An Empirical Analysis of Trend of Equity Investment Growth among Listed Firms in Nigeria (2012-2020)

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ABSTRACT

The purpose of this study is to analyze the trend of equity investment growth among listed firms in Nigeria. The study adopted the longitudinal research design and used secondary data. The population consisted of 168 quoted firms in the Nigeria Exchange Group as 2021. Purposive sampling technique was used to select 50 firms whose data were consistently available and stocks traded on the Nigerian Exchange Group. Data on variables such as return on equity, dividend per share, earnings per share, business growth, profitability, firm size and market value of equity were obtained from Annual Reports and accounts of sampled listed firms in the Nigerian Exchange Group facts book for the period 2011 - 2020. The study employed descriptive statistics to analyze equity investment among listed firms in Nigeria. The descriptive statistics include the utilization of mean, median, maximum, and minimum values and measures of dispersion, Analysis of Variance (ANOVA) were used to test for mean difference in the equity investment growth among listed firms in Nigeria. . The result revealed that equity investment growth was fluctuating in its trend within sampled period with average of 12.35 and sectoral equity investment growth of the firm shows that IT sector reports the highest average equity investment growth of 80.62 within the sampled period.

Keywords: Empirical Analysis, Trend, Equity, Investment, Growth, Listed Firms.

INTRODUCTION

The economic status of any nation is one of the factors that define its viability. A nation's economic status refers to the extent to which its commercial activities make a way for the prosperity and satisfaction of the citizenry (Ubesie, Nwanekpe & Ejilibe, 2020). Naturally, all the nations of the world plan for and work towards the development of their economies, which are often diversified into various relevant sectors (Akinmulegun, 2018). Among these are the agricultural, trading, banking, transportation, science and technology, to mention a few. One veritable process of achieving and enhancing a thriving economy is via investment, which is expending one's financial resources on a venture, after a reasoned consideration of the risks vis-à-vis the expected future returns, with the aim of creating and maximizing wealth (Persakis & Latridis, 2015). Share trading, the operations of which are managed by the capital market, is one major way by which investment into these various sectors can be executed. In other words, equity investment is key in economic growth process advancement and development. Equity also known as shares or stock, is defined as units of ownership which represents an equal proportion of a firm's capital. The activity of financial systems plays significant and important decision in the development and economic expansion of organization. It is used in appraising the complexity of investment position of a nation specifically in attracting international investors. The capital market provides an avenue by which fund is often raised and channelized productively. It helps companies in financing existing and new projects, expand and develop commercial and industrial activities. A capital market a is credible avenue of long-term funds sourcing for economy development and is a developed economy leading economic indicator.

The capital market provides avenue for interaction and relationship between investors and savers for economic development and advancement. An efficient equity market will help to form an economy that is highly competitive and effective, without effective equity markets firms will need to depend upon internal financing via retained earnings. Large and successful firms are in better position in financing because they can finance their investment project through bank loan facilities and retain earnings without going through the scrutiny of

the stock exchange, whereas new firms find it difficult to access adequate funds for their investment needs. Access to equity financing is very paramount for economic growth and development, to meet the needs of business activities expansion that is very crucial for economic advancement, well established and functioning share market is very important (Olure-Bank *et al.,* 2015).

In the year 1960 Capital Market was founded in Nigeria, known as the Lagos stock market and in December 1977 it was converted to the Nigerian stock exchange (NSE), known presently as Nigerian Exchange Group. The operation started in 1961 along with 19 securities enlisted for the exchange. In the major cities of Nigeria, branches were established. The Nigerian stock market has 13 branches (without the top Lagos office). The NSE was consistently advancing to satisfy the needed requirements of the clients thereby succeed at the very best level of competitiveness. Nigeria Stock Market performs relatively, fairly transparently, and orderly markets which attract most enterprises in Africa, globally and investors in local communities. The Exchange is positioned to advocate for the acceleration of Africa's economic growth and to become, gateway to African market.

LITERATURE REVIEW

Theoretical Review

Random walk Theory: The unpredictability motion and movements in futurity value of share prices underscore the random walk theory according to Burton (2012) the propounder of the theory in his book in 2012, in a market that conforms to the random walk theory, it is impossible to anticipate future prices using information about past prices (Worthington and Higgs, 2003). Hence, such returns in the market are uncorrelated serially, resembling a random walk hypothesis through pendent but uncorrelated accession, farther as they assert, may be autonomous but identically grouped or identically or independently redistributed.

The share value method based on fundamental analysis states that at any particular time according to the fundamental analytical method to asset value, at any given period, every share security has some value that are intrinsic which are based on some factors that are fundamental such as status of the business's sector and return, quality of management, general economic outlook and rate of return on equity. Any change in of any of these variables lead to fluctuations in share values that could follow a predetermined practice

The subsistence of these frequently, suddenly and unexpectedly future share prices impacted by changes in the company's fundamentals (Fama 1965), demonstrates that efficiency is still maintained through the share of market. The existence of these volatile share prices in the future, which (Fama,1965) attributes to shifting fundamental value demonstrates the effectiveness that share market, drawing a conclusion that actual cost of concluding the real security's market price is always a reliable indicator of its intrinsic value, or the prices of the securities, at any particular time and security actually fluctuate arbitrarily in relation to their underlying values.

Efficient Market Theory: According to the efficient market theory by (Fama, 1965) share market value (price) reflects all available information and shares are traded always at the fair value on exchange. Marketing of share becomes difficult for investors to sell shares for inflated price or purchase undervalued shares and investor can only have higher returns by purchasing riskier investment. Market can be more efficient as more participants are engaged in a market, market will be more efficient as more people transact, compete supply more and various forms of information relating to the market value of shares (price), as markets becomes more liquid and active, possibility of arbitrageur may also emerge, more profiting by correcting small inefficiencies whenever it arises and restoring efficiency quality.

There are some markets that are less efficient than another. Inefficient market is the market in which prices of assets do not accurately reflect its true market value which may be due to several reasons which may include information asymmetries, inadequate of buyers and sellers, low liquidity, human opinion, high transaction cost, human emotions, market psychology, among other reasons. The stock market's effectiveness in using information is explained by the theory. The Efficient Market Theory (EMT) could be employed to further explain the fundamental class of stock market information in connection with their responsiveness to share prices (Uthman *et al.,* 2014).

When the share price reflects all of the available information, the capital market is regarded as strong. It signifies that the share price can reveal all information material and significant to the firm, it entails the theory of a semi-strong efficient market and absolutely the entire information accessible to the company insider which may include the manager or financial experts of the firm traded publicly. Market is tagged semi-strong when the entire available information in public is noticeable in the stock price, it entails former price that is included in weak form efficient market theory, also other information that can influence market price value that are publicly accessible such as fundamental information on the firm's product, management quality, statement of financial positions content, accounting practice and earnings forecast.

While market could be referred to as weak, when stock prices include all available information, rather than just past data relating to share price can be gotten by reviewing market trade information such as historical prices from the past, interest, and trading volume.

In the semi-strong economy, financial information thrives considerably, so far it serves as the fundamental source of information shared with the public through the release of financial reports (ICAN, 2019). Cunningham (2005) pessimistically asserted that any endeavor to upgrade accounting theory and practice is futile since the share price is quickly decoupled from historical accounting data. The hypothesis that accounting information is mostly preferred for predicting share prices has been somewhat strengthened by this analysis.

Therefore, considering that share value reflects accounting records, investors are anticipated to promptly decide whether to trade or keep onto their available investment based on changes in the share price, having taken the information into consideration if it is favourable or not (ICAN, 2019). Furthermore, accounting systems frequently have unintended effects on decisions, and industry participants are more likely to react to apparent changes than that to aggregate output.

Positive Accounting Theory: Watts and Zimmerman propounded the positive accounting theory. According to positive accounting theory, historical development arisen in the first stages, provide financial information drawing on the customary rules to particular activity beneficiary. Analytic rationales in the form of a bloc of broad comprehensive and fundamental laws and assumptions that furnishes a frame of general reference by which evaluation and guidance of accounting practice can assist in development of new procedures and practices are referred to as accounting theory (Hendriksen 1982) and (Hassan & Talal ,2015).

Indeed, an increasing concern has been on economic effects of the stock market development. The metric of business direction usually said to be measured by the capital market, due to the benefit it gives the business organizations and economy, thus making it the center of concentration for investors and policymakers. Growth of share and capital market allow the government to arrange long term capital financing for economic growth and providing adequate information for appraisement (Oyedokun & Ajose, 2018). The stock exchange market development's role in global stock exchanges hinged on the effective exchange exerted on the economy.

Economic sectors attract savings from various households and disbursed them efficiently to various entrepreneurs and unproductive spending will be reduced and capital market only finances viable project, the stock market either directly or indirectly contribute to the economic development process. One of the main functions of the market are the creation of liquidity, mobilization of savings, risk diversification, acquisition of data, improve dissemination, and enhancement of incentives for corporate controls. The speed of the economic process will be successively increased by quick service delivery and also will increase the efficiency and effectiveness of those operations (Cordella, 2019).

Empirical Review

Nwidobie (2014) carried out research on the financial situation and performance with the aid of the Augmented Dickey Fuller (ADF) test, the researcher analyses (API) All Price-Index data of shares of quoted companies on Nigeria Exchange Group covering a period between Januarys to December 2012. The findings show that price of share movement did not follow the random walk theory on the Nigeria Exchange Group. The findings of the research indicate the subsistence of market inefficiency in the capital market in Nigeria, requiring the flow of free and cheap information on seemly fundamental into share pricing market by the forces of supply and demand.

Tijjani *et al* (2019) conducted a study on equity investment appraisement by Nigeria investors. Semi-structure interview was conducted with investors and stockbrokers. The aim of the study was to assess the way stockholders and investors in Nigeria value share and if the method of share valuation is different or the same compared with documentation in other countries of the world. The authors discovered that stockbroker reports and financial statements were the key information source of investors, more also obtained quantitative information was also important.

Ahmed and Arshad (2016) conducted research study using model of a random walk on information efficiency. Karachi Stock Exchange as empirical evidence, the study used non-parametric and parametric test for investigating random walks, autocorrelation and Run test for autocorrelation, Jarque-Bera and Kolmogrov-smirvov test normality, Philips Perron (PP) and Augmented Dukey-fuller (ADF) for stationary and multiple variance ratio test. Investigation was on the weak form of Karachi stock exchange using daily, weekly and monthly data covering the period from June 2002 to 2012 June. According to the findings Pakistani market for stock is strong form efficient and opportunity is available for investors to obtain benefit from predictable behavior of the market.

Akackukwu and Benjamin (2018) within the research on the financial information on investors' confidence in Nigeria quoted manufacturing firms, ex-post – factor research design and regression analysis were used for data analysis. The research revealed that financial information affects investors' confidence and financial information on deciding process has assisted within the prosper allocation of resources like money, machinery, material, and man. Additionally, the failure of companies might not be a result of non- generation of monetary information but inefficiently, ineffectively, and inappropriately utilization of the financial information generated in a corporation unit.

METHODOLOGY

The study adopted the longitudinal research design and used secondary data. The population consisted of 168 quoted firms in the Nigeria Exchange Group as at 2021. Purposive sampling technique was used to select 50 firms whose data were consistently available and stocks traded on the Nigerian Exchange Group. Data on variables such as return on equity, dividend per share, earnings per share, business growth, profitability, firm size and market value of equity were obtained from Annual Reports and accounts of sampled listed firms in the Nigerian Exchange Group factsbook for the period 2011 - 2020. The cross-sectional units are fifty firms listed on the Nigerian stock market.

The study employed descriptive statistics to analyze equity investment among listed firms in Nigeria. The descriptive statistics include the utilization of mean, median, maximum, and minimum values and measures of dispersion, Analysis of Variance (ANOVA) were used to test for mean difference in the equity investment growth among listed firms in Nigeria.

RESULTS AND DISCUSSION

The study highlights the trend of equity investment growth among the sample firms. Table 1 and figure4.1 reports the Tabular and graphical representation of the trend. The result of the trend shows that during the sample period, equity investment of the firms grew in average of 12.34%. In 2012, there was an 11.92% growth in equity investment of the firms, while sudden decline was observed in 2013 with an average growth rate of -2.140%. The equity investment growth got to its peak in 2014, with an average of 38.36%. The trend declined in 2015 with an average of 17.86%. There was a rise in 2016 with an average of 21.61%. The equity investment also further grew from 2016 to 2017 with an average of 22.86%. However, there was a significant decline with an average of -4.1912 between 2017 to 2018. The equity investment growth assumed a growth dimension from 2018 to 2019 with an average growth rate of 9.428102. Moreover, the firm equity investment declined with an average of -4.61245 in 2020, from 2019. In 2020, the world economy experienced severe turbulence triggered by the global pandemic challenges of Covid-19. Economic activity was at its lowest ebb, businesses across the country were closed and significant drop in investment was observed.

Table 1: Equity Investment Growth between 2012 and 2020

Year	Equity Growth
2012	11.92487
2013	-2.14099
2014	38.36835
2015	17.86885
2016	21.60913
2017	22.86204
2018	-4.1912
2019	9.428102
2020	-4.61245
Grand Average	12.34726

Source: Author's Computation
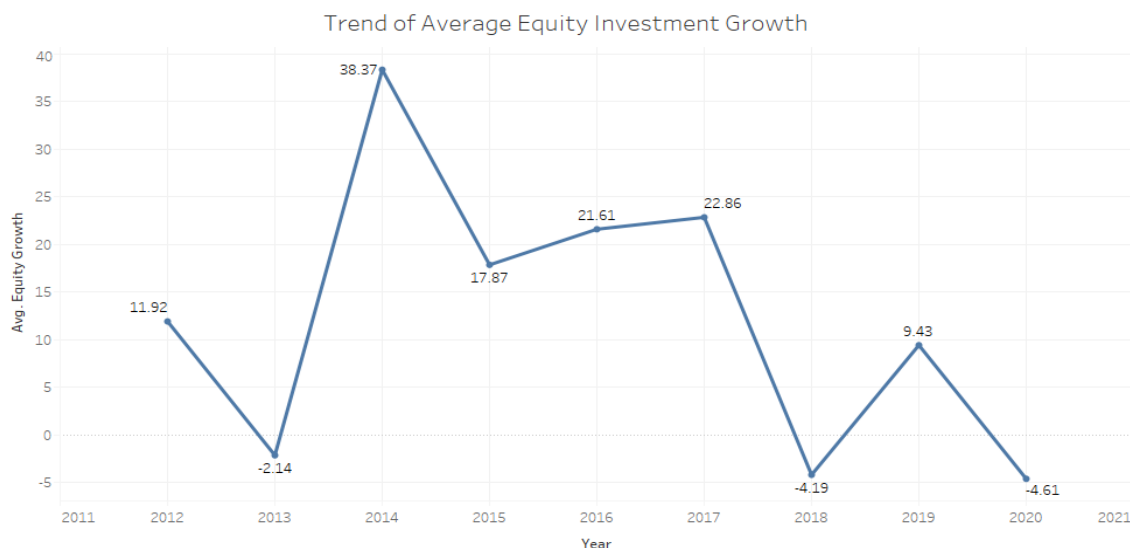
The trend of average of Equity Growth for Year.

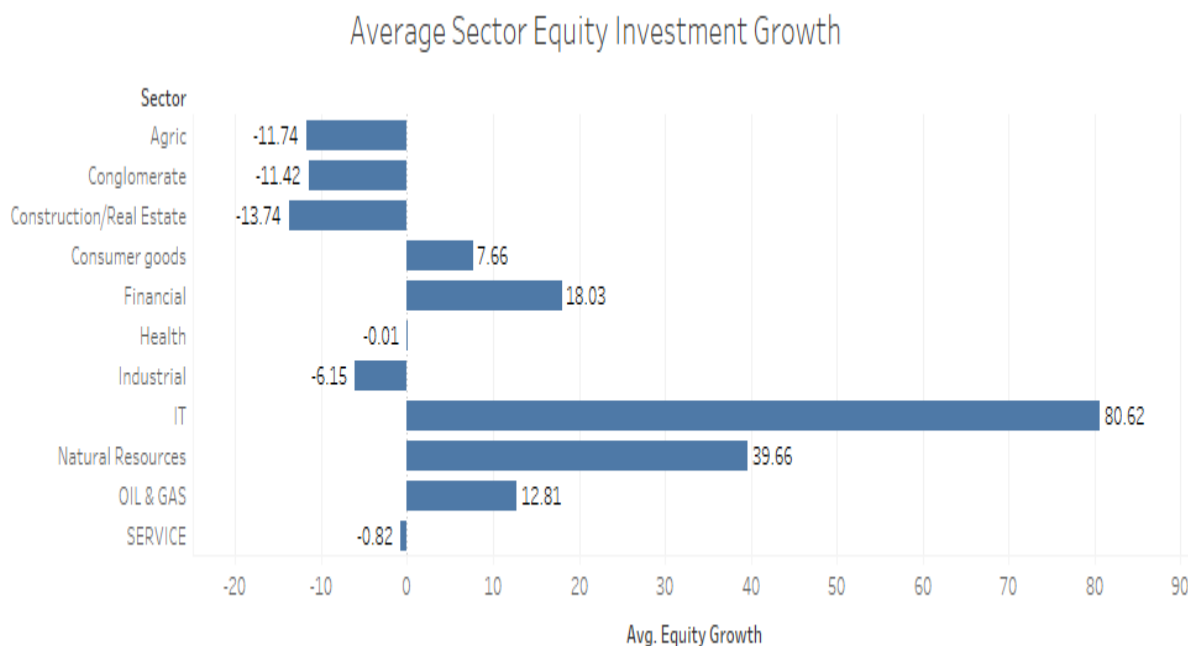Figure 1: Trend of Equity Investment between 2011 and 2020

The sectorial equity investment growth between 2011 and 2020 of the firms shows that IT sector reports the highest equity investment growth between the sampling periods. It reports an average of 80.62%, while the least sector was the Construction/Real Estate with an average of -13.74. Another sector with high percentage of growth was natural resources with an average of 39.65%. Agricultural sector reports an average of -11.736, Construction/Real Estate report an average of -11.423%, consumer goods had 7.66% equity investment growth. There was a considerable growth in financial sector with an average of 18.02%, which was driven by the equity investment in Union bank, African insurance, Wema bank and sterling bank. This financial institution received high degree of equity investment within the sample period. Health sector had an average decline of -0.013%. Oil and Gas sector reports an average growth of 12.80 and service sector reports an average of -0.8201%.

Table 2: Equity Investment Growth by Sectors between 2012 and 2020

Sector	Equity Growth

Agric	-11.736
Conglomerate	-11.4238
Construction/Real Estate	-13.7434
Consumer goods	7.663772
Financial	18.02663
Health	-0.01349
Industrial	-6.1542
IT	80.6214
Natural Resources	39.65517
OIL & GAS	12.80532
SERVICE	-0.82014
Grand Average	12.34726

Source: Author's Computation

Average Sector Equity Investment Growth

Average of Equity Growth for each Sector.

Figure 2: Sector Equity Investment Growth

CONCLUSION AND RECOMMENDATION

This study analyses the trend of equity investment growth among Nigerian quoted companies. Based on the findings of the analysis it was evidenced that equity investment growth among the firms listed in Nigeria follow a cyclic pattern, the investment growth got to its peak in 2014 from a steady growth in 2013. The country witnessed boom in oil revenue within this period and the external economic environment was friendly, government expenditures increases and economic activities became agitated. More investors embraced the

country listed firms and new foreign investors entered the scene. Both State and Federal government were busy inflating the economy through increase in capital investment, however, the decline in oil revenue late in 2014 culminated in decline in government economic activities and weak in external reserves. The decline in equity investment growth became more obvious in 2016. When the country's economy entered recession, while 2018 was the lowest level of the equity investment growth in Nigeria.The sectorial equity investment growth between 2011 and 2020 of the firms shows that IT sector reports the highest equity investment growth between the sampling periods. It reports an average of 80.62%, while the least sector was the Construction/Real Estate with an average of -13.74. However, some sector enjoyed greater investment growth during the sampled period. Information technology sector had the highest investment growth, while construction/real estate had the lowest equity investment growth. The world is embracing information technology in every activity and therefore investors are moving towards the sector and IT firms too are expanding and making effort to explore the trend of IT adoption in government, finance and other economic activities.

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APPENDIX

List of Sampled Quoted Companies

1. FIDSON HEALTH CARE

2. GLAXOL HEALTH

3. NEIMETH PLC

4. PHAMD HEALTH PLC

5. BERGER PAINT PLC

6. BETAL GLASS PLC

7. UAC PLC

8. CADBURY PLC

9. UNILEVER PLC

10. HONEY WELL PLC

11. FLOUR MILL PLC

12. NIGERIA SALT PLC

13. VITAL FOM PLC

14. NESTLE PLC

15. PRESCO GOODS PLC

16. CHARM NETWORK PLC

17. DAARCO NETWORK PLC

18. TRANSAT NETWORK PLC

19. ACADEMY PRESS PLC

20. CAPITAL HOTEL PLC

21. NIGERIA AVAITION HANDLING COM PLC

22. UNIVERSITY PRESS PLC

23. LIVESTOCK PLC

24. OKOMU OIL PALM PLC

25. ACCESS BANK PLC

26. BERGER PAINT PLC

27. BOC GAS PLC

28. CONOIL PLC

29. TOTAL OIL PLC

30. FIRST BANK

31. STERLING BANK

32. GT BANK PLC

33. WEMA BANK PLC

34. FCMB PLC

35. FIDELITY BANK PLC

36. IBTC PLC

37. ZENITH BANK PLC

38. UBA BANK PLC

39. ACCESS BANK PLC

40. UNION BANK PLC

41. ABBEY MORTGAGE BANK PLC

42. NPF PLC

43. ALLICO INSURANCE PLC

44. AFRICA ALLIANCE INSURANCE PLC

45. SCOA NIGERIA PLC

46. JULIOUS BARGER PLC

47. CHEMICAL & ALLIED COMPANY PLC

48. DANGOTE SUGAR PLC

49. ALLUMINIUUM EXSTRUCTION INDUSTARIES PLC

50. TRANSCORP PLC