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Capital Appreciation and Share Investment Decision-Making in Nigeria's Financial Institutions

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Abstract

This study examined the effects of book reserve per share (BRPS) and capital appreciation per share (CAPS) as proxies for capital appreciation on the market-to-book asset (MBA) ratio as a proxy for share investment decision-making (SID). The study adopted an *ex post facto* research design. The population of the study was the 15 financial firms quoted on the Nigerian Exchange Group (NGX) which had published annual reports consistently within the period (2001-2022) covered by the study. This was also the study sample. Data were collected from the financial statements of the sampled financial firms listed on the NGX. The study adopted a linear functional model, which was estimated by both the techniques of ordinary least squares (OLS) and two-stage least squares (2SLS) after testing for the normality assumption and transforming the data to standard form. F-statistics, t-statistics and P-values were relied upon to test hypotheses at a 5% significance level. Results indicated that BRPS has a significant and positive effect on MBA, and CAPS had a significant positive effect on MBA. The study concluded that capital appreciation positively impacted SID. The investing public is motivated to invest in shares of financial institutions based on their expectations to make capital gains. It was recommended that investors in shares should not rely on capital appreciation to make share investment decisions without considering firms' fundamental values.

Keywords: Capital Appreciation, Share Investment Decision-Making, Financial Institutions, Financial Incomes, Market Viability, Book Reserve Per Share (BRPS), Two-Stage Least Squares (2SLS), Nigerian Exchange Group (NGX).

Introduction

Capital appreciation is the gain accruable from the increased market value of the firm's shares. Restia and Nurul (2023) pointed out that it gives rise to capital gains as share price rises. Capital appreciation is the outcome of market viability of a firm's shares and it formed a very vital source of share returns. The quest to harness the opportunity of earning share returns from capital appreciation is a prominent derive for share investment in Nigeria. Arduca and Munari (2023) expressed their opinions that share investment would continue to be attractive, as long as, investors get appropriate reward since they are wealth maximizers. Ikeobi (2015) and Omodero and Dandago (2022) explained that share investment decision-making (SID) depended on investors observations and perceptions of the market performance regarding security of their wealth and the level of expected returns. Share investment decision-making means deciding the combination of shares of quoted firms to acquire with the available limited resources to get the highest possible returns. However, share investment is made possible through the capital market which has liquefied the capital investment. Capital market has also made effective savings and investments processes by facilitating trade between the surplus fund unit and deficit fund unit (Patil & Bagodi, 2021). It is important to know that the survival of any country's capital market depended on the investors' confidence (Abina & Lemea, 2019). The investing public must have the confidence that the share investment system would not make them poorer. In relation to this discussion, thoughts about the present performance of the Nigerian capital market have arose concern of major players.

The Nigerian Exchange Group (NGX) has performed below expectations when compared with performing capital markets around the world. The fact being that it received very low patronage from the investing public. There are only about three million individual investors in the Nigerian Exchange Group (Taiwo, 2019). This is about 2% of the population of Nigeria and about 3% of her adult population (World Development Index, 2022). The statistics revealed Nigerian populace's aversion for share investment. There is no capital market anywhere in the world which would do well without sufficient patronage from the investing public. The Nigerian investing public did not have the necessary background knowledge of shares in relation to returns expected from such investments. Inadequate background knowledge of share investment facilitated capital market manipulations by managers and professional stock dealers. Capital market manipulations were deceptive in that they presented robust share investment phenomenon which did not actually exist and had pushed share investors to faulty investment decisions. Most often, expected returns become impossible and in extreme cases share investors' wealth is eroded and depleted. The end-point remained that the Nigerian Exchange Group (NGX) continued to lose investors' confidence. It is obvious that a number of studies have responded to the problem highlighted above. The works of Jahidir and Rouling (2021), Abdulkharis and Nurcahyon (2021), Cahyani, Manik, Stie and Isi (2021), Okoro, Ibanichuka and Micah (2020) are commendable for revealing the need for investors to evaluate the results of business activities of firms while trying to take share investment decision. However, these studies did not go beyond identifying factors responsible for share price increases. They could not capture the main intent of share investors and related them to a widely accepted investment proxy. Therefore, the difficulties of the share investors remained unaddressed as the results of those existing works could not afford them the background knowledge needed to assess share investment in Nigeria. It could be seen that there was a research gap which should be bridged.

This study has bridged this gap by estimating a multiple regression model (MRM) by methods of ordinary least square (OLS) and two-stage least square (2SLS); capturing disaggregated components of stock returns to reflect gains from core business activities, other realized gains and financial incomes of the firm and regressing them on market to book assets ratio (MBA) as a stand-in for making investing decisions. The approach adopted in this study has made it more distinct and would specifically address the difficulties of the share investors in Nigeria.

This study has broad objective to find out the effect of capital appreciation on share investment decision-making in Nigeria's financial institutions. Specifically, the study has undertaken to: (i) evaluate the effect of book reserve per share (BRPS) on share investment decision-making in Nigerian financial institutions, and (ii) determine the effect of capital appreciation per share (CAPS) on share investment decision-making in Nigerian financial institutions. The study has formulated the following hypotheses from the specific objectives listed above: (i) Book reserve per share does not have significant effect on share investment decision-making in Nigerian financial institutions, and (ii) Capital appreciation per share does not have significant effect on investment decision-making in Nigerian financial institutions.

Literature Review

Capital appreciation is another important source of gain to a business entity. This is the increase in the market value of the firm. There are a lot of factors that could result in increased value of the firm. There are both quantitative and qualitative factors. However, the quantitative factors are most fundamental. If a firm possesses the capacities in man and material to make profit from its core business activities, the firm's value in the stock market should naturally increase. If a firm sustains a level of profitability acceptable to the investors, the firm's market value should naturally be on the increase. These are the quantitative factors. It is important to know that there are qualitative factors emanating from news and public curiosity. These cannot be written off, for they have been found to have a significant effect on the market value of the firms. In fact, public curiosity is the reason why the share value can be below or above its intrinsic value. These quantitative factors originate from information asymmetries. The public can never know as much as the managers of the firm. The public assessment may result in "bad news" or "good news". The "bad news" emits the pressure to sell while the "good news" emits the pressure to buy. This may not be tied to any form of quantitative or fundamental values. Capital appreciation yields capital gain when realised. These realised capital appreciations are added to the operating profit in the form of exceptional items or extra-ordinary items plus other income to arrive at profit of the firm in the income statement of the firm. This is called accounting profit. The realized part of capital appreciation forms part of the distributable profit from which tax is paid to government and from which other stakeholders are settled. It is important to know that not all capital appreciation that is realized. There is part of this capital appreciation that internalizes in the business. Financial income is the part of capital appreciation that is not realized (Amornsiripanctch, et al, 2022). Investors are also derived to invest by this form of income because they are aware that whenever they sell their stocks, they would equally realize it. So, this form of income is a big attraction to share investment.

Share Investment Decision-Making (SID)

Investment decision is a plan to allocate financial resources in order to make the highest possible return (Musfidal, Aji & Hartono, 2022). Investment decision depends on expectations of the investment in terms of returns, which in turn depend on expectations of future and product demand (Solomon, Memba & Muturi, 2016). Share investment decision is a plan for allocating financial resources to acquire shares of firms to derive the highest possible share return. A rational investor should be guided by firm's

investment prospects/opportunities. These investment opportunities are often not observed by outsiders. Studies have shown that investors have always depended on such indicators like; share prices, market-to-book asset ratio (MBA ratio), market to equity (M\E ratio) and earning price ratio (P/E ratio) (Adam & Goyal, 2007; Suleman & Sumani, 2021). This study considers share price to be part of the rest three indicators and each of the three has its relative peculiarities in advantages and disadvantages. However, this study has adopted MBA ratio as a proxy for share investment decision-making.

Conceptual Framework of the Study

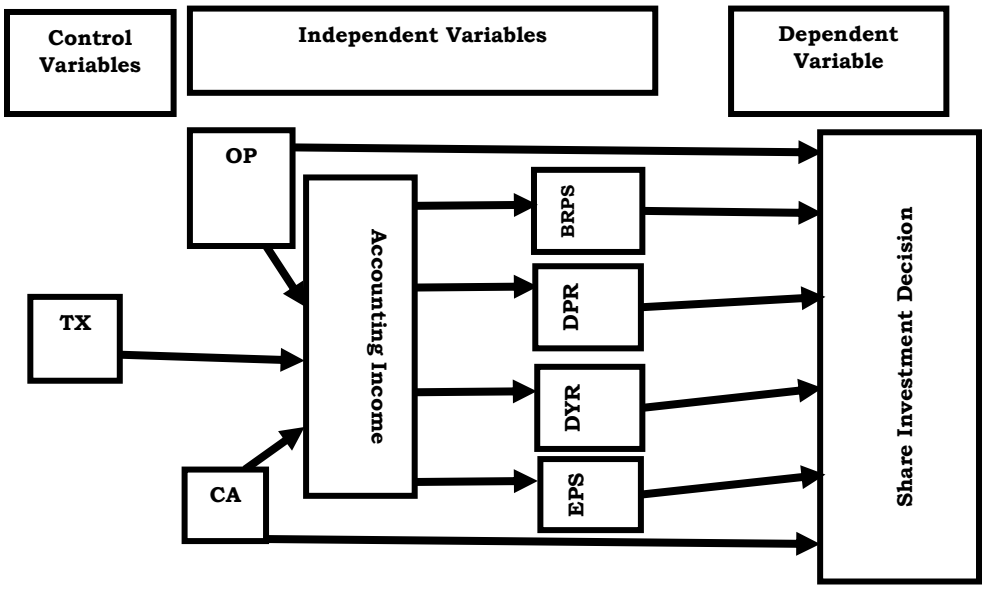


Figure 1: A diagrammatic representation of the conceptualisation

In the diagram above, the two sources of income are the operating income and capital appreciation. The operating income/profit and the part of capital appreciation realized make-up the accounting income/profit from which various forms of share returns are disaggregated. These forms of share return influence share investment decision-making because each of the forms can be realised by a willing stock investor provided the firm is viable. The moderating effect of company tax cannot be disregarded at this junction because before any distribution of whatever form can be made, the firm must have paid 30% of its profit to the government. Tax is captured as a control variable in the conceptual framework. Tax does not have an effect on the operating because it has not reached the stage of taxable income. Tax also does not have an effect on the capital appreciation because the unrealised profit cannot be taxed. Operating profit can independently, as a whole, affect share investment decision-making. Some investors may decide to invest in a firm because the firm is making efficient and effective use of its man and material resources. The ability of a firm to make huge profit from the firm's core activities is an outstanding attraction to share investment. Capital appreciation also, as a whole and part can derive the public to invest in shares of quoted companies. It is possible that the investor is not interested in the present income. In that case, the investor is being derived by the level of financial income (i.e., unrealized capital appreciation) that is being internalized in the firm. This is because this is important in determining the value of the firm. These six variables form the independent variable of the study

while operating profit per share (OPPS), capital appreciation per share (CAPS), do not emanate from accounting income, earnings per share (EPS), dividend yield ratio (DYR), dividend payout ratio (DPR) and book reserve per share (BRPS) are components of accounting profit. They explain the changes in the dependent variable, which is share investment decision-making (SID).

Theoretical Review

Fundamental theory of share value: This theory stated that at any point in time a share has an intrinsic value (Yahaya et al, 2011; Ahmed et al, 2015; Muhammad & Ali, 2018). Bintara, Wahyudi, and Molina (2019) noted that it was an attempt to estimate the health and profit prospects of a company, i.e., the ability to grow and generate profit in future. The fundamental theory, sometimes referred to as fundamental analysis theory, explained that the share's intrinsic value or true value is the present value of all future cash flows that arise from ownership of the share (Pandy, 2004; Arduca & Munari, 2023). The fundamental theory, therefore, tries to arrive at the share's true value relying on accounting variables such as dividend, price/earnings ratio, price-to-book value, price-to-cash flow, price-to-sales ratio, dividend payout ratio, dividend yield ratio, etc. These variables have their origins in accounting functions, and they represent, in one way or the other, profit from business operations, except for price-to-book, which represents accounting valuation of the business entity's assets. The fact about the fundamental theory is that it evaluates a firm's viability on its ability to generate cash flow in the form of income or profit to the shareholders. It presupposes that whatever price a share should be sold at or whatever value should be derived as capital appreciation would be determined by the firm's ability to make distributable profit from its operations.

Fundamental analysis theory is attributed to the works and stock market participation of Benjamin Graham (1894-1976). He is referred to as the father of the fundamental theory of share value (Kahn & Milne, 1977; Lee, 2014). The idea is to apply fundamental analysis to determine the stock value. Ben Graham considered an investment operation as one which, upon thorough analysis, promises safety of principal and a satisfactory return. Operations which do not meet these requirements are speculative. He does not consider speculation as investment.

Fundamental theory assumes that assets can be underpriced or overpriced and will eventually revert to their true intrinsic value. This is to say that the fundamental theory supported the assumption that the market is not always efficient. This has created the opportunity to make capital gains from capital appreciation.

This theory is supported by several scholars like Lee (2014), who also called it value investing. Lee (2014) expanded the scope of fundamental theory to include the following: historical financial records and performance, the firm's business environment, strategy and management, accounting principles used in developing financial statements, estimates of future revenues, expenses, corporate taxes, depreciation policies and cost of capital and industry and economy-wide prospects. However, there are scholars like Fema and French (1996) who believed that the market is always efficient and that share prices reflect the value of the firm. Fema and French (1996) postulated in their efficient market hypothesis that stocks always trade at their fair value, making it impossible for investors to either purchase undervalued stock or sell stocks for inflated prices. The view of Fema and French (1996) is in complete disagreement with the fundamental analysis theory.

Fundamental analysis theory formed the basis for this study because share investors were put in the same category with all other businessmen who invest for the main aim of making profit. Share investors should be acquainted with proper background knowledge of share investment in relation to its expected returns to enhance their ability to evaluate share investment for profitability. An understanding of the

fundamental analysis theory is a perfect beginning in acquiring background knowledge of share investment.

Empirical Review

Alhaji, Ayanwuyi and Farayola (2020) studied the significance of financial statements in formulating investment decisions. The study depended on a survey design, and a questionnaire was relied upon for the collection of primary data from 60 persons chosen from 70 population of 70 by the Taro Yamane method. Descriptive statistics (percentages and chi-square) enhanced the analyses. Results indicated that financial statements are relied upon in investment decision-making. The study recommended that financial statements should always be studied by investors to enhance forecasting of a company's performance.

Dewi, Sautma and Marcella (2020) studied the decision for stock investment among university students in Indonesia. The study is a survey design. Panel data regression with the pooled OLS model was adopted. Data were collected from fifty manufacturing companies listed on the IDX (2013-2018). Results showed that profitability has a significant effect on the created shareholder value Fernandez model and the market value added model. The study recommended that the profitability state of firms should be improved in Indonesia.

Edeh (2020) studied behavioural finance and investors' stock investment decision in West Africa, drawing evidence from the Nigerian stock market (2019). The study had a survey design and utilised a questionnaire for data collection. 140 questionnaires from on line Respondents who presently trade stocks in Nigeria were received. The study adopted a multiple linear regression model and applied ordinary least squares for the estimates of the regression model. The analysis' findings showed that, while herding has a negligible effect, behavioural finance factors—such as being risk averse, overconfident, and risk averse—have a considerable influence on individual investors' decisions to purchase stocks on the Nigerian stock market.

Fatmasari, Imam, Fuad, AbdulKharis and Nurcahyon (2021) investigated the effect of conventional accounting practices NPM, DER, and size) on stock value represented as stock price, with return on assets (ROA) as a mediating variable and proxy for internal firm's performance. Utilising a sample of 136 listed manufacturing companies on Indonesia's stock exchange (IDX) for 2014-2018. The researchers used an ex-*post facto* research design, and the econometric regression was estimated through the Warp PLS statistical tool. The test results revealed that DER demonstrated a significant positive effect on Stock Price, NPM indicated a significant positive effect on Stock Price, while Size revealed no effect on Stock Price. Moreover, ROA also showed a significant positive effect on Stock Price (SP) but failed as a mediating factor in the stock price-size relationship. Nonetheless, ROA mediated the association between DER, in addition to the nexus between NPM and stock price. Investors were advised to adopt the findings of this research for investment decisions by emphasising more on the accounting dimension, such as Size, NPM, DER, and ROA.

Jahidur and Ruoling (2021) undertook a comprehensive investigation on the relationship between financial accounting information and stock prices of 1,272 companies listed on the Chinese capital market. Utilising an *ex-post facto* research design, the researchers hypothesised a positive causal association between financial accounting information and stock prices in the Chinese stock market. Proxies for financial accounting information included profitability, liquidity, operational efficiency, EPS, current ratio (CR), quick ratio (QR) and DER. Data were obtained from 2008–2018 audited accounts as well as 2009–2019 closing stock prices as provided by the Shanghai and the Shenzhen Stock Exchanges. Adopting stepwise multiple linear regression and Ohlson's (1995) models for

estimating the test result, findings indicated value relevance of accounting indices in connection with stock prices in China. Liquidity and operational efficiency positively reacted with SP. QR, DER, EPS, and CR demonstrated greater significant positive impact on SP. An association that is linear was specifically perceived between SP and EPS, QR, and CR. The researchers recommended investors to consider accounting information in the mix of variables for investment decisions.

Ma (2021) assessed 'A-share companies' of Shanghai Stock Exchange from May 1 to June 30, 2020. The possible explanatory factors were categorised into net cash flow per share (NCPS), ROE, OPM, CR, QR, and growth rate of net profit (GRNP), growth rate of net assets (GRNA), growth rate of total assets (GRTA), inventory turnover (IT), accounts receivable turnover rate (ARTR), net profit cash content (NPCC), and total asset turnover (TAT). Collection of data was from the Resset Financial Research Database. The main element of the thorough assessment approach was employed to determine the primary variables influencing fluctuations in stock prices. Multivariate econometric regression results indicated that factors connected to profitability, the capacity to pay off debt, and the ability to appreciate assets significantly affected stock price fluctuations, followed by factors describing operating ability, and then, factors indicating development ability. The researchers recommended that investors improve their investment choices and focus more on the profitability, asset growth, and solvency of quoted firms.

Abogun and Adigbole (2021) investigated the effect of income smoothing on a company's worth in a securities market subject to regulation. Relying on *ex-post* facto research methods, secondary sources of quantitative data were primarily utilised. Blondell-Bond panel estimate approach, also known as the system generalised method of moments, was used for data analysis and for estimating the test result. Findings revealed that firms' value was negatively and significantly impacted by income smoothing. It was recommended that managers should avoid the practice of income smoothing and investors should assume responsibility for detecting income smoothing for the safety of their investment.

Restia and Nuru (2022) tried to establish variables affecting capital market investors' decisions to make investments in Indonesia. The study adopted a survey design and collected data using Google Form-based questionnaire instruments involving sixty active investors who responded to the survey on PT. Phillip Sekuritas. The study is correlational. Results show that the capital market investment decisions are significantly influenced by the risk perception variable. The stock market investing decision-making variable of investors is significantly influenced by the self-efficacy variable.

Mensah et al (2022) studied the impact of stock inherent value when making investment decisions. The study carried out a literature review of several works by several researchers from 2011 to 2020, seeking to find out whether the true value of stock has influenced investment decision-making on those stocks. The study concentrated on the intrinsic value of stock determined relying on the discounted cash flow (DCF) and internal rate of return (IRR) techniques. The paper found that since investors need to know whether a stock is over-valued, under-valued or sold at fair pricing value, the intrinsic value is the key. These techniques involving net present value NPV) are very reliable. The paper recommended, among others, that in order for investors to make lucrative investment decisions, they should concentrate on making investments whose underlying worth is at least as high as the stock market price.

Faza, Badwan, Handan and Suhuib (2023) studied the effect of accounting transparency on the making of investment decisions in Palestine. The work utilised primary data obtained through a questionnaire. The techniques of analysis include Pearson Correlation Coefficient, percentage and frequency analyses. The results of the analyses indicated that decision-makers in Palestine may be influenced by accounting openness. Among other things, the study suggested that Palestine's relevant authorities should give accounting disclosure a lot of thought and conduct extensive research on it.

Khadri, Waked, Bouali and Omri (2023) studied the impact of accounting disclosure on stock exchange performance in Algeria (2011-2020). Vector Auto-Regressive (VAR) model was adopted. Results show that shares in the Algiers Stock Exchange are not affected when the financial statement of listed companies is announced. Share prices do not respond to information disclosed in the financial statement.

Methodology

The study adopted an *ex post facto* design. Data for all analyses were sourced from the financial statements of financial institutions in Nigeria within the period (2001-2022) listed on the Nigeria Exchange Group (NGX). The population of the study is the fifteen (15) Nigeria financial institutions with complete data covering the period of the study, and this is also the sample of the study.

This study relied on theoretical building blocks of fundamental theory of share value (Ohlson, 2005; Ho, Lee, Lin and Tu, 2017) and prominent empirical works in investment decision studies (Nguyen, 2019; Fahd, 2020; Jahidur & Ruoling, 2021) to specify the model for the study. Specific modifications were made in variables included in the model for the study, but existing functional forms of models adopted by most research (Ohlson, 2005) were maintained. The model conceptually captured all possible income forms which can influence share investment decision-making in Nigeria's financial institutions. The regression model followed a linear functional form of multiple variables as below;

$$Y_{it} = \beta_0 + \beta_1 X_{it} + \beta_2 X_{it} + \beta_3 X_{it} - + e \quad \text{----------} \quad (1)$$

The model of this research is intended to include all factors that capture forms of share returns (both realised and unrealised) as the ultimate motivation for share investment. Therefore,

$$SID = F\ (OPPS, EPS, DYR, DPR, BRPS, CAPS) \quad \text{----------} \quad (2)$$

The econometric form of multiple regressions below represents the complete model for the study's regression analysis.

$$SID_{it} = \beta_0 + \beta_1 OPPS_{it} + \beta_2 EPS_{it} + \beta_3 DYR_{it} + \beta_4 DPR_{it} + \beta_5 BRPS_{it} + \beta_6 CAPS_{it} + \mu_0 \quad \text{----} \quad (3)$$

The standardised econometric form of the model follows thus:

$$InSID_{it} = \beta_0 + \beta_1 InOPPS_{it} + \beta_2 InEPS_{it} + \beta_3 InDYR_{it} + \beta_4 InDPR_{it} + \beta_5 InBRPS_{it} + \beta_6 InCAPS_{it} + \mu_0 \text{--} (4)$$

To perform a second-stage least squares, an instrument variable has been introduced into the model and we arrive at model 6

$$LG\ SID = \beta_0 + \beta_1 LGTX + \beta_2 LG\ OPPS + \beta_3 LG\ EPS + \beta_4 LGDYR + \beta_5 LGDPR + \beta_6 LGBRPS + \beta_7 LGCAPS + \mu_0 \quad \text{----------} \quad (5)$$

Where;

SID = Share investment Decision = MBA ratio, OPPS = Operating profit per share, EPS = Earnings per share, DPR = Dividend payout ratio, BRPS = Book reserve per share, CAPS = Capital appreciation per share, LG SID = log of SID, LGOPPS = log of OPPS, LGEPS = log of EPS, LG DPR = log of DPR, LG BRPS = log of BRPS, LGCA = log of CAPS, & LG TX = log of TX.

The study relied on the techniques of ordinary least squares (OLS) and two-stage least squares (2SLS) for the estimation of the regression model specified in the model above. The procedures followed in obtaining the estimates of this study were in three stages. The first stage is pre-regression analyses. This is carried out to inspect the relevant assumptions of the ordinary least squares (OLS) and multiple regression. The second stage is the regression analyses proper undertaken by the method of OLS performed on the transformed data. The third stage applied the Two-stage least squares (2SLS), which included the tax figure as an instrumental variable in the model. The effect of tax as a control variable in the model may bring variations in the estimates and may have useful policy implications on the economy of Nigeria.

The conventional t and F tests were relied upon for both individual and collective tests of hypotheses respectively at a 5% level of significance. The decision rule is to accept if the t-statistic's P-value is higher than the 0.05 criterion of significance; the hypothesis should be rejected if the P-value of the t-statistic is less than 0.05 level of significance.

Analyses

Stage one: Pre-regression analyses

Checking for the multivariate normality assumption of ordinary least squares (OLS), a histogram plot and normal probability plot (P-P) of the standard residual of the untransformed data did not form a normal curve and a straight line, respectively. This suggested a violation of the assumption. However, repeating the same plot on the transformed data, the required normal curve and straight line were derived, respectively. The transformed data were utilised for all further analyses so that results would yield consistent estimates.

Stage two and three represented regression analyses by the method of ordinary least squares (OLS) and two-stage least squares (2SLS) respectively. Summary of the relevant estimates were given in the table below:

Table 1: Summary of regression Analyses

Method of Analyses	OLS	2SLS
R-square	0.075	0.070
R-square adjusted	0.041	0.048
F-value	2.212	3.719
P-value	0.044	0,001
LG(BRPS): Correlation coefficient (r)	0.116	0.106
t-value	1.443	2.141
p-value	0.151	0.033
LG(CAPS): Correlation co-efficient (r)	0.089	0.082
t-value	1.487	3.366
p-value	0.139	0.009

(Source: Researchers, 2024)

The table above presented relevant estimates from the regression outputs. OLS analyses revealed that 7.5% and 4.1% variations in the SID-MBA were accounted for by all the variables included in the model, also 2SLS revealed that 7.0% and 4.8% variations in SID-MBA were accounted for by all the variables included in the model. The p-value for the global statistics as produced by both OLS and 2SLS are approximately equal to zero (P-value = 0.044 and 0.001 respectively< 0.05). Relevant variables of interest included in the model of this study are BRPS and CAPS. These two variables capture income resulting from capital appreciation. The OLS and 2SLS did not produce similar result for these two variables. The OLS revealed that both BRPS and CAPS have positive but non-significant effects on share investment decision as their coefficients of correlation were positive but p-values were not approximately equal to zero ($r = 0.116$, $p = 0.151 > 0.05$; $r = 0.89$, $p = 0.139 > 0.05$). 2SLS, however, revealed that BRPS and CAPS have positive and significant effects on share investment decision-making as their coefficients of correlation were both positive and their p-values were approximately equal to zero ($r = 0.106$, $P = 0.033 < 0.05$; $r = 0.082$, $p = 0.009 < 0.05$). The study relied on the estimates of 2SLS for inferences because 2SLS estimators possess in addition to properties of OLS the ability to overcome all possibilities of simultaneous equation bias (Gujarati and Porter, 2009).

Test of hypotheses:

Hypothesis I: BRPS has no significant effect on SID of NFIs.

(p-value = 0.033< 0.05). Reject hypothesis I and accept the alternate that BRPS has significant effect on share investment decision-making of Nigeria's financial institutions

Hypothesis II: CAPS has no significant effect on SID of NFIs.

(p-value = 0.001< 0.05). Reject hypothesis II and accept the alternate that CAPS has significant effect on share investment decision-making on share investment decision-making of Nigeria's financial institutions.

Discussion of Findings

Findings from the analyses undertaken in this study led to very useful revelations which would help to enhance the effectiveness of Nigeria Exchange Group (NGX). Hypothesis I that BRPS does not have significant effect on SID has been rejected. BRPS also possessed positive correlation coefficient (r). Book reserve per share, therefore, has significant positive effect on share investment decision-making of Nigeria financial institutions. This finding is interesting because BRPS is often used to facilitate bonus-issues. Even though, there may be need to be cautious for one should find out how much of the book reserve that is capital reserve, bonus issues are reserved right of shareholders who can decide to sell them and make capital gains. This finding is evolutionary as no known study, at least to the knowledge of the researchers has investigated the effect of book reserve on share investments or share prices.

Hypothesis II that CAPS has no significant effect on SID has also been rejected. CAPS possessed positive correlation coefficient which implied that capital appreciation per share has significant positive effect on share investment decision-making of Nigerian financial institutions. Capital appreciation which resulted from increased share prices has always yielded capital gain. This finding is an empirical prove for the most common motive of Nigerian share investors.

In the overall, R-square and R-square adjusted were positive though weak. It revealed that investors' intent to earn returns from share investment only accounted for about 7% of share investment decision-making in Nigeria while other factors accounted for about 93%. This finding is contrary to the existing studies such as Sutrsino (2017), Cheng, et al (2021) and Faza, et al (2023) which upheld that share return expectations remained the strongest derive to share investment. Capital appreciation, however, impacted on share investment decision-making in Nigeria's financial institutions. This is a prove that Nigeria investing public invested in share to exploit opportunities of share price increases. The two proxies for capital appreciation, BRPS and CAPS, related to market viability, market forces and economic value-added. This finding is in line with studies by Sa'Ad (2018), Rafrini and Elsa (2016) and Bhasin (2017) which had found that economic value-added impacted on firm value and share price. Capital appreciation results from market viability of the firm's shares and the quest for such form of share returns without due consideration for fundamental values is the reason why the Nigeria investing public is exposed to capital market manipulations. Particularly, the behavioural and institutional factors are weak in Nigeria, for example, speculative trading, weak regulation, exchange rate and inflation uncertainty, insecurity and instability in politics, etc. that shape investor perceptions. Also, the findings of the study had validated the remarkable submission of Khadi, et al (2023) that share price was not affected in Algeria when financial statements were published. This contravenes the base theory since share investors did not depend on the value of the firm for their share investment decision-making.

Conclusion and Recommendations

This study summarised its findings as follows

1 Book reserve per share has a significant positive effect on share investment decision-making in Nigeria's financial institutions (r = 0.110, t = 2.141152, P–value = 0.0009 < 0.05 level of significance).
2 Capital appreciation has a significant positive effect on share investment decision-making in Nigeria's financial institutions (r = 0.082, t = 3.366142, P–value = 0.0330 < 0.05 level of significance).

The need to set Nigeria's economy working again cannot be achieved without fortifying the process of capital formation. The capital market is one major process by which capital is aggregated for purposes of investments that would boost the economy. However, the Nigerian Exchange Group (NGX) at present does not receive adequate patronage from the investing public due to loss of confidence. This study, 'Capital Appreciation and Share Investment Decision-Making of Nigeria's Financial Institutions', is an attempt to bring back investors' confidence. The study was set to find out whether share returns resulting from capital appreciation and market viability impacted investors' choice of share investment decision. The study concluded that capital appreciation affected share investment decision-making in Nigeria's financial institutions.

The study recommended as follows: In order to depend on book reserve per share (BRPS) to evaluate share investment, effort must be made to know how much of the book reserve that is revenue reserve. The fact is that beside the fact that revenue reserve can be used to pay dividend, it is also an integral of the accounting income which can be affected by one of the managers' manipulations like window dressing aimed at boosting the image of the firm.

The practice of relying completely on capital appreciation per share for share investment decision-making in Nigeria should be reconsidered. It should be noted that share price can be manipulated upwards even without any improvement in fundamental values. The outcome could be catastrophic leading to low profitability and sometimes loss of investors' capital because the increase in price would revert to reflate the true value of the share.

This study has enriched the existing literature by revealing the peculiar feature of the emerging market which deviated partially from existing theory developed in advanced stock market. It has improved the modelling of share investment by capturing return expectations of share investors. Contrary to the postulations of the fundamental theory that a share investor would pay an amount equal to the intrinsic value of shares (which is determined by the firm's internal earning capacity), an emerging market like the Nigerian Exchange Group (NGX) could have shares bought at a price higher than their intrinsic value if the investor is expecting a price rise that would enhance capital gains.

It is worthy of note that this study suffered limitations relating to data availability, which might have weakened the generalizability of its inferences. Responsible agencies like the Corporate Affairs Commission (CAC), Nigerian Exchange Group (NGX) and Financial Reporting Council of Nigeria (FRCN) should wake up to their duties and compel quoted firms to publish their financial statements as required by law and on time too.

In future, this study can be repeated on improved data to see the possibility of deviations from the conclusion achieved here. There is also need for further studies to be undertaken to estimate the relationship between the internal viability and the market dynamics of a firm relying on quoted firms in Nigeria exchange group.

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