence the perception of dealers in the market plays a major role in the actual dealings and transactions. This synergy of positive perceptions cannot be ignored. The capital market is the market for securities, where companies and the government can raise medium to long-term funds. The capital market includes the stock market and the bond market. Financial regulators oversee the capital markets in their respective countries to ensure that investors are protected against fraud. The capital markets consist of the primary market, where new issues are distributed to investors, and the secondary market, where existing securities are traded.

Perceptions of Investors in the Nigerian Capital Market (NCM)

Before elaborating on issues that have hindered Nigerian investors to invest in the NCM, it is imperative a brief overview of the structure of the Market is known. Prior to independence in 1960, financial operators comprised mainly of foreign owned commercial banks that provided short-term commercial trade credits for the overseas companies with offices in Nigeria

(Nwankwo, 1991).Their capital balances were invested abroad in the London Stock Exchange. Therefore, in an attempt to accelerate economic growth, the Federal Government embarked on the development of the capital market. This desire for a capital market culminated in the appointment of the Barback Committee to advise the Federal Government on the ways and means of setting up a stock market in the country. The Federal Government was encouraged to establish the capital market because it saw it as an avenue to provide local opportunities for borrowing and lending of long-term capital by the public and private sectors as well as an opportunity for foreign-based companies to offer their shares to the local investors.

The first offer of shares to the public was fulfilled in February, 1959 when the ordinary shares of the Nigerian Cement Company Limited were offered to the public (Areago, 1984). This was the first public offering in Nigeria. Two other offers were made on April 25, 1960. These were the ordinary and preference shares of John Holt (Liverpool) and Investment Company Limited and the ordinary shares of Nigerian Tobacco Limited. The favorable report of the Barback Committee led to the establishment of the Lagos Stock Exchange in 1960, which was backed by law in 1961. The Lagos Sock Exchange was established as a self-regulatory body to among other functions, provide facilities for dealing in listed securities, overseeing the trading of these securities and ensuring fair pricing of securities. The Lagos Stock Exchange was renamed the Nigerian Stock Exchange (NSE) in 1977. The NSE now has 13 branches across Nigeria other than its world-class trading floor.

The Nigerian capital Market has not performed remarkably as new listing has been very poor. According to Soyede (2005), this has affected investor choices of investment especially local ones. Most foreign investors simply invest more in already developed sectors which are less risky, Nigeria Stock exchange as at December 2015, has 201 listed companies with a total market capitalization of #12.88 trillion ($80.8billion) compared to South Africa, the Johannesburg Stock Exchange (JSE) that has an estimated 472 listed companies and a market capitalization of US$182.6. According to the Corporate Affairs Commission report of 2015, there are about two million registered companies in Nigeria. With this listed figures, all Nigeria needs to do is to carefully and systematically increase Initial Public Offers (IPOs) especially in the key sectors where Nigeria has huge potentials so that funds can easily be raised for investment and the diversification of the Nigeria economy. These Sectors include those that can generate wealth and create jobs; like the Agriculture, Mining, Manufacturing, Information Technology and the Telecoms.

The Role of Government Policies and Investors Perception to Invest

The role of the government in financial markets is a long-standing debate that has engaged economists around the world. There are certain recurrent themes in this debate. The history of modern capitalism has been marked by the linked phenomena of financial crises and economic recessions. Although bank runs are not as prevalent as they were in the nineteenth century, the economic costs of financial debacles-such as those associated with the collapse of the savings and loan associations in the United States-are no smaller. Nor is the United States the only country beset by problems; in recent years government intervention has been required in Japan, in a number of European countries, and in numerous developing countries. What action, if any, should the state take to ensure the solvency and stability of financial institutions?

Governments Overtures towards the Capital Market

According to the UK government, OFT (2008a), government has sought to help minimise the impact of the financial crisis and economic downturn on both consumers and firms, and to help the economic recovery and secure future economic growth. Intervention has come in the form of extra spending on large capital infrastructure projects (such as Cross rail and broadband cables) as well as investment in innovation and education. Furthermore, The Office of Fair trading (OFT's) mission by the UK government make markets work well for consumers. This happens when companies are in open, fair and vigorous competition with each other for consumers' custom. Its powers under competition and consumer law not only allow the office to tackle anticompetitive behaviours by companies but also to address public restrictions on competition. This means the UK government does intervene in their Capital market often to stabilize it.

Greenwald and Stiglitz (1986), suggest that feasible government interventions that can make all individuals better off are always taken. Thus not only is there no presumption that competitive markets are efficient, but there is a presumption that they are inefficient. Moreover, even with no other barriers to entry, in the presence of costly information there is a presumption that markets will not, in general, be fully competitive. This strengthens the presumption that markets, in the absence of government intervention, are not constrained Pareto efficient. Determining whether or how government interventions can improve matters is a more subtle question which is a gap for further research. The Chinese government is more proactive when it comes to intervening into Capital Markets. Such proactive step is generally controversial. Some governments watch out in case of global downturn which was often sparked by huge and persistent losses in major world stock exchanges. There are also signaling effects: for instance, even if a bankruptcy does not trigger a financial panic, some depositors will withdraw funds from other financial institutions because of a perceived risk of default. These withdrawals may have an adverse effect on other financial institutions by leading investors to question their viability .When institutions or individuals make decisions, however, they do not take these externalities into account; they only look at their private costs and benefits. Thus the public interest in the solvency of financial institutions may exceed the private interests of the owners and managers. Governments cannot sit idly by when faced with the impending collapse of a major financial institution.

The recent financial and economic crisis in the United States and the rest of the world, as well as the interventionist efforts of respective governments to stabilize their economies have generated a lot of intellectual debate concern and controversy about the virtues of the free market system, and the role of government in an economy. Fearful of the escalation of the financial crisis in September 2008, leaders of the western industrialized nations undertook drastic measures to rescue troubled financial institutions in their respective countries. The United States led the way by embarking on the most sweeping unprecedented government economic intervention since the great depression through series of financial sector rescue packages, followed by Great Britain, and other European countries with comparable rescue packages for their financial institutions. A study conducted by Rouse and Barrow, (2008) for the Institute for Policy Studies (IPS) reveals that as of November 13, 2008, the key components of the U.S. financial sector bailout amounted to $1.3 trillion, while the European financial sector bailouts amounted to $2.8 trillion. Together, the bailouts by the western nations amounted to $4.1 trillion in commitments.

In the United States alone, as illustrated in Table 1, $700 billion was approved for the troubled asset relief program and another $243 billion for commercial paper funding facility, $200 billion in cash injections to keep Fannie Mae and Freddie Mac afloat, $112.5 billion to rescue AIG, $29 billion to guarantee Bear Stearns' losses on investment portfolio, and $13.2 billion for FDIC takeovers (Rouse and Barrow, 2008)). On top of all this, the United States Congress in February 2009 approved 787 billon dollars to stimulate the economy and additional packages have been announced to address the depressing housing market. The United Kingdom committed $734 billion for interbank lending and short term loans, Germany $637 billion to guarantee medium term lending and recapitalization, and France $483 billion to guarantee bank debt and recapitalization. As laudable as these rescue packages may be, many experts worry that such efforts do not only subsidize financial sector inefficiencies and unscrupulous behavior of free-market actors, but also divert much needed resources from other social problems that need to be addressed.

Table 1: US Commitment to Financial Sector Bailout as of November 13, 2008) ($ Billions Unless Otherwise Stated)

Programm	Amount	Description
Troubled Assets Relief Program (TARP)	700.0	Original plan was to use the funds primarily to purchase troubled mortgage related assets. The Treasury Secretary has since decided to use the funds for cash injections for banks.
Commercial Paper Funding Facilities	243.00	Through this facility, the Fed buys commercial paper (short-term debts) from banks to help finance day-to-day business operations.
Fannie Mae/Freddie Mac	200.00	Federal officials assumed control of the mortgage firms and are providing cash injections to keep them afloat.
AIG	112.5	Does not include $40 billion drawn from the $700 billion bailout fund. After an initial bailout in October, AIG negotiated a larger rescue package with easier terms.
Bear Stearns	29.0	Special lending facility to guarantee losses on the investment bank's portfolio; facilitated buyout by JPMorgan.
FDIC Bank Takeovers	13.2	The Federal Deposit Insurance Corporation has put up to cover deposits on failed banks.
Total U.S.	**$1.3 trillion**	

Source: Rouse and Barrow (Instituted for Policy Studies, November2008)

Successive Nigerian Government Policies on Investor's Perception in the NCM

The Nigeria capital market came into existence in 1962 before the first popular regulation tagged the Nigerian Enterprises promotion Decree promulgated in 1972, and its subsequent amendments in 1977. The regulation purpose was actualized in 1982 as Nigeria Stock Exchange Market started thriving and more investors subscribed than when it was started(Maku& Atanda, 2009). The Stock Exchange Market also became a limited liability company under section 21 of Companies Ordinances in 1960 with authorized share capital on formation of 10,000 share of N20 each. The Market became a federal government agency through regulation that was established by SEC Act No 71 of 1997 as amended. Thus, the regulations established the fact that the Nigerian Stock Exchange (NSE) was not owned by government as is often erroneously assumed by most investors and the business class (Adamun& Sanni, 2003). In reality, the NSE is owned by shareholders comprising financial institutions, stock-brokers and individual Nigerians of high integrity.

Other related stock markets regulations in Nigeria and their reforms with attendant results on overall market performances were the Manual Trading System operated up to April 2002 and latter reformed to Automated Trading System (ATS) from March, 2003, it led to accelerated trading results. Localization of more stock market to contained wealth formation features in 2006. Internationalization of the Nigeria capital market (NCM) from April 2007, financing opportunities to domestic companies in Nigeria which resulted into accelerated business transaction, Consolidation of banks Margin lending to market operators from Jan. 2005 Consolidation of banks Restoration of the investor's confidence in capital market. This regulation led to increase in trading activities (Ashaolu& Ogunmuyiwa, 2011). Creation of bond markets that brought out the universal stock market businesses out of diversification had a link with the Corporate Governance Code 2005 and its implementation of 2006, (Goswami&Jung,2012). Review of 2006 corporate governance code in 2007and it subsequent implementations. All these regulations were attributed to steady and stable returns to investments in the Nigeria stock markets in the period classified as pre- share crisis period in Nigeria. With this plethora of reforms, one would imagine that the market should become efficient living up to it mandates of fostering investment into the real sector. This wasn't the case.

In conclusion, most of the government policies and reforms were always a reactionary measure to address a sudden problem that was plaguing the market. Effective policies are those drawn up by when a stock market is in a stable situation. Such policies are meant to add impetus to boost investor's moral to invest. Such policies according to Ashaolu& Ogunmuyiwa, (2011) are meant change the perspective of investors in the market positively and to motivate more companies to be listed into the market. These types of policies are yet to be enacted by the Nigerian government or relevant agencies yet.

Government Interest in the Capital Market and the Push Factor

The Chinese government has launched a "patriotic fight" to save its stock market. According to Tercy (2015), for China, its stock market downturn isn't just a financial crisis, it's a political one. That's why the Chinese government did everything it can to try to stop the down ward trend. China's main stock markets were in meltdown mode. He stated that since June 2015 the Shanghai Composite has lost an unnerving 32%. The Shenzhen market, which has more tech companies and is often compared to America's Nasdaq index, went down 41% over the same period of (two Months). China's Securities Finance Corporation - known as CSF - announced that it will lend billions of dollars to big Chinese brokerage firms so they can buy more stocks. The goal was to purchase enough shares so that stock prices would stop plunging. It could be suggested that the Chinese didn't live the market to the force of demand and supply but intervened deeply to rescue the market and to protect investors.

Long (2015) further stated that a spokesperson for the China Securities Regulatory Commission called the meltdown in Chinese stocks an "irrational sell-off," but some called China's markets a bubble. The country's economy is also slowing. He opined that buying stocks is just one effort China took. Here was a full rundown of the government's extraordinary efforts to save the market:

i. **The government essentially bought stock:** The China's Securities Finance Corporation (CSF) lend $42 billion (260 billion yuan) to 21 brokerage firms so they can purchase "blue chip" stocks. That's on top of the $20 billion the brokerages vowed to buy.
ii. **China even bought small stocks:** The CSF also pledge to buy more small and medium-sized stocks, although there

was no specific amount given of how much would be spent in doing this.

iii. **New stimulus:** A new $40 billion (250 billion yuan) plan was announced to foster growth in areas of the economy that needs it most. China's economy has been slowing down. This means there were core sectors that the Chinese government was deliberately protecting.

iv. **More government spending:** China has also increased its infrastructure spending that the government was already planning to do such as building roads and utilities.

v. **Over half of China's stocks stopped trading:** China allowed half of the companies on the stock exchange to halt trading in their shares; this was to halt further losses to investors.

vi. **Big shareholders can't sell for 6 months:** Controlling shareholders and board members were prohibited from reducing share holdings via the secondary market for six months. China Securities Regulatory Commission promised it would "deal with them seriously" if anyone violated that rule.

vii. **No more IPOs (for now):** China stopped any new stock listings over the weekend the stock crash started.

viii. **Central Bank slashed rates:** China's central bank cut rates to a record low in an effort to pump more money into the system.

ix. **Investors had a lot of leeway now on collateral:** Investors were giving more options to back their margin trades. Many investors speculated on stocks - they would borrow money to buy stock because they thought the stock would go up and they would make enough money to pay back the loan and make a profit. Chinese investors can even pledge their homes as collateral, according to Bloomberg.

x. **Devaluing the Yuan:** China's currency fell heavily in July 2015 against the dollar. There was speculation in the Asian press that it will slide even further. A weaker Yuan makes Chinese exports to the U.S. and elsewhere cheaper, so it should help jumpstart growth.

The point all these steps established is that governments around the world always assist their investors in terms of stock market distress but more especially direct investors by any incentive available to invest in specific key sectors of their economy. This is a cue the Nigerian government can take to assist Nigerian investors to invest in key sectors of the economy.

RESEARCH METHODOLOGY

Study Area

The area of the study is specific to the perceptions of individual investor in the Nigerian Capital Market. The study intends to examine what motivate investors in the NCM to invest in some sectors but refrain from investing in others. The study does not cover institutional investors neither does it include foreign investors. It focuses on the role government policies as well as private sector incentives could play in influencing local investors to expand their portfolios to include more from core sector the Nigerian economy consider pivotal in its diversification drive. Local investors are selected solely for the work because they have longer investment horizon than foreign ones. For the purpose of this study, investors from the Nigerian Capital Market Lagos will be surveyed. The state is located in the south western part of the country. The smallest in area of Nigeria's states, Lagos State is the most economically important state of the country, containing Lagos, the nation's largest urban area. The actual population total is disputed between the official Nigerian Census of 2006 of 17 million people, and a much higher figures claimed by the Lagos State Government of about 21 million citizens. Lagos State is located in the south-western part of the Nigerian Federation. On the North and East it is bounded by Ogun State. In the West it shares boundaries with the Republic of Benin. Just behind its southern borders lies the Atlantic Ocean. 22% of its 3,577 km2 are lagoons and creeks. Lagos is on Latitude 6º 27̍ 11˝ (6º 27̍ 18) N and Longitude 3º 23̍ 44˝ (3º 23̍ 74) E. The Lagos Stock exchange was established in 1961 as the first stock exchange in Nigeria. It has played a crucial role being a hub for the Nigerian Capital Market for a long time before other stock exchange floors were opened across the country. The Lagos

Stock Exchange is the headquarters of NSE with its head office at Tinubu Square, Lagos.

Population of the Study

The entire population of investors in the Nigerian Capital Market will serve as the population of the study. Nigeria Capital Market comprises of the stock market and its stakeholders, governments agencies, several bank representatives and investors. The stock market is usually a formal trading platform, called a stock exchange. A stock exchange normally has a physical trading floor, though much of online trading is also done today. The Nigerian Stock Exchange also has branches in some states, with trading floors that give access to a wider population of investors. Today there are 269 securities listed on the Exchange, made up of 11 Government Stocks, 49 Industrial Loan (Debenture/Preference) Stocks and 201 Equity / Ordinary Shares of Companies. Due to the online nature of transaction and the global entry and exit, the total populations of traders on the Nigerian Capital Market cannot be easily ascertained. The dynamic nature of this sector will pose a problem putting a number on total population of investors. The total investors in the Capital Market rise and fall by the seconds but the total numbers of investors is put at 3,000,000 by the Nigerian Stock Exchange.

Sampling Size and Sampling Technique

The study will utilize convenient and simple random sampling. Structured questionnaire will be distributed randomly at the floor of the NSE Lagos. Since the researcher will meet with the investors to distribute and collect the questionnaires in person, the issue of no return will be grossly curtailed.

Method of Data Collection

In every research, a variety of data collection methods are at the disposal of the researcher depending on the nature of the data under consideration by the study. Since both primary and secondary data will be collected, as earlier stated, the use of structured questionnaire is more appropriate on the Capital Market investors, this is because questionnaires are a sensible option when information is needed from a large number of people and is a powerful method to capture their opinions and attitude. The five Likert scale will be used to capture the views of the respondents. The response will range from No Extent (NE), Low Extent (LE), Undecided (U), Moderate Extent (ME) and High Extent (HE). This will enable the respondent to tick as appropriate with limited chance of errors. The questionnaire is divided into two parts; the fist is to collect demographic data while the second part is used to collect data related to the specific objectives of the study. The specific objective one is toidentify the perceptions held by investors in the NCM that limit their investment in core sectors of the Nigerian economy. A question 3, 4, 5, 6 and 7 of the questionnaire addresses the objectives. The second objective is to examine the role of government policies in influencing perception of investors in the NCM. A question 8, 9, 10, 11, 12 addresses this variable. The third objective is to examine how incentives can influence investor's perceptions and motivate them to invest in core sectors of the NCM. Questions 13, 14, 15, 16 and 17 are drawn to address this objective. The fourth objective is to examine the perceptions of investors in the NCM towards raising funds for economic diversification. Questions 18, 19, 20, 21 and 22 seek to this objective. This categorization will make for easier analysis. The method of collecting of secondary data will be purely through accessing the secondary documents.

METHOD OF DATA ANALYSIS

The data obtained for the study will be analysed using inferential statistics of Regression analysis. The analysis is to be accomplished through the aid of Statistical Package for Social Sciences (SPSS) version 20.0. Regression analysis shall be used to answer the three hypotheses. Regression analysis will be used to establish a relationship between government policies and investor's perspective. Incentives and the motivation of investors to invest in core sectors. Fund raised and diversification of the economy. According to Adefila (2014), regression analysis is used whenever the relationships between two variables are studied. He opined that regression simply means prediction or forecasting, which implies that regression analysis is the determination of the association or relationship that exist between two or more variables for the purpose of forecasting or making predictions of the future values of the variables under study.

RESULT AND DISCUSSION

Research question I: What perceptions are held by investors in the NCM that limit their investment in the core sectors of the economy?

Table 4.2.3: Perception of investors on the limitation of investment

Variables	Response				
	NE	LE	U	ME	HE
To what extent will you invest in a firm where you perceive less risk even when there will be less profit?	59 (14.9%)	165 (41.6%)	18 (4.5%)	120 (30.2%)	35 (8.8%)
To what extent will you will invest more in a sector where you perceive high risk if there will be high profit?	9 (2.3%)	68 (17.1%)	21 (5.3%)	142 (35.8%)	157 (39.5%)
To what extent do you perceive a dividend paying stock to be a healthy stock?	29 (7.3%)	36 (9.1%)	27 (6.8%)	145 (36.5%)	160 (40.3%)
To what extent will you not invest in a sector when there is low patronage?	71 (17.9%)	172 (43.3%)	0 (0.0%)	76 (19.1%)	78 (19.6%)
As an investor, to what extent do you agree that investment in a new listing in the primary market is determined by the general perceptions of the market forces?	1 (0.3%)	14 (3.5%)	6 (1.5%)	237 (59.7%)	139 (35.0%)

Source: *Field work, 2016*

Table 4.2.3 answers research question I which sought to find out the perception held by respondents on the Nigerian Capital Market that limit their investment in the core sectors of the economy. The result displayed five variables as answered by respondents. The result shows that 14.9% of the total respondents said they will invest in a firm where you perceive less risk even when there will be less profit at no extent, 41.6% said they will to a low extent, 4.5% said they will to a moderate extent, 30.2% will to a high extent. The second variable disclosed that 39.5% of the total respondents said that they will invest more in a sector where you perceive high risk if there will be high profit at a high extent, 35.8% said they will to moderate extent, while only 17.1% and 2.3% said they will not or to a low extent. The third variable shows that only 7.3% and 9.1% of the total respondents said they perceive a dividend paying stock to be a healthy stock to a no extent and low extent respectively, while 36.5% and 40.3% said they perceived dividend paying stock to be healthy stock to moderate extent and high extent respectively. The result also shows that 43.3% of the respondents said they will not invest in a sector when there is low patronage to a low extent, 19.6% said they will not to a high extent. The result shows that 59.7% of the total respondents said that as an investor, they agreed that investment in a new listing in the primary market is determined by the general perceptions of the market forces to moderate extent, and 35.0% said they will to a high extent. Generally, this result indicated that majority 54.9% of the respondents held same limiting perception in investing into the NCM. The stated limitation of investment in the core sectors of the economy majorly are; perceived dividend paying stock as healthy stock, perceive high risk if there will be high profit and new listing in the primary market. This forms the basis of investors' perception with regards to limitation to investment in the core sectors of the economy.

Research question II: What role does government policies play in influencing investor's perception in the NCM?

Table 4.2.4: Perception of investors on government policies as influencing factor

Variables	Response				
	NE	LE	U	ME	HE
To what extent should government intervene to stabilize the Nigerian Capital market when there is a global downturn?	0 (0.0%)	60 (15.1%)	6 (1.5%)	211 (53.1%)	120 (30.2%)
To what extent will you invest in a new listing if there is a government policy mandating it agencies to patronize the company?	0 (0.0%)	6 (1.5%)	7 (1.8%)	245 (61.7%)	139 (35.0%)
If government relaxes conditions for listing new stock and reduces the cost of floatation in real sector to what extent will this encourage Companies to offer new stocks in the primary market?	24 (6.0%)	181 (45.6%)	12 (3.0%)	104 (26.2%)	76 (19.1%)
To what extent do you agree that the best climate the government can offer the NCM is a free economy where all economic factors can compete on equal terms?	12 (3.0%)	49 (12.3%)	0 (0.0%)	102 (25.7%)	234 (58.9%)
To what extent is the legal environment in the NCM presently attracts investors to the capital market to invest?	18 (4.5%)	146 (36.8%)	19 (4.8%)	92 (23.2%)	122 (30.7%)

Source:*Field work, 2016*

Table 4.2.3 above describes that majority 53.1%, 30.2% of the respondents agreed to that government intervene to stabilize the Nigerian Capital market when there is a global downturn to a moderate and high extent. While only 15.1% said to a low extent. The result also reveals that 61.7% said they will invest in a new listing if there is a government policy mandating it agencies to patronize the company to a moderate extent and 35.0% said to a high extent. The result also shows that 45.6% of the total respondents said if government relaxes conditions for listing new stock and reduces the cost of floatation in real sector they will encourage Companies to offer new stocks in the primary market to a low extent, while only 26.2% said they will to moderate extent. It further shows that 58.9% of the total respondents agree that the best climate the government can offer the NCM is a free economy where all economic factors can compete on equal terms to a high extent, while 25.7%. The result also reveals that only 36.8% of the total respondents said they the legal environment in the NCM presently attracts investors to the capital market to invest to a low extent, while only 30.7% said they will to a high extent. The result of this analyses answered research question II, as it reveals that government roles and policies plays a very influential effect on investor's perception in the Nigerian Capital Market.

Hypothesis Testing

H_0 1: Government policies do not significantly influence investor's perceptions in the NCM

Table 4.3.1: Model Summary of perception of investors in NCM

R	R^2	Bête Coeff.	Adjusted R^2	Std. Error of the Estimate	Change Statistics				
					R^2 Change	F Change	df1	df2	Sig.
.794[a]	.608	0.123 -0.021 -0.104 -0.019 0.111	.665	1.00073	0.308	3.063	5	391	.010

Source: *Field work, 2016*

Tables 4.3.1 above describes the linearity relationship of the five factors observed in this research work; these are Q1, Q2, Q3, Q4 and Q5. These variables were subject to regression model against respondents' perception and decision of respondents with regards to government policies as influencing factors. From the result, the summary model have shown there was a r = 0.794, which implies that the variables within the factors that is $X_1 – X_5$ by rule, belong together. At $(F_{3,5})$; $R^2 = 0.608 = 60.8\%$ which indicates the percentage by which the variables explain the models. The p – value $p<0.10<0.05$ shows that government policies do significantly influence investor's perceptions in the Nigerian Capital Market. Generally, the results suggest that there is a high significant influence of government policies on investor's perceptions in the NCM. Which implies that the null hypothesis is thereby rejected and alternate hypothesis accepted, which can now be stated as government policies do significantly influence investor's perceptions in the Nigerian Capital Market.
The equation for the best fit of the model is represented as;

Equation for the Model

$$Y= \beta_o+ \beta_1X_2+ \beta_2X_3+ \beta_{3+}X_4\ \beta_4X_5+e$$

Beta Coefficient

$\beta_1 = 0.123$, $\beta_2 = -0.021$, $\beta_3 = -0.104$, $\beta_4 = -0.019$, $\beta_5 = 0.111$

Model

$$Y =0.123X_2 - 0.021X_3 - 0.104X_4- 0.019X5+0.111X_6 + 1.00073$$

$H_0$2: Giving incentives to investors does not significantly influence their perception to invest in
the core sectors of the Nigerian economy.

Table 4.3.2: Model Summary of perception on giving incentives as influencing factors

R	R^2	Bête Coeff.	Adjusted R^2	Std. Error of the Estimate	Change Statistics				
					R^2 Change	F Change	df1	df2	Sig.
.798[a]	.790	0.044 0.038 0.029 0.134 0.077	.527	2.8233	0.39	3.193	5	391	.008

Source: *Field work, 2016*

Tables 4.3.2 above describes the linearity relationship of the five factors observed in this research work; these are Q1, Q2, Q3, Q4 and Q5. These variables were subject to regression model against respondents' perception and decision of respondents with regards to incentives to investors as influencing factor. From the result, the summary model have shown there was a r = 0.798, which implies that the variables within the factors that is $X_1 - X_5$ by rule, belong together. At $(F_{3,5})$; $R^2 = 0.790 = 79.0\%$ which indicates the percentage by which the variables explain the models. The p – value $p<0.008$ $p<0.05$ shows that giving incentives to investors do significantly influence their perception to invest in the Nigerian Capital Market.

Generally, the results suggest that there is a high significant influence of incentives on the perception to invest in. Which implies that the null hypothesis is thereby rejected and alternate hypothesis accepted, which can now be stated as; giving incentives to investors do significantly influence their perception to invest in. The equation for the best fit of the model is represented as;

Equation for the Model

$Y= \beta_o+ \beta_1X_2+ \beta_2X_3+ \beta_{3+}X_4\ \beta_4X_5+e$

Beta Coefficient
$\beta_1 = 0.044$, $\beta_2 = 0.038$ $\beta_3 = 0.029$, $\beta_4 = 0.134$, $\beta_5 = 0.077$

Model
$Y = 0.044X_2 + 0.038X_3 + 0.029X_4\ 0.134X_5 0.077X_6 + 2.8233$

Summary of Findings
This research work has found out seven major findings which relates to the problems associated with investors decision on investment in the Nigerian Capital Market, these findings are;

1. Government policies do significantly influence investor's perceptions in the Nigerian Capital Market.
2. Giving incentives to investors do significantly influence their perception to invest in Nigeria Capital Market

DISCUSSION
This research work was able to unfold few findings that reflect the literatures reviewed in the course of the study.The result found out that government policies do significantly influence investor's perceptions in the Nigerian Capital Market. This finding is in total agreement with Greenwald and Stiglitz (1986), who reported that feasible government interventions that can make all individuals better off are always taken. Thus not only is there no presumption that competitive markets are efficient, but there is a presumption that they are inefficient. Moreover, even with no other barriers to entry, in the presence of costly information there is a presumption that markets will not, in general, be fully competitive. This strengthens the presumption that markets, in the absence of government intervention, are not constrained Pareto efficient. Determining whether and how government interventions can improve matters is a more subtle question which is a gap for further research. Also study conducted by Rouse and Barrow, (2008) for the Institute for Policy Studies (IPS) reveals that as of November 13, 2008, the key components of the U.S. financial sector bailout amounted to \$1.3 trillion, while the European financial sector bailouts amounted to \$2.8 trillion. Together, the bailouts by the western nations amounted to \$4.1 trillion in commitments.

It also among the findings of this research work that: Giving incentives to investors do significantly influence their perception to invest in the said organization (Nigerian Capital Market). This result concurred with Maku and Atanda (2009), the Nigerian Stock Exchange, NSE, has identified investor incentives, education as a veritable tool towards protecting investors in the capital market. A knowledgeable investor knows the basics of investment and when he engages the services of a professional, knows how, when and where to invest in the capital market, also reward and incentives was found out to be a strong tool in motivating an investors to do more in an organization. Therefore, this year 2016, the Exchange has focused on delivering several initiatives in support of its revised strategy. Key amongst these initiatives are the following themes: Promote the Nigerian capital market as an African hub for growth companies; Attract more domestic flows into the market; Implement a more competitive price structure in conjunction with the Regulator and other market participants; and Intensify its efforts towards developing a more sustainable market. While every step taking by the Nigerian Stock Exchange and by extension the Nigerian Capital Market is highly commendable, the best way to educate investors and potential ones is to make sure that information emanating from the market are highly credible as well as introduce the concept of the capital market as a compulsory course in secondary and tertiary institutions.

CONCLUSION

Based on the findings of this study, it concluded that government roles and policies plays a very influential effect on investor’s perception in the Nigerian Capital Market, also, incentives influence investor’s perception and motivate them to invest in the core sectors to a moderate extent. Nwankwo, (1991) states that before elaborating on issues that have hindered Nigerian investors to invest in the NCM, it is imperative a brief overview of the structure of the Market is known. Prior to independence in 1960, financial operators comprised mainly of foreign owned commercial banks that provided short-term commercial trade credits for the overseas companies with offices in Nigeria.

It was also concluded that government policies do significantly influence investor's perceptions in the Nigerian Capital Market, Giving incentives to investors do significantly influence their perception to invest in, diversification of the Nigerian economy does not significantly depends on funds raised by the NCM. Majority of the respondents held the perception that investors in the NCM towards raising funds for economic diversification to a high extent, as 56.7% of the total respondents validate it; furthermore majority 54.9% of the respondents held same limiting perception in investing into the NCM, which are; perceived dividend paying stock as healthy stock, perceive high risk if there will be high profit and new listing in the primary market. This forms the basis of investors' perception with regards to limitation to investment in the core sectors of the economy, in the same vein; Asquith and Mullins (1983) find that, like dividend increases, dividend initiations have a significant positive impact on expectations of increase of shareholder wealth. Much subsequent research has focused on explaining why the dividend increase induced positive stock market reaction. The predominant explanation, by far, has been the information-signaling hypothesis.

RECOMMENDATIONS

Based on the findings the following recommendations were made.

i. Policies regarding investment in Nigerian Capital Market should be looked into, to make room for investors participation in decision making as well;
ii. New policies that will include investors motivation should be enacted and implemented;

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