KWAME NKRUMAH UNIVESITY OF SCIENCE AND TECHNOLOGY, KUMASI

INSTITUTE OF DISTANCE LEARNING

ASSESSING THE ATTITUDE OF INDIVIDUAL GHANAIANS TOWARDS INVESTING IN STOCKS: A STUDY IN THE SEKONDI-TAKORADI METROPOLIS

BY

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DECLARATION

While acknowledging the references cited, which served as a source of information, I hereby declare with academic honesty that this is my own effort and that it has never been presented either in whole or part for any degree or other purpose in this university or any other university herein.

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DEFINITION OF TERMS

"**Securities"** will be used to mean any form of ownership that can be easily traded on a secondary market usually, stocks and bonds.

"Shares" will be used to mean a piece of ownership or a basic unit of ownership of a company.

"Stocks" will be used to mean a share of ownership of a company.

ABSTRACT

In assessing the attitude of individuals in Ghana, towards investing in stocks with particular reference to people resident in the Sekondi-Takoradi Metropolis, 100 people with different educational background were sampled from bankers, traders, teachers and nurses; and the convenience and simple random sampling techniques were employed using interviews and questionnaires.

The study revealed that majority of respondents had very good knowledge about shares and owned one investment type or another. Shares or stocks were seen as “certificates of ownership”, or a “form of investment” and shares were considered a secure form of investment as compared to other forms of investments. The uncertainty surrounding the payment of dividends was a disincentive to some individual investors who would not recommend investment in shares to their close relations. The study found out that the level of investors’ education determines their attitude towards investing in stocks. Again, even though a lot of people have heard about stocks, they had very little understanding and interest in the performance of stocks. The study also revealed that few people really understood the activities and role of the Ghana Stock Exchange.

CHAPTER ONE

GENERAL INTRODUCTION

1.1 Background to the Study

The stock or capital stock of a business entity represents the original capital paid or invested into a business by its founders. It serves as a security for the creditors of a business since it cannot be withdrawn to the detriment of the creditors.

Stock is distinct from the property and the assets of a business and may fluctuate in quantity and value. The stock of a business is divided into shares, the total of which must be stated at the time of business formation. Given the total amount of money invested into the business, a share has a certain declared face value, commonly known as the par value of a share. The par value is the *de minimis* (minimum) amount of money that a business may issue and sell shares in many jurisdictions. Shares are usually offered to potential investors who purchase shares for a price and register their status as shareholders of the company or firm making the offer through a stock brokerage (Osei, 2000).

The stock market is a facility that unites buyers and sellers of securities (shares, bonds and stock). It facilitates the raising of medium to long-term capital by firms in need of funds, which is done in accordance with regulations and procedures designed to protect the interest of both investors and issuers of securities. On the stock market, prices are precise indicators for apportioning the capital of a firm. An important feature of an efficient market is that issuers and investors perceive securities to be fairly priced. (www.wikipedia.com, Retrieved 20th January, 2011)

Stock markets also offer broker and issuer services through brokerage firms. In addition, they facilitate mergers and acquisitions and conduct stock market supervision. For the past ten years, stock markets are becoming more globalised; this is because of the fact that local firms in need of funds can tap foreign markets for such funds while investors are also able to purchase stocks of the companies abroad (Madura, 2001). A business may declare different types or classes of shares; each having distinctive ownership rules, privileges, or share values.

Ownership of shares is documented by issuance of a stock certificate. A stock certificate is a legal document that specifies the amount of shares owned by the shareholder, and other specifics of the shares, such as the par value, if any, or the class of the shares.

In the United Kingdom, South Africa, Australia, Ghana, *stock* can also refer to completely different financial instruments such as government bonds or of marketable securities (www.wikipedia.com, Retrieved 20th January, 2011).

1.2 Problem Statement

It has been observed that investment in the capital market in Ghana is not as common as investment in the goods market. It is also believed that most individuals who invest in the capital market do so based on very little information.

The questions that then arise are if most people who own shares invest in them based on very little knowledge about shares, what then would be the view of the generality of the population concerning stocks? Will the view held account for most ordinary people's attitude towards investing in stocks, especially in the Sekondi-Takoradi Metropolis? This study thus, seeks to find out the attitude of people living in the Sekondi-Takoradi Metropolis towards investing in stocks or shares.

1.3 Objectives of the Study

1.3.1 General Objective

The general objective of the study is to assess the attitude of individual Ghanaians towards investing in stocks, using Sekondi-Takoradi Metropolis as the study area.

1.3.2 Specific Objectives

The specific objectives of the study are to:

1. Find out what investing in stocks means to the individual Ghanaian
2. Identify how the individual Ghanaian understands stocks and investment in stocks.
3. Examine what factors make the Ghanaian decide on whether or not to invest in stocks.
4. Find out how stocks are acquired by individual Ghanaians.
5. Suggest strategies to improve the individual Ghanaian's attitude towards investing in stocks.

1.4 Research Questions

The following research questions have been raised to address the objectives of the study:

1. How does the individual Ghanaian view investing in stocks?

2. What is the level of Ghanaian individual's knowledge about stocks and investment in stocks?
3. What factors make individual Ghanaians decide on whether or not to invest in stocks?
4. How are stocks acquired?
5. What strategies should be adopted to improve the attitude of individual Ghanaians towards investment in shares?

1.5 Significance of the study

It is expected that the study will benefit various organizations and individuals in the following ways.

The Ghana Stock Exchange (GSE) may use the findings to strategize and formulate policies to help address the attitude of potential investors in stocks.

Stock brokers can use the findings of the study to market their activities.

The findings can be used by Ghanaians who may either have or show no interest in or are ignorant about investing in stocks to have a changed attitude to investing in stocks.

Banks may use the findings to educate their customers and potential customers about investment in stocks.

The National Commission of Civic Education could also use the findings to design programmes for sensitising the general Ghanaian populace.

The study will add to the literature on investment in stocks generally, and in particular, Ghana.

Finally, the study may become a basis for further research in other locations in Ghana.

1.6 Scope of the study

The population comprised bankers, teachers, nurses and the traders in the Sekondi-Takoradi Metropolis. Bankers were chosen because they were perceived as knowledgeable in stocks. In order to sample diverse opinions from people with different educational background, teachers, nurses in the metropolis and traders with fixed locations in the Market Circle were also chosen for the study.

The researcher included teachers and nurses in the population for the study because both groups were more or less organised, were located in specific places of work and could easily be reached. Moreover, the level of their educational background, confirmed their ability to provide useful information for the study.

1.7 Limitations and anticipated solutions to the study

One of the problems the study had to do with assuring respondents of the confidentiality of the information they provide. The researcher spent a lot of time explaining to some respondents especially, the traders that the information given was not for any politician and tax purposes, but solely for academic work.

The researcher also encountered a problem of some respondents not ready with responses to the questionnaire at the time they promised. The researcher had to visit them on several occasions before the completed questionnaires were retrieved.

Again, obtaining secondary data for this study was quite difficult since not much has been done in the area of study, especially by Ghanaians.

1.8 Organisation of study

The study is presented in five chapters. Chapter one is the introduction, which the background to the study, the problem statement, objectives of the study, research questions, significance of the study, scope of the study, limitations and anticipated solutions and the organization of the study. The second chapter dealt with review of related literature of the study while chapter three discussed the methods adopted for the study. The methods included the research design, population, sampling and sampling procedures and instrumentation used for the study as well as procedures on how data were collected, presented and analyzed. The fourth chapter analysed and discussed the results of the data while the fifth chapter summarised, concluded and offered recommendations for the study.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

In this chapter, the very early beginnings of what today has become the stock exchange and how it evolved to its present day form and operations were traced. Specific and detailed account of the London Stock Exchange, New York Stock Exchange, the NASDAQ, the Ghana Stock Exchange and the Nigerian were also discussed. A theoretical framework and empirical studies related to the study were also presented.

2.1 Historical Background

In order to undertake a study on stocks in Ghana, it became necessary to trace the history of the evolution of stocks world-wide and Africa, with specific reference to Ghana and Nigeria. According to Beattie (2007), moneylenders of Europe filled important gaps left by the larger banks. Moneylenders traded debts between each other. For instance, a lender looking to unload a high-risk, high-interest loan might exchange it for a different loan with another lender. Those lenders also bought government debt issues. As the natural evolution of their business continued, the lenders began to sell debt issues to customers - the first individual investors. In the 1300s, Venetians were the leaders in the field and the first to start trading the securities from other governments. They would carry slates with information on the various issues for sale and meet with clients; much like a broker does today. (http://www.investopedia.com, Retrieved 2nd January, 2011).

In further tracing the history of stock markets, Ritchie (2009), espoused that the first institution that had a resemblance of a stock market in the form known today emerged in Antwerp, Belgium in 1531. The institution had been described as the 'first stock market', even though it did not involve buying and selling shares of companies but brokers and lenders met there to "deal in business, government and even individual debt issues". Beattie (2007) observed that even though today, it may seem odd to think of a stock exchange that dealt exclusively in promissory notes and bonds, there were no real stocks in the 1500s. There were many flavours of business-financier partnerships that produced income, like stocks do, but there were no official shares that changed hands.

Ritchie (2009) further stated that the type of 'stock market' (where many flavours of business-financier partnerships produced income) changed in the 1600s when Britain, France and the Netherlands chartered voyages to the East Indies. The change came about as a result of the realisation that only few explorers could afford to conduct an overseas trade voyage, and so limited liability companies were formed to raise money from investors. The investors received a share of the profit that was commensurate with their investment.

Risk management was another factor that led to the emergence of stock market. Ritchie (2009) cites reports from India's *Imperial Gazetteer*, which indicated that the earliest British voyages to the Indian Ocean were unsuccessful as ships were lost and financier's personal fortunes were seized by creditors. In order to avoid such losses, a group of London merchants formed a corporation in September, 1599 that limited each member's liability to the amount they personally invested. The rationale was that if the voyage failed, nothing more than the amount invested could be lawfully seized, as is the practice today. The merchants were granted a fifteen-year charter in 1600. The merchants dubbed their corporation the “Governor and Company of Merchants of London trading with the East Indies” or simply “The East India Company”. Ritchie (2009) continued to state that the limited liability formula proved so successful that, by 1609, King James I granted charters to more trading companies which led to business growth in other ocean-bordering European countries.

The Dutch East Company, according to the Encyclopaedia Britannica, was the first to allow outside investors to purchase shares which entitled them to a fixed percentage of the Company’s profits. They were also the first company to issue stocks and bonds to the general public through the Amsterdam Stock Exchange in 1602 (Ritchie, 2009).

In order to lessen the risk of a lost ship ruining the fortunes of investors, ship owners of the East India Companies (French, British and Dutch) had long been in the practice of seeking investors who would put up money for the voyage - outfitting the ship and crew in return for a percentage of the proceeds if the voyage was successful. These early limited liability companies often lasted for only a single voyage. They were then dissolved, and a new one was created for the next voyage. Investors spread their risk by investing in several different ventures at the same time, thereby playing the odds against all of them ending in disaster. (Beattie, 2007)

Beattie (2007) further stated that when the East India companies were formed, they changed the way business was done by having stocks that would pay dividends on all the proceeds from all the voyages the companies undertook, rather than going voyage by voyage, hence, the basis of modern joint stock companies. This allowed the companies to demand more for their shares and built larger fleets. The size of the joint stock companies formed, as well as royal charters made to forbid competition in the industry translated in huge profits for investors.

The British East India Company had one of the biggest competitive advantage in financial history because it was a government-backed monopoly, and so when investors began to receive huge dividends and sold their shares for fortunes, other investors were hungry for a piece of the fortune. The budding financial boom in England emerged so quickly that there were no rules or regulations for the issuing of shares. (Beattie, 2007)

A charter from the king established the South Seas Company (SSC) which issued shares. The shares and its numerous re-issues, sold as soon as they were listed. Before the first ship ever left the harbour, the SSC had used its new-found investor fortune to open posh offices in the best parts of London. (Beattie, 2007)

Encouraged by the success of the SSC and realizing that the company had not done a thing except issue shares, other "businessmen" rushed in to offer new shares in their own ventures. Some of these were as ludicrous as reclaiming the sunshine from vegetables or, better yet, a company promising investors shares in an undertaking of such vast importance that they could not be revealed. All the shares sold.

However, in the course of the evolution of the stock market, it was not all rosy for shareholders or money-lenders. There were shocks and losses. For instance, the bubble burst when the SSC failed to pay any dividends off its meagre profits, highlighting the difference between these new share issues and the British East India Company. The subsequent crash caused the government to outlaw the issuing of shares, and the ban held until 1825. (Beattie, 2007)

2.1.1 The London Stock Exchange

The London Stock Exchange is reputed to be one of the oldest stock exchanges in the world and traces its history to 1698 when John Castaing began to issue "at this Office in Jonathan's Coffee-house" a list of stock and commodity prices called "The Course of the Exchange and other things" (http://www.londonstockexchangegroup.com; London Stock Exchange: Our history, 2011). It is the earliest evidence of organised trading in marketable securities in London. It was in the same year that stock dealers were expelled from the Royal Exchange for rowdiness and started to operate in the streets and coffee houses nearby, in particular in Jonathan's Coffee House in Change Alley.

In 1761, a group of 150 stock brokers and jobbers formed a club at Jonathan's Coffee House to buy and sell shares. Then, in 1773 the brokers erected their own building in Sweeting's Alley, with a dealing room on the ground floor and a coffee room above. It was briefly known as "New Jonathan's Coffee House" before the members changed the name to "The Stock Exchange".

On 3rd March, 1801, business reopened under a formal membership subscription basis and the first regulated exchange came into existence in London in which the modern Stock Exchange was born. The first regional stock exchanges were opened in Manchester and Liverpool in 1836.

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(Beattie, 2007)

London Stock Exchange also had some challenges especially during the two World Wars. An example was the closure of the Exchange market from the end of July 1914 until the New Year. Again, the Exchange was closed for six days and at the start of World War Two (1939) and reopened on 7th September 1939. The floor of the House closed for only one more day, in 1945 due to damage from a V2 rocket – trading then continued in the basement of the trading floor. (http://www.londonstockexchangegroup.com, Retrieved on 02/06/2011)

2.1.2 The New York Stock Exchange (NYSE)

According to Beattie (2007), the New York Stock Exchange (NYSE) was formed in 1792 and has been dealing in the trading of stocks since its inception. The NYSE was not the first stock exchange in the U.S., but it quickly became the most powerful of all. The New York Stock Exchange was formed by brokers under the spreading boughs of a buttonwood tree, but it made its home on Wall Street. The Exchange's location, in the heart of all the business and trade coming to and going from the United States, as well as the domestic base for most banks and large corporations, more than anything else, led to the dominance that the NYSE quickly attained. It was by setting listing requirements and demanding fees that the New York Stock Exchange became a very wealthy institution (Beattie, 2007).

The NYSE faced very little serious domestic competition for the next two centuries. Its international prestige rose in tandem with the burgeoning American economy and it was soon the most important stock exchange in the world. Despite the existence of stock exchanges in Chicago, Los Angeles, Philadelphia and other major centres, the NYSE was the most powerful stock exchange domestically and internationally until 1971, when the National Association of Securities Dealers Automated Quotations (NASDAQ), emerged to challenge the NYSE hegemony.

The NASDAQ was the brainchild of the National Association of Securities Dealers (NASD) - now called the Financial Industry Regulatory Authority (FINRA). From its inception in 1971, the NASDAQ has been a different type of stock exchange. It does not inhabit a physical space. Instead, it is a network of computers that execute trade electronically. (Beattie, 2007)

2.2 The Stock Exchange in West Africa

There has been a significant increase in the number of stock exchanges in Africa, with 13 new ones formed since 1989, bringing the total to 19 stock exchanges. These stock markets have made significant strides in their respective domestic markets. For instance, in 2008, over US$17.5 billion (N2.6 trillion) was raised on the Nigerian Stock Exchange through new issues and mergers and acquisitions (Agyemang, 2010). The history and progress of the Ghana Stock Exchange and the Nigerian Stock Exchange are presented as representing the West African sub region.

2.2.1 The Ghana Stock Exchange

In Ghana, the financial sector is dominated by commercial banks, which have not generally been a reliable source of long-term financing. According to Agyemang, (2010) this was as a result of the short-term nature of commercial banks assets and liabilities, as well as the regulatory reserve requirements, which rendered them (i.e. banks) incapable and perhaps, unwilling to supply long-term capital to their clients. In this regard, capital market was considered a better avenue for mobilizing both domestic and international capital. They could ensure the efficient and sustainable funding for governments, corporations, banks, and large-scale or long-term projects. (Agyemang, 2010)

The Ghana Stock Exchange was incorporated in July, 1989 as a private company limited by guarantee under Ghana's Companies Code, 1963 (Act 179). The Exchange was given recognition as an authorized Stock Exchange under the Stock Exchange Act of 1971 (Act 384) in October 1990, and trading on the floor of the Exchange commenced on 12th November 1990, the same day after the Council of the Exchange was inaugurated. (*CAL Brokers Report, 2011*)

The Exchange was governed by a Council with representation from Licensed Dealing Members, Listed Companies, the banks, Insurance Companies, Money Market and the general public. The Council sets policies of the Exchange and its functions include preventing fraud and malpractices, maintaining good order among members, regulating stock market business and granting listing. (*CAL Brokers Report, 2011*)

There are two main indexes, namely the GSE All-Share Index, which is published by the Ghana Stock Exchange and the CBL All-Share Index published by CAL Brokers Limited. The GSE traded in Ordinary shares (Common Stock) and Preference shares which traded in lots of 100 shares. Trading was carried on the Floor of the Exchange under the Continuous Auction Trading system (CAT), though over the counter trading was allowed Ashanti Goldfields Company's shares. (*CAL Brokers Report, 2011)* The securities traded on the exchange included equities and both corporate and government bonds. In 2010, there were thirty five companies listed on the GSE with one preference share, one corporate bond and three government bonds. The listed companies included mining, brewery, banking, oil and manufacturing firms, all of which represented key sectors of the Ghanaian economy. The GSE had since 1990 been gradually facilitating the development of the capital market in Ghana. The GSE had put in place facilities for businesses and the government to raise long-term capital and for investors to obtain liquidity, fair capital safety and diversity of investments (Agyemang, 2010). In June 2011, Tullow Ghana, a company in the newly discovered oil and gas industry in Ghana, floated their shares. This was the largest primary share offer ever completed on the GSE and this would more than double the market capitalisation of the GSE. (http://www.tullowoil.com/index, Retrieved on 4th July 2011)

2.2.2 Investor Protection Provisions

The Ghana Stock Exchange has various regulations designed to protect the investor, and some of them are membership and listing regulations. Membership regulations among other things, stipulated criteria for membership of the Exchange, regulations to be abided by the Licensed Dealing Members in their operations as well as code of conduct or ethics for members. Listing regulations prescribed, among others, criteria for listing securities; application procedure; contents of application and prospectus; and continued obligations of the listed companies.

The Securities Industry Law (PNDCL 333, 1993) as amended made the Securities and Exchange Commission (SEC) apex regulatory body in the securities market. They were charged maintaining surveillance over the securities business to ensure orderly, fair and equitable dealing in securities. They were also responsible for registering, licensing, authorizing and regulating the Stock Exchange, investment advisers, and securities dealers. SEC was also charged with protecting the integrity of the securities markets against any abuses that arose from the practice of insider trading.

2.2.3 The Nigerian Stock Exchange

The Nigerian Stock Exchange began operations in 1961 as the Lagos Stock Exchange. There are currently 262 securities listed on the Exchange representing a mix of businesses. Transactions at the Nigerian Stock Exchange are regulated by the Nigerian Securities and Exchange Commission. The exchange used an automated trading system and it allowed companies located in Kenya, South Africa, Ghana and multinational companies with a Nigerian presence were allowed to list on the Nigerian Exchange. The listing of Kenyan and Ghanaian companies was allowed under cross-border listing requirements signed by Stock Exchanges in the three nations. There were rules that companies were obliged to follow to maintain a listing on the Nigerian Exchange. A newly listed company must see 10 percent or more of its shares traded on the day it was listed and must wait for one year after the listing before it could make new issues of stock available. In their stock trading, one hundred thousand (100,000) units of a stock must be traded for a price change to be recorded on the day. (http://www.ehow.com/list/nigerian-stock-exchange-listing-requirements)

2.3 Theoretical Framework

This section will discuss theories on stocks, the types of stocks, types of shares and the types of investors and the types of stock markets.

2.3.1 Theories on Stocks

For the purpose of this study, two theories of stocks will be discussed; the firm-foundation and the castle-in-the-air theories propounded by John Burr Williams (1938).

The firm-foundation theory assumes that any financial instrument, be it stocks, options, real estate etc. has an intrinsic value. For a company's stock, the intrinsic value is determined by the firm's current situation and its future prospects. This value served as an anchor thus if valuations deviate from this foundation, a buying or a selling opportunity is created. The theory assumes that this deviation will be eventually corrected. Over time, the stock would revert to its intrinsic value. By investing, one is basically playing on the difference between the actual price, and its true worth.

The castle-in-the-air theory appeals to an individual’s emotional, jealous, fearful and greedy side unlike the firm-foundation theory that appeals to the thinker in an individual. This theory concentrated on psychological values and the behaviour of a group of investors. Keynes set forth this theory, as early as 1936. And despite huge technological advances, the emotional side of man had stayed on the same levels. In Keynes opinion, professional investors prefer not to estimate intrinsic values but rather determine how a group of investors were likely to behave in the future. During periods of optimism, these investors would build their hopes like 'castles-in-the-air'. We saw this phenomenon in play during the 2008 market rally. This theory also led to the 'subprime crisis' where buyers were relying on housing prices to keep rising but they ultimately crashed. We continue to see investors do the same on a day to day basis as well, a phenomenon called momentum investing. A momentum investor would look at buying rapidly rising stocks, and sell them later during their 'uptrend'. According to Keynes, the firm-foundation was too much work, and needed a lot of analysis, which may be doubtful. (http://www.equitymaster.com/detail.asp, Retrieved 2nd July 2011)

In simple terms a stock is part ownership of a company. When a company goes public, it divides the ownership of the company into shares of stock. You or anyone else can buy just one share and become a part owner. If you can buy all the shares, you will be the sole owner. Shares of stock are the building blocks of the "stock market".

When you buy a stock all that money is tied to the success or failure of that company. If the company does well the stock price would go up and your investment would be worth more. Conversely, if the company has had hard times the price would go down and your investment is worth less. Some individual stocks have potential for high returns but with that come greater risk for loss as well. Stocks are a type of security emitted by representatives of either an open or closed joint-stock company to be retained by shareholders. Open joint-stock companies release emitted shares into free sale while closed ones have limited number of stock owners. Companies issuing stocks approve decisions as to the amount they need for the proposed investment. (http://www.learnstockinvesting.org/stock-market-investing, Retrieved 5th June, 2011)

Stocks are placed into the stock market with the purpose of obtaining income; this type of securities is a subject of the stock market and is used in the trading process performed by skilled stockbrokers. This process is called stock investing.

Lowery, 2009 gave similar reasons when he stated that companies issued shares in order to raise money so that they could invest in their businesses and help them to grow. Once a company has issued shares they could be bought and sold on the stock market. The company might decide to issue more shares in future to raise more money for expansion. This is called a rights issue.

2.3.2 Types of stocks

Stocks differ in their types and some of the types are:

i. Buffer or safety stocks, comprising an estimated amount of items to be kept as a protection against all possible shortages

ii. Consignment stock which are possessed and held by different parties

iii. Lot-size or working stock which is the amount of inventory needed for a certain period under the condition of moderate demand level

iv. Seasonal or promotional stock, that is, the amount of inventory needed to cover an estimated heavy demand

v. Speculative stock, that is, those having potentially high return risk (http://www.learnstockinvesting.org/stock-market-investing, Retrieved June 5th 2011)

2.3.3 Types of shares

Ordinary shares are the most common of all types of shares. They simply represent ownership of a company. When someone, buys shares of a particular company or business (also known as equities or stocks), the individual literally becomes a part-owner of that business.

Preference shares are limited risk shares that give their holders special rights over ordinary shareholders. They tend not to be issued any more but a number of companies still have them for historical reasons. In the event of liquidation, preference shareholders receive the full value of their shares prior to ordinary shareholders being paid. The dividend is usually fixed, so preference shareholders do not benefit from improvements in profit.

When it comes to voting rights during a company's Annual General Meeting (AGM), preference shareholders usually have no voting rights unless the dividend has been withheld for five years. Preference shares can also have the feature of being convertible share since it can often be converted to ordinary shares at some future date.

'A' shares usually refer to shares with no voting rights, issued when a company needs to raise further capital for which current shareholders do not want to lose control of the company.

Deferred shares usually have special dividend rights, often entitling the holder to all profits after a certain percentage had been paid to other types of shareholders. They are sometimes issued to founders of a business, but they are not very common in public companies (Lowery, 2009).

2.3.4 Types of investors

There are amateur (usually individual) and professional stock market players who make up the types of investment. The amateur stock market players usually begin with penny stock investing, and also seek free stock investing opportunities, in order to gain experience, have some practice, understand the trading process better and refrain from venturing big sums of money into the stock market.

Professional stock market investors make financial analysis of the market and its tendencies and make practical usage of different stock investing strategies in order to increase expected income. They can do it with the help of own knowledge supported by specialized software. (http://www.learnstockinvesting.org/stock-market-investing, Retrieved on 5th June, 2011)

Professional and Individual investors

According to Maditinos, Theriou & Zeljko (2006), empirical evidence suggests that investment professionals may have different practices in different markets and may use different techniques for market forecasting in different time horizons. Thus, it is probable that the practice of market forecasting and stock selection in Greece may be different from that of other developed stock markets, such as the US market. They add that, in the US for example, detailed reports on the stock market are mainly found in financial newspapers and the reports are fundamentally analysis-oriented. The majority of the daily newspapers in Greece, and other countries (e.g., UK and Hong Kong), however, provide detailed reports of both fundamental and technical analyses on the stock market.

2.3.5 Benefits of investing in shares

The major reason an individual may invest in shares is to accrue income in the years after the investment. When an individual owns shares he/she, according to Lowery (2009) owns a little bit of a company. He/she has a stake in it and becomes a shareholder. Being a shareholder gives the individual the right to share in the growth and profits of the company. The individual also has the right to receive the company's report and accounts annually.

As a shareholder, the individual also has a say in how the company is run, through voting rights at annual general meetings, for example. The more shares an individual owned, the bigger his/her stake, and say. A shareholder may also receive some perks, such as discounts on some of the company's products. (Lowery, 2009)

Value versus growth of stocks

A substantial body of scholarly research has shown that value stocks earn higher returns than growth stocks. Fama and French (1993) analyzed stock returns over a 20-year period in 13 different countries and found that value stocks consistently outperformed growth stocks by a significant amount. The causes of this phenomenon continue to spark debate amongst finance professionals. One theory is that value stocks are riskier than growth stocks. Other theories suggest that investors incorrectly price growth due to psychological factors or professional money manager pay incentives. (Lowery, 2009)

Deciding where to invest depends very much on the individual's attitude to risk and for how long he/she plans to invest. If one wishes to save for more than five years it is well worth investing part of the individual's portfolio in the stock market. (http://www.capital.bw/securities/doc/A_Guide_To_Investing, Retrieved on 12th June, 2011).

An individual's attitude to risk takes another dimension when he/she has to decide what type of investor he or she wants to be. This is crucial as it will determine the type of investments that will suit the individual. Investment experts tend to put investors in one of three categories: cautious, balanced or adventurous.

Deciding which category one is in depends on how much risk one is happy in taking. For instance, if the individual is a young investor he/she can afford to be more adventurous with his/her investments, in the hope of getting better returns because he/she has longer time to replace any money he/she may lose. The investor can also be adventurous if he/she is wealthy and has plenty of money in other assets. (http://www.capital.bw/securities/ doc/A_Guide_To Investing, Retrieved on 12th June, 2011) Balanced investors tend to be those who are slightly older, perhaps with families or who are prepared to take a little risk to get a better return.

The individual who wants to ensure that his/her capital is completely safe is a cautious investor and should think carefully about whether or not investing in shares is for him/her. This is particularly important for people in, or near, retirement who would suffer a decline in living standards if they were to lose money.

The individual investor also needs to consider whether he/she wants income or growth from his/her investments, why he/she is saving and when he/she will need to access or liquidate his/her investment. Broadly speaking, the individual investor should be cautious about investing in shares unless he/she can afford to leave his/her investment untouched for, at least, five years. The longer the investor leaves his/her investment untouched, the greater chance he/she is giving it to grow and reach its best.

2.4 Empirical Analyses

Wallenius (2009) conducted a study on Securities Clearing and Settlement on the Ghana Stock exchange as an emerging market in 2009. In her study, she pointed that the idea for implementation of stock exchanges and financial liberalisation came from the developed nations. It seemed like they ordered Sub-Saharan Africa (SSA) countries to open their markets for international investors and left them on their own when financial borders were broken down. SSA economies have not traditionally been market-based and the indigenous people have not been accustomed to the market economy. The unintentional lack of knowledge and proficiency of financial markets among indigenous people has led to the poor performance of the stock exchanges, thus not contributing towards the economy in the way anticipated. She suggested this could be improved by providing better education of the operation of financial markets, thus engagement in the form of intellectual and financial capital especially from the developed nations would be essential.

2.4.1 What is investment?

Generally, every activity that is done today but which will yield profit at a later date can be described as an investment. Investment involves postponing your consumption today in order to put your savings to work. Investment can also be described as the bridge between having savings/surplus cash and reaping returns. In other words, investment has the potential to move the savings/surplus funds of one person/entity to another who needs or requires those funds. (http://www.gse.com.gh, Retrieved on 10th July, 2011)

In deposit terminology, the term investment refers to the process of placing funds to obtain an asset with the expectation of receiving future gains. Gains that may come from the asset invested in could be in the form of interest, income or appreciation in the value of the asset. (http://www.deposits.org/dictionary/term/investment/, Retrieved on 10th July, 2011).

2.4.2 Reasons people invest

According to Lowery (2009) it was known, through history of investment in stock, that over the long term, equities consistently outperform all other forms of savings or investments. He backs the claim up by stating that UK shares managed to return an annual average of 7.2% between 1957 and 2007, compared to 2% for cash accounts, according to the 2008 Barclays

Capital Equity-Gilt study. The figures took inflation into account - but they also assumed the investor had the discipline to re-invest all dividends.

Lowery's (2009) claim was corroborated at a website on Botswana, where it was claimed that share ownership was becoming popular in Botswana because history had proved that over the long term, shares produce far better gains than other assets such as cash, and that even if they fall sharply in the short term, they have often appreciated in value sufficiently to recover any lost value. Individuals may invest in a company because they may not need income from their investments in the short-term. Many companies also pay a dividend, so the individual investor may expect a yearly dividend out of the company's profit.

Furthermore, Maditinos, et al, (2006) identified that more than 30 per cent of Greeks own shares either directly or through managed funds. Government policy in Greece encourages individuals to take responsibility for their own retirement income and so they (Maditinos et al) forecasted that the figure (30%) was likely to rise in the long term. They claimed that despite the importance of individuals' investment decisions, little was known about the factors that influence them. This finding could be consistent with the attitude of individual investors in Ghana, who also have little information and understanding about shares. Other investment strategies used by individuals have been explored through a body of studies performed in the past.

Potter (1971) identified six factors that affect individual investors' attitudes towards their investment decisions. These were dividends, rapid growth, and investment for saving purposes, quick profits through trading, professional investment management, and long-term growth. Baker & Haslem (1973) argued that investors were primarily concerned with expectations about the future, considering earnings projection and historical data to be of high interest to investors in implementing their investment strategies.

Blume & Friend (1978), in their study conducted in the New York Stock Exchange in 1975 on American individual investors found out that both price and earnings volatility were the primary measures of risk undertaken by individual investors. Antonides & Van Der Sar (1990), exploring individual investors' characteristics in the Dutch stock market, argued that "the perceived risk of an investment is lower the more the stock price has increased recently", (p. 236) which was a view similar to the findings of Blume & Friend (1978).

Schlarbaum, Lewellen, & Lease (1978), explored individual investors' investment performance in New York Stock Exchange compared to that of professional fund managers, and concluded that individual investors display considerable skills in making their investment decisions.

In a study entitled the attitude of youths towards investment in the Nigerian stock market, Adebayo, Abdullahi, & Adeoti (2006) examined the problems which affected youth's attitude towards investment in the Nigerian Stock Market. This accounted for the reason why many of them were averse to investment in the stock market.

Adebayo, et al (2006), in their work cited Olowe's (1998) suggested that individuals may be averse to investing in the stock market because of diverse factors. Some of the factors included ignorance of the public, especially the youths as to the meaning of shares and stocks and benefits derivable from market operations. They also cited lack of financial resources as a factor necessitating the negative attitude of youth towards investing in Nigerian stock market. Another factor they revealed was infrastructural inadequacies in the market, which resulted in delays in effecting transactions on timely basis. Again, the delay in returns on investment, which caused fear, panic or impatience on the part of the shareholders as well as multiple taxation on investments were also factors they recognised. (pp. 25-33)

The study was conducted in Adamawa State and had the Batch 'A' and Batch 'B' of the National Youth Service Corp (NYSC) personnel as the population. In testing the hypothesis, the calculated value, using Spearman Rank Order Correlation yielded P = -0.98 which indicated a strong negative correlation between the youth's attitude and their drive to investment in the Nigerian stock market.

Since 0.74>-0.98, the null hypothesis which states that financial constraint contributed to the negative attitude of youths towards investment in the Nigerian stock market stands accepted. It was therefore concluded that financial constraints contributed significantly to the youth's negative attitude to investment in the Nigerian Stock Exchange Market.

At the end of their study, Adebayo et al recommended free educational enlightenment programmes be provided to the youth especially in the tertiary institutions so as to increase the attitude of youths positively towards investment in the Nigerian stock market. They also recommended adequate dissemination of information be put in place as a means of increasing the mode of awareness of the youth, especially on what is happening at the trading floor of the

Nigerian stock exchange. They also suggested that stakeholders in the capital market should continue to educate the public to imbibe the culture of investing as the market is not only for the elite. Again, the government was charged to assist the youth financially through the financial institutions by giving them soft loans in order to invest and participate in the activities of the Nigerian stock market. Lastly, they suggested that the youth be encouraged to invest in the Nigerian stock market so that they could have a share in Nigeria's wealth. This would contribute to the growth and development of the economy as the future of the country rests squarely on their shoulder.

2.5 Conclusion

In conclusion, the literature review was based on current empirical and historical literature. However, the lack of studies concerning individuals' attitude towards investing in stocks in Ghana is apparent. Developments in United Kingdom, United States and Europe, where stock markets are mature, revealed the active participation of individuals and professionals in their stock markets. However, the Ghana Stock Exchange (GSE) is in very different stage of development as the ordinary Ghanaian seems to be passive in their participation of the stock market.

Despite the lack of infrastructure and funding, developing stock markets are trying to catch up mature markets.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter outlines the methodology used to conduct the study. These include research design, population, sample and sampling techniques, the instruments used for the data collection and also describes the techniques used to collect and present the data gathered.

3.1 Research Design

The descriptive survey was the research design used. Descriptive survey is a design that studies or searches for accurate information about a phenomenon or event and the probability of the occurrence or existence of that phenomenon or event. (Best & Kahn, 1998).

According to O'Connor (2010), the term "survey" actually refers to one, or some combination of two, procedure(s): questionnaires; and interviews. The basic idea behind survey methodology is to measure variables by asking people questions and then to examine relationships among the variables.

The descriptive design also involves observing and describing the behaviour of a subject without the researcher or observer influencing the outcome in any way. www.experiment-resources.com**).** The descriptive survey was used because the study was meant to acquire information on, or assess "what is" the attitude of individuals in the Sekondi-Takoradi Metropolis toward investment in stocks.

Qualitative research design was also used for the study because it always allowed the researcher to describe the state of a current phenomenon, according to Seidu (2006). The qualitative design also enabled the researcher to receive different responses from respondents, as the responses were based purely on opinions, which varied from person to person (Fraenkel & Wallen, 1993).

3.2 Population

The term "population" refers to the sum of people or the totality of the occurrence of what is of interest to the researcher. Population could be people, animals, institutions or any other defined elements which are subject of the study (Seidu, 2006). Due to the large size of the entire population, researchers can not often reach or involve every individual of the population because it is too expensive and time consuming.

The population for the study comprised all bankers, nurses, teachers and traders resident in the Sekondi-Takoradi Metropolis. Traders were included in the study because it was believed that they were in the business of improving the financial resources of their businesses and would likely take advantage of any opportunity to do so. Secondly, an improved financial base could also be a source of future expansion of their businesses.

Bankers formed part of the population because of the general view held that the knowledge of, and interest in stocks would be high among people who work in banks. If this general view were right, then one could reasonably expect that the attitude of bankers toward investing in shares would be more positive than non-bankers. Again, since most banks are known to own brokerages as subsidiaries to offer brokerage services to their customers, it is believed they may more abreast with the subject of investment in stocks.

Majority of the established traders also owned stalls in the market or stores around the Market Circle so they were thought to be easily accessible.

Teachers and nurses were also included in the population for the study because both groups were more or less organised, were located in specific places of work and could easily be reached. Moreover, by the level of their educational background, the researcher felt strongly that they could provide the information the study set out to find.

Finally all the groups – bankers, teachers, nurses and traders in the target population were accessible because they were located at specific points within the Metropolis.

3.3 Sample and Sampling Technique

A sample is a small proportion of the population selected for a study**.** Sampling is the process by which a sample is picked from the population (Seidu, 2006). According to Nworgu (1991), a sampling technique is a plan that specifies how elements are drawn from the population being studied.

The sample size was one hundred comprising equal numbers (25) of bankers, nurses, teachers and traders. The quota sampling procedure was adopted to divide the sample size to twenty five each.The banks that formed the sample were Zenith Bank Ghana Ltd. (ZBG), United Bank for Africa (UBA), Ghana Commercial Bank (GCB, Main), Barclays Bank (Liberation Road Branch) and Stanbic Bank Ghana Ltd. (SBG).

The sample size was limited to one hundred because of financial and time constraints. The researcher believed that a sample size of 100 would be representative enough for the study to achieve a fairly reasonable amount of information relevant to the study.

The sampling procedures used were the simple random sampling, purposive sampling and systematic random sampling. Random sampling, according to Kahl (2011), is a probability method in research in which every member of the population has an equal chance of being selected. It thus makes the sample a good representation of the population. (http://www.wisegeek.com/freelance-writing-jobs.htm , Retrieved, 6th July 2011). One way to obtain a simple random sample is the lottery method. Kahl (2011) asserted that every member of the population had an equal chance of being selected in the sample.

The simple random sampling technique was used to select the banks while the systematic random sampling was used to select the bankers in the sample. The lottery method was used to sample the banks. The names of all the banks in Takoradi were written on pieces of paper which were rolled into balls and put in an open container. A colleague was asked to pick five of them and those she picked formed the sample banks.

The same procedure in selecting the banks was used to select one Basic School, the Lagos Town M A Basic School, in the Kwesimintsim Circuit. The Kwesimintsim Hospital, the only Government Hospital in the Kwesimintsim Area was purposively selected. Kwesimintsim Area was purposively selected because of its quasi-rural setting.

In sampling the bankers, the researcher identified a contact person in each bank who looked for four other colleagues who were interested and willing to partake in the study. That was the procedure used led to arriving at the sample size of 25.

The "nth" or systematic sampling method was used to select the teachers and nurses in the sample. A list of the teachers and nurses were collected from their respective heads and numbered according to the order on the lists. After the numbering, the first 25 names on the teachers' list and 25 names at every odd number (starting from '1') on the nurses' list were picked to form the sample. A total of 50 teachers and nurses thus formed the total sample of the two groups.

The traders were sampled, using the convenience sampling technique because they were located in stalls or permanent locations in the market or stores around the Market Circle where they could easily be reached and contacted. The market queens and leaders of the cloth sellers group, tomatoes sellers, yam sellers, used clothes traders and plastic ware dealers were contacted to give leads to the various members of their groups. With the assistance of the leaders, five members (including the leaders) of each group were contacted to form the sample of twenty five traders.

3.4 Research Instrument

The questionnaire was the instrument used to collect the data for the study. The questionnaire has been described as a systematically-prepared document designed through the compilation of questions and statements to elicit responses from respondents (Seidu, 2006).

The questionnaire is also described as a form or document containing a number of questions on a particular theme, problem, issue or opinion to be investigated (Seidu, 2006). The items on a questionnaire are intended to be answered by a particular or a specified group or individual, deemed to have, or been knowledgeable about a particular concept or problem.

The questionnaire which included both open-ended and closed-ended questions was developed by the researcher, to elicit information on the study. The open-ended items were used to allow respondents freely express their views while the closed-ended items were used to obtain responses to items which had multiple responses. The same questionnaire served as an interview guide to semi-illiterate and illiterate respondents and responded to by literate respondents.

The researcher's supervisor read through the draft instrument and made comments and suggestions which led to re-casting, correction or deletion of some of the items. The content validity of the instrument was therefore ensured.

3.5 Sources of Data

The source of data for this study was dominantly the primary data. The primary data was collected using questionnaires to elicit information from the respondents. Other relevant pieces of information were gathered from written materials, which included the African Economic Research Consortium (AERC) research paper, corporate finance textbooks, reports of financial markets and institutions and studies other writers and researchers have conducted which are relevant to the present study. Reports on the performance of various stocks on the Ghana Stock Exchange also provided useful data for this study. Other relevant information were also picked from various internet websites and studies relevant to the present study were used.

3.6 Data Collection Procedure

The researcher, through the contacts at the various banks, arranged with, and met the bankers in the sample at their respective work places, and discussed with them the study she was about to undertake. She later went to each bank at pre-arranged dates, after banking hours, and met the bankers sampled, briefed them on the questionnaire and gave the questionnaire to them to be completed at their own pace. It was agreed that the researcher should return a week after the meeting to retrieve the questionnaires.

The Assistant Head teacher arranged for the researcher to meet the teachers on a pre-arranged day and time after classes. The researcher briefed the teachers about the study and distributed the questionnaire to them. The teachers made the researcher wait to collect the completed questionnaire.

In the case of the nurses, the researcher and her research assistant contacted them individually and explained the purpose of the study. They were then given the questionnaire to be completed in their spare time and handed over to a contact person at the Hospital. The nurses gave either a week or two weeks for the collection of the completed questionnaire.

The researcher and her research assistant went to the traders, also at pre-arranged times and dates, to interview them, using the questionnaire as the interview guide. Since most of the interviewees at the market place were either illiterate or semi-literate, and more comfortable communicating in the local language (Fante), the researcher and her assistant were obliged to use Fante to conduct the interview.

3.7 Data presentation and analysis procedure

The data collected were coded, tallied and tabulated according to themes under the research questions. The data was presented in tables, discussed and conclusions drawn with the help of the SPSS software. Inferences from the review and other relevant studies were drawn to buttress the findings.

CHAPTER FOUR

DATA PRESENTATION AND DISCUSSION OF RESULTS

4.0 Introduction

This chapter presents and analysis data gathered from the field and discussions were drawn in relation to other works reviewed in the literature.

4.1 Demographic data of respondents

This section of chapter four looks at the demographic data of the respondents which is presented in Fig. 1 below.

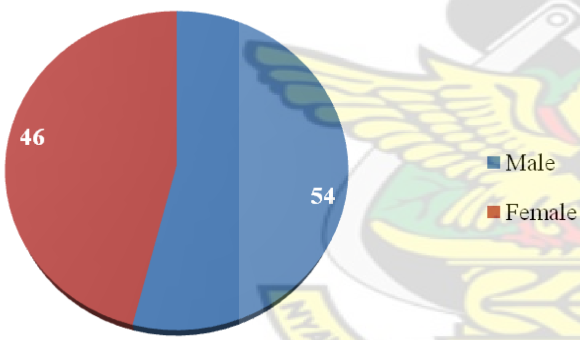

Fig. 1: Gender of respondents

Majority of the respondents were males as shown in Fig 1 above. 54% of the sample were males with the remaining 46% being females thus the males outnumbered the females by 8%. The data showed that even though an equal representation of the sexes would have been preferable, it might be observed that the difference is not too wide. It may, therefore, be concluded that there was a fair representation of the sexes.

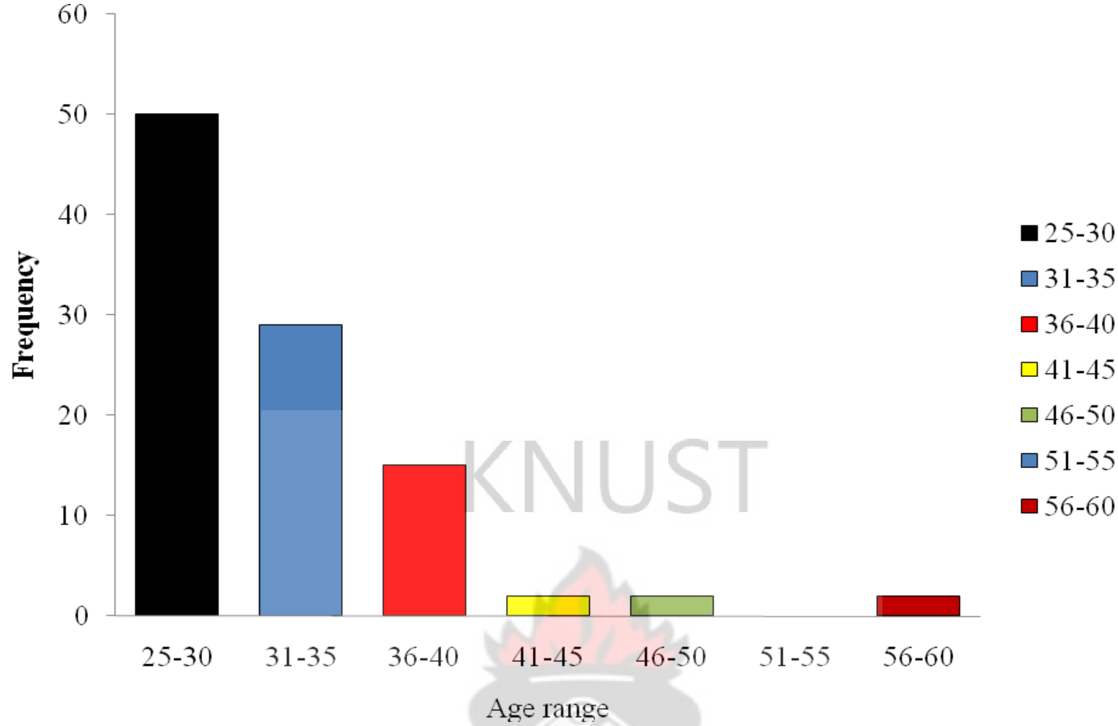

Fig.2: *Age of respondents*

The data in Fig. 2 above showed that there were 50 respondents aged between 25 and 30 years and 29 respondents aged between 31 and 35. Fig. 2 further showed that there were 15 respondents who were aged between 36 and 40. The data shows that majority (94%) of the respondents were in their youthful ages (between 25 and 40years). The ages of most respondents seemed to suggest that they were quite youthful and in the very active working age group. They may have the opportunity to undertake several investments which can serve as a regular source of income during their non-working age or retirement. It is worth noting that only 6% were in their forties and fifties, indicating, possibly, that there were younger workers in the various groups sampled than older workers.

Table 4.1: Educational attainment of Respondents

Type	Frequency	Percentage (%)
University	42	42.0
Polytechnic	14	14.0
Technical/Vocational	6	6.0
Snr. Sec/ Snr. High School	25	25.0
Middle/Basic School	6	6.0
None	7	7.0
Total	**100**	**100.0**

Source: Field Survey, 2011

Table 4.1 above presented the data on the educational attainment of respondents. Majority of respondents (42%) had university education while 25% had had senior secondary or senior high school education. The respondents with technical/vocational education and middle/basic school education were 6% each, the least. There were 7% of the respondents who had had no formal education.

The data showed that almost all the respondents (93%) had had some level of formal education, with the minority (12%) ending at the middle school/basic level and the majority (81%) of them ending up with university education. However, the remaining 7% of the respondents had no formal education at all.

Again, a correlation analysis showed a positive correlation between the respondents' levels of education and their understanding of stocks. It had a significance level of 0.046. The reason for acquiring shares and understanding of shares had a positive correlation with a significance level of 0.542. (Refer to Appendix 2)This proved that people who owned shares had some level of understanding of what stocks were.

4.2 Individual views of investing in stocks

In order to ascertain the various views and reasons held by individuals for investing in stocks, respondents were asked if they would recommend stocks to friends and family .The results are presented in Table 4.2 below.

Table 4.2: Recommendation of Stock Investment to Family and Friends

Response	Frequency	Percentage (%)
Yes	78	78.0
No	22	22.0
Total	**100**	**100.0**

Source: Field Survey, 2011

From the data in Table 4.2 above, 78% of the respondents stated that they would recommend investment in stocks to their friends and family members but 22% would not. These choices were made with reasons which are presented in Table 4.3 below.

Table 4.3: Reasons for Recommendation to Family and Friends

Reasons	Frequency	Percentage (%)
Secure form of investment	23	29.5
To feel proud as shareholder in successful company	4	5.1
Shares provide good future security	17	21.8
Form of accumulating funds for business	15	19.2
Form of personal wealth-creation	14	17.9
Selling shares when prices go up	5	6.5
Total	**78**	**100.0**

Source: Field Survey, 2011

In Table 4.2, the data showed that of the 78% respondents who responded that they would recommend investment in stocks to their friends and family members, 29.5% stated that they would do so because stocks were a secure form of investment, while 21.8% would recommend stocks because they provided good future security, 19.2% saw stocks as a means of accumulating funds for business; and stocks being a form of personal wealth-creation was the reason given by 17.9% of the respondents. All these findings were consistent with the firm-foundation theory that stocks have an intrinsic value – wealth for an anticipated future time. The other reasons were feeling proud as a shareholder in a successful company given by 5.1%, the least, and 6.5% chose "selling stocks to make profit when their prices went up" as their reason for acquiring shares.

It is significant to observe that majority, 41.3% of the respondents, had the security provided by stocks as what would make them recommend investment in shares to close relations. In comparison with the seemingly strong preference for security provided by shares, the reasons that attracted the least preference for recommending investment to others were the individual being proud to be a shareholder in a successful company and selling to make profit when stock prices went up.

The long-term benefits and expectation of high dividends, as indicated by the expressions of "secure form of investment", "shares providing good future security", "form of accumulating funds for a business venture" and "a form of personal wealth-creation" may be said to be in agreement with Lowery (2009), who said that the history of investment in stock had shown that over the long term, equities consistently outperformed all other forms of saving or investment.

There was also the case of Botswana, where it was claimed that share ownership was becoming popular because history had proved that over the long term, shares produced far better gains than other assets such as cash. It was also found that even if share prices fell sharply in the short term, they often appreciated in value sufficiently to recover any lost value, and thereby confirming the fact that investment in shares paid more in the long term than other forms of investment. Little (2011) also emphasized a similar view as Lowery (2009) when he claimed that investing implied the potential for higher returns than one could earn through savings accounts. Little (2011), added that those who built fortunes by investing built their fortunes over time, which agreed with a finding in the present study that some respondents saw investment in stocks as a form of personal wealth-creation.

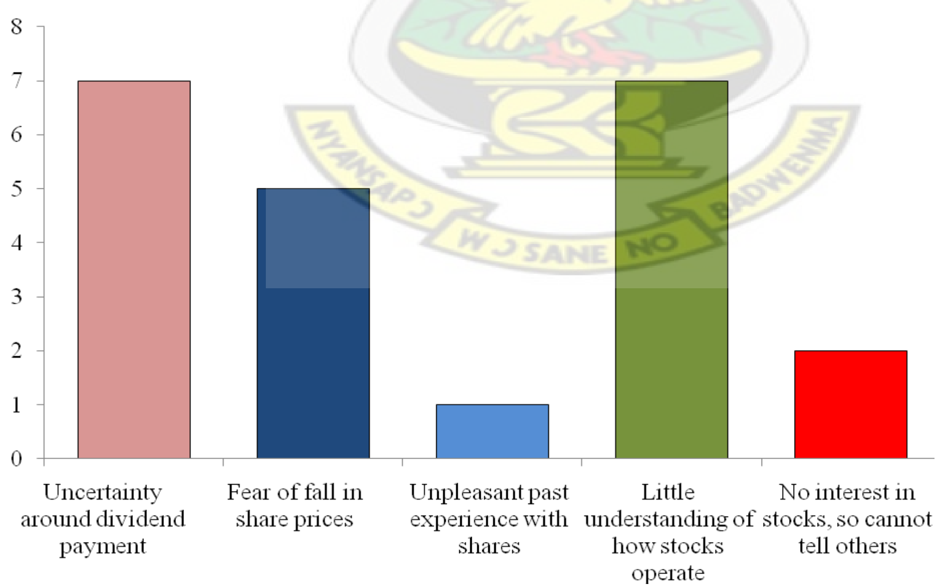

Fig.3: *Reasons for not recommending to Family and Friends*

Data in Fig. 3 above showed that majority, 31.8% each of the respondents who would not recommend investment in shares to their family members and friends cited uncertainty around dividend payment and little or no understanding of how stocks operated respectively as their reason for doing so. The 22.7% gave fear of fall in share prices as their reason. Again, the data in Fig. 3 above, indicated that 9.1% stated that they had no interest in stocks so they could not tell others about stocks while only 1%, would not recommend investment in shares because of unpleasant past experience with shares.

The finding of uncertainty about the payment of dividends, as a reason for some investor respondents not recommending investment in shares, was corroborated by Olowe (1998) in Nigeria. He identified delay in returns on investment, which caused fear, panic or impatience on the part of the shareholders in his study.

Again, Olowe (1998) cited infrastructural inadequacies in the market, which resulted in delays in effecting transactions on timely basis. This reason could be, by conjecture, similar to the "unpleasant experience" 1% of the respondent cited as a reason he/she would not recommend investment in shares to close relations. In comparing "unpleasant experience" to the other reasons given by those who would not recommend investment in shares to other persons, it may be said that while no one had control on the others but operators of stocks had control over "unpleasant experience".

The attitude of individual Ghanaian investors to investment in shares and stocks, according to the data in Table 4.3 and Fig. 3 above, was both positive and negative. However, it was more positive than negative so one might conclude that generally the attitude of the respondents was positive rather than negative and well-disposed toward investment in stocks and shares.

4.3 Level of the individual Ghanaian's knowledge on stocks and investment in stocks

This section was aimed at ascertaining the level of the individual Ghanaian's knowledge on stocks and investment in stocks. Items 8-10 of the questionnaire were used to collect data which are presented in Table 4.4 below.

Table 4.4: Knowledge about Shares and Stocks

Response	Frequency	Percentage (%)
Yes	91	91.0
No	9	9.0
Total	**100**	**100.0**

Source: Field Survey, 2011

The data in Table 4.4 shows that 91% of the respondents had knowledge about shares while 9% had no knowledge about shares. The level of knowledge about shares among the respondents may be said to be very high since majority (91%) of them had that knowledge. The implication of this finding may be an increase in the number of individual investors, if the majority who knows talks about it to potential investors or individuals they knows.

For those who have no knowledge about shares, the cause of their ignorance as Olowe (1998) also found in Nigeria. Olowe found out that ignorance of the public, especially the youths as to the meaning of shares and stocks and benefits derivable from market operations was a contributory factor to the negative attitude Nigerian youth had toward investment in shares.

The table below, Table 4.5, presents the views of respondents' who had knowledge about stocks.

Table 4.5: Respondents' Views about Stocks or Shares

Views	Frequency	Percentage (%)
Stocks are certificates of ownership in a company	32	35.1
Shares are certificates sold to raise money to start or expand company	17	18.7
Stocks are a form of investment	40	44.0
Don't know what they mean	2	2.2
Total	**91**	**100.0**

Source: Field Survey, 2011

From Table 4.5, the data showed that out of the total 91 respondents who had heard or knew what stocks or shares were, 35% viewed shares or stocks as certificates of ownership in a company, while 18.7% saw stocks as certificates that are sold to raise money for starting a new company or for expanding an existing one and 44% of them, the majority, viewed stocks as a form of investment. Furthermore, Table 4.5 shows that 2.2%, the least number of respondents, did not know what shares or stocks were.

The data in Table 4.5 indicates that, except the two who did not understand stocks or shares, all the other respondents who responded that they knew or had heard about shares had their choices being right statements about shares or stocks.

The views on what shares are agree with what Lowery (2009) said, when he stated that companies issue shares in order to raise money so that they can invest in their businesses and help them to grow and that a company may decide to issue more shares in future to raise more money for expansion.

Fig. 4 provides data on sources from which the 91 respondents, who had knowledge about stocks, obtained information about investment in stocks.

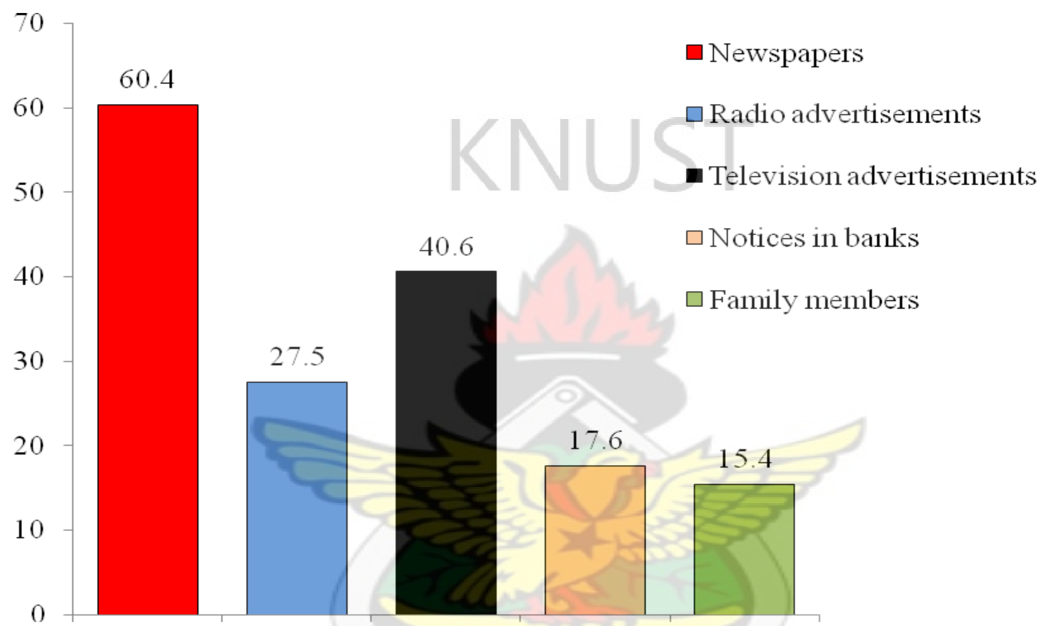

Fig. 4: *Sources of information about investment in stocks*

NB: Respondents were allowed to choose all sources of their information

Item 10 demanded of those who responded positively to have had knowledge about shares to indicate their sources of information about investment in stocks. The responses are in Fig. 4.

The data in Fig. 4 shows that 60.4% of the respondents who had knowledge about shares indicated newspapers as their source of information, while 40.6% indicated TV adverts as their source of information "Radio adverts" was picked by 27.5%, while 17.6% had the information from notices in banks and 15.4% citing family members as their source of information about investment in stocks and shares.

The data showed that newspapers and television were the major sources of information about stocks and shares to the respondents. The finding about newspapers may be usual as, according to Maditinos, Theriou & Zeljko (2006), empirical evidence shows that in the US, for example, detailed reports on the stock market are mainly found in financial newspapers and the reports are fundamentally analysis-oriented while the majority of the daily newspapers in Greece, and other countries (e.g., UK and Hong Kong), however, provide detailed reports of both fundamental and technical analyses on the stock market.

It is, however, significant to observe that the number of respondents who had their information from the banks was small in comparison to newspapers and the television. It is significant because one would have expected the banks which have many customers to have been among the major sources of information on shares. On the other hand, the banks may not have been a very important source of information, because it is known that it is not all banks that are allowed to sell every share.

4.4 Factors for investing in stocks

Items 11 - 15 were used to gather information on the factors individuals considered before investing in stocks. Tables 4.6a and 4.6b below present responses as to whether or not respondents owned shares or stocks.

Table 4.6a: Knowledgeable Respondents owning Shares or Stocks

Response	Frequency	Percentage (%)
Yes	85	93.4
No	6	6.6
Total	**91**	**100.0**

Source: Field Survey, 2011

Table 4.6b: Non-knowledgeable Respondents owning Shares or Stocks

Response	Frequency	Percentage (%)
Yes	4	44.4
No	5	55.6
Total	**9**	**100.0**

Source: Field Survey, 2011

The data in Table 4.6a shows that 93.4% of the 91 respondents who responded that they had knowledge about shares or stocks also owned some of them, while 6.6% did not own any.

The data in table 4.6b showed that 44.4% of the 9 respondents who responded that they had no knowledge about shares or stocks owned some of them, while 56.6% of them did not own any stocks.

In comparing the data in Tables 4.6a and 4.6b, it may look strange that some of the respondents (44.4%, Table 4.6b) who had no knowledge of stocks rather owned shares while some, (55.6%, Table 4.6a), of those who knew about shares owned none. The question that may arise is "If the four who did not know what shares were owned shares, how could they have bought the shares?" However, overall 89% of all the respondents owned stocks.

4.5 Reasons for Acquisition of Stocks or Shares

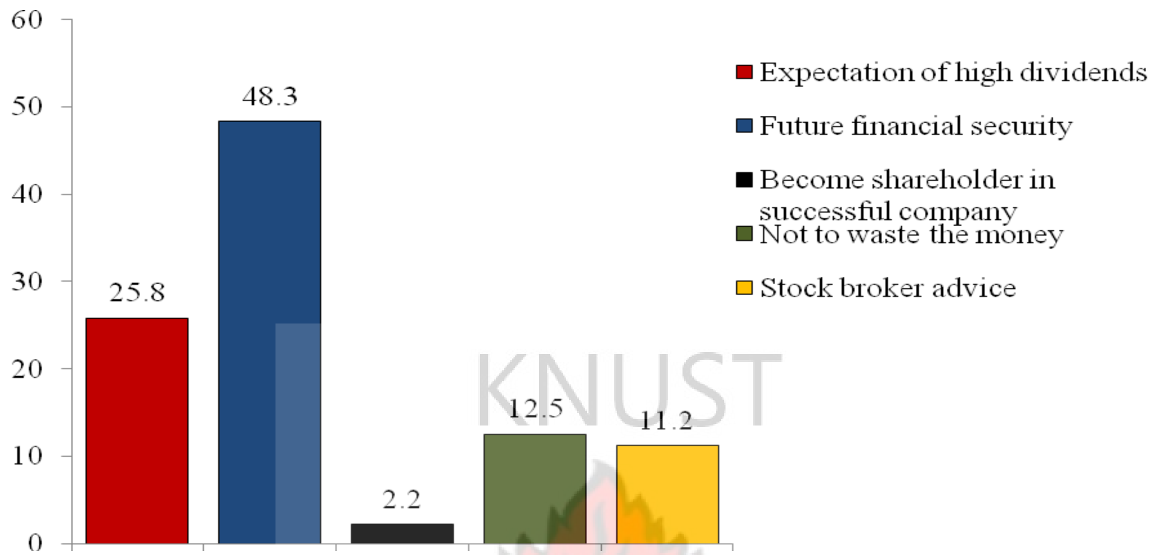

Fig. 5: *Reasons for acquisition of stocks or shares*

From Fig. 5 above, 48.3% constituting the majority of the respondents who owned shares, had expected future financial security as the reason for acquiring stocks, while 25.8% of them acquired them because of expectation of high dividend and 12.5% not wishing to waste their money. Eleven percent of the respondents (11.2%) did so on the advice of stock brokers and 2.2%, the least number, of them acquired shares because they wanted to become shareholders in a successful company.

Some of the reasons for owning shares had been identified in other studies. For instance, (Lowery, 2009), states that when someone buys shares of a particular company or business (also known as equities or stocks), the individual literally becomes a part-owner of that business. Lowery's statement corroborates what two respondents said, that because they wanted to become shareholders in a successful company. In another instance, an individual stated that he or she did not want to waste the money, implying that he or she wanted to save the money, a reason which is similar to Lowery's (2009) claim that over the long term, equities consistently outperform all other forms of saving or investment. Lowery (2009) again added that individuals may invest in a company because they may not need income from their investments in the short-term.

Many companies also pay a dividend, so the individual investor may expect a yearly dividend out of the company's profit, claimed by Lowery (2009), is the same reason as what 25.8% of the respondents stated (Fig. 5). The most significant reason is the desire of the majority 48.3% to have future financial security which may be said to be a positive and an appropriate reason, so that they may not face financial problems in old age.

Item 11 on the questionnaire asked if respondents owned any shares or stocks and 51.7% responded positively while 48.3% of them responded that they did not own any stocks. It seems that, of all the 89 respondents who responded that they had investments (Table 4.11), 51.7% had shares and stocks. It is possible that the remaining 48.3%, almost one-half, might have had investments in schemes, other than stocks. It is also possible that the 46 respondents who owned shares might have been owners or investors of other schemes.

The table below, Table 4.9, looks at data on the number of different types of shares held by each respondent.

Table 4.7: Number of types of stocks or shares held

Number held	Frequency	Percentage (%)
One	20	43.5
Two	11	23.9
Three	7	15.2
Four	4	8.7
Five or more	4	8.7
Total	**46**	**100.0**

Source: Field Survey, June 2011

The data in Table 4.7above indicated that 43.5% of respondents owned one type of stock, 23.9% of them owned two types of stock and 15.2% of them also owned three types of stock. Those who owned four or five and more were 8.7% each respectively. It may be observed that more than half of the 89 respondents who owned investments owned stocks and shares, which was quite an encouraging development.

Table 4.8: Reasons for Investment in Particular Stocks/Shares

Reasons	**Frequency**	**Percentage (%)**
Potential to pay high dividend	18	20.2
High potential of company to grow	16	21.3
An expert or broker advice	7	7.9
Influence of friends	5	5.6
Total	**46**	**100.0**

Source: Field Survey, June 2011

In table 4.8 above, the data showed that 20% of those who owned stocks did so because of the potential of the stocks to yield high dividends, and 21% who took those stocks because of the high potential of the company to grow. Almost 8% (7.9%) invested in the specific shares they were holding because experts advised them to do so while 5.6% took the stock on the advice or influence of friends.

The potential of the stocks to yield high dividends and of the company to grow, were the major reasons given by the majority (41.5%) of the respondents, just as Lowery (2009) stated that the major reason an individual may invest in shares is to accrue income in the years after the investment. He also said that being a shareholder gave the individual the right to share in the growth and profit of the company. (http://www.capital.bw/securities/doc, Retrieved 12th June, 2011)

4.5 Acquisition of stocks by individual Ghanaians

Items 6-7 and 16-17 of the questionnaire were used to solicit data to answer research question 4. Table 4.9 below presented responses to whether or not respondents owned any investment.

Table 4.9: Ownership of Investment

Response	Frequency	Percentage (%)
Yes	89	89.0
No	11	11.0
Total	**100**	**100.0**

Source: Field Survey, June 2011

The data in Table 4.9 showed that 89% of all the respondents owned some investments, while 11% did not have any form of investment. It may be observed that, if as high as 89% of the respondents had investments, then the awareness level about investment among individuals in the Sekondi-Takoradi Metropolis must be very high as well.

Table 4.10: Types of Investments owned by Respondents

Types	Frequency	Percentage (%)
Treasury Bills	34	38.2
Mutual Fund	41	46.1
Shares	46	51.7
Fixed Deposits	25	28.1
Life Insurance	11	12.4
Credit Union	7	7.7

Source: Field Survey, June 2011

NB: Respondents selected every type of investment owned

Table 4.10 above contained data on the types of investment owned by the 89 respondents who stated that they owned investments. From the data in table 4.10, there were 46.1% respondents who had invested in Mutual Fund, 51.7% had invested in Shares, while 38.2% and 28.1% of respondents had respectively invested in Treasury Bills and Fixed Deposits. There were 11 respondents representing a percentage of 12.4% who had investment in Life Assurance and 7.7% of them had deposits with Credit Unions.

The most popular forms of investment among the respondents were Shares, 51.7%, Mutual Fund 46% and Treasury Bills 38.2%. The least popular of investments was deposits with Credit Unions.

Below is Table 4.11 which presents data on the number of different investments respondents owned.

Table 4.11: Number of Types of Investments held

Number held	Frequency	Percentage (%)
One	43	48.3
Two	32	36.0
Three	12	13.5
Four	2	2.2
Total	**89**	**100.0**

Source: Field Survey, June 2011

In Table 4.11, the data showed 48.3% of the respondents had one type of investment, 36% respondents held two types of investments while 13.5% held three types. The fact that more than half of the respondents 51.7% owned, at least, two types of investment, made it clear that individuals in the Sekondi-Takoradi Metropolis may be very aware and interested in investment. Items 16-17 were used to obtain information on the Ghana Stock Exchange (GSE)

The information below (Table 4.12) showed data on respondents' knowledge about the Ghana Stock Exchange

Table 4.12: Knowledge about Ghana Stock Exchange

Response	**Frequency**	**Percentage (%)**
Yes	78	78.0
No	22	22.0
Total	**100**	**100.0**

Source: Field Survey, June 2011

Data in Table 4.12 above showed that 78% out of the 100 respondents had knowledge about the Ghana Stock Exchange (GSE) while 22% of the respondents had no knowledge about it. It may be said that the respondents had a high level of knowledge about the Ghana Stock Exchange, and such knowledge could make individuals' attitude to investment in stocks very positive.

Respondents who knew about the Ghana Stock Exchange were asked to identify the role of the Exchange. The responses were presented in Table 4.13 below.

Table 4.13: Role of Ghana Stock Exchange

Role	Frequency	Percentage (%)
Protects the investor	11	14.1
Regulates securities industry	13	16.7
Monitors trading of listed stocks	29	37.2
Offers trading, clearing & settlement functions for shares	25	32.0
Total	**78**	**100.0**

Source: Field Survey, June 2011

According to the data in Table 4.13, 37.2% respondents who had knowledge about the role of the Ghana Stock Exchange (GSE) stated that the Exchange monitors the trading of listed stocks, while 32.0% of them said the Exchange offers trading, clearing and settlement functions for shares. Fourteen percent (14.1%) said it protects the investor while 16.7% regulates the securities industry.

It seems majority 87% of the respondents knew about the role of Exchange and got the roles rightly identified but 16.7% of them picked the incorrect one – regulates the securities industry – which is the role of the Securities and Exchange Commission.

4.6 Strategies to be adopted to improve attitude of individual Ghanaians towards investment in shares

In gathering information relating to suggestions on strategies it came up from respondents that listed companies should embark on door-to-door campaigns, the GSE should get Television slots to educate the public on stocks, and that the GSE should collaborate with FM stations all over the country to educate the public about stocks. There were other suggestions, such as the GSE and listed companies organizing talks for employees at their work places and the banks organizing advisory services on stocks for their customers

Again, the GSE should consider decentralising its operatives to at least, the ten regional capitals rather than having a centralised operation only in Accra. Again, the National Commission on Civic Education (NCCE) in Ghana should add the education on stocks to the general investing public.

Finally, the rest are that the GSE should create an awareness on stocks among students and staff of educational institutions and that all banks and financial institutions should be able to sell shares without any restrictions.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

This chapter presents a summary of the findings of the study, conclusions drawn and recommendations arising out of the study.

5.1 Summary of Findings

From the results presented in Chapter Four, it came out among the findings that most respondents had very good knowledge about shares and owned one investment type or another. Shares or stocks were seen as "certificates of ownership", or a "form of investment". Investment in shares were a secure form of investment and better than other forms of investment. Uncertainty surrounding the payment of dividends was a disincentive to some individual investors who would not recommend investment in shares to their close relations. Generally, most individuals held a positive view about investment in shares though a few had a negative view of investment in shares.

5.2 Conclusion

It can be concluded from this research that individual investors in developed countries tend to invest more in stocks or shares due to access to more information that guides their investing decisions as compared to individual Ghanaian investors.

It is also clear from the study that the level of an investor's education influenced his/her understanding of stock and decisions to invest in stocks; that is the higher one's educational level the higher the tendency of investing in stocks.

5.3 Recommendations

From the findings of the study, the researcher recommends that the Ghana Stock Exchange and Securities and Exchange Commission (GSE) should offer more education and information on financial markets in order to maximize the benefits that can be gained through their operations in Ghana. Door-to-door campaigns and robust programmes translated in the various local languages should be carried out on the numerous FM stations to sensitize the indigenes on the importance and activities of the capital market. The awareness must be created that every Ghanaian is a potential participant of the capital market in general, and the stock market in particular.

The Ghana Stock Exchange should also consider decentralising its operations to at least, the ten regional capitals, then to the various districts rather than its current centralised operational position in just the capital – Accra. The study also recommends the National Commission on Civic Education should consider the sensitisation of the importance of the capital market to its annual programmes.

It was recommended that the study of stocks and shares should be a course to be fully inculcated in the curricula of all Finance and Business Schools where students would have the option of selecting the course as an option.

A slot on the national television could be adopted on periodic basis to create the awareness and provide education on the importance of stocks and shares to the ordinary Ghanaian in particular and the economy of Ghana in general.

Again, countries like China and India who had an emerging market like Ghana but are now becoming key players in the world economy should be commended and the strategies used, be adopted in Ghana to impact positively on the economy.

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APPENDIX A

KWAME NKRUMAH UNIVERSITY OF SCIENCE & TECHNOLOGY

Questionnaire on the Attitude of Individual Ghanaians towards Stocks

The objective of this questionnaire is to obtain some information for an academic purpose. You have, therefore, been selected to take part in the survey. You are assured that every information you provide will be regarded and treated as confidential.

Instructions: Please, either tick (√) or write your response, as appropriate, to the following:

SECTION A

1. GENDER: **A.** Male ( ) **B**. Female ( )
2. AGE: **A.** 25-30 ( ) **B.** 31-35 ( ) **C.** 36-40 ( ) **D.** 41-45 ( ) **E.** 46-50 and above ( )
3. Highest educational level: **A.** Middle school/Basic education ( ) **B.** Senior Secondary/ High School ( ) **C.** Technical/Vocational education ( ) **D.** Polytechnic education ( ) **E.** University education ( ) **F.** Illiterate
4. PLACE OF WORK: --
5. OCCUPATION: **A.** Banker ( ) **B.** Trader ( ) **C.** Teacher ( ) **D.** Nurse ( )

SECTION B

6. Do you own any investment (s)? YES ( ) NO ( )
7. If “6” is YES, which of these? (Tick all that you have)
   A. Treasury Bills ( ) **B.** Mutual Fund ( ) **C.** Shares ( )
   D. Fixed Deposit ( ) **E.** Insurance ( ) **F.** Credit Union ( )
8. Have you heard about stock(s) or share(s) before? YES ( ) NO ( )
9. If YES to question ‘8’, what do you understand by share(s) or stock(s)? **A.** Stocks are certificates of ownership in a company ( ) **B.** Stocks or shares are certificates that are sold to raise money for starting a new company or for expanding an existing company ( ) **C.** Stocks are a form of investment ( ) **D.** I don’t know what it means ( )

10. If your answer to question '8' is YES, how did you hear or learn about it (them)? Tick all the sources applicable to you)

A. I read from the newspaper ( ) **B.** I heard about it on the radio ( )

C. I saw it advertised on television ( ) **D.** I saw the notice in a bank ( )

E. Family member ( )

SECTION C

11. Do you own stock(s) or share(s)? YES ( ) NO ( )

If YES, to "11", answer 12-14

12. Why did you acquire it/ them? **A.** Expectation of high dividend ( ) **B.** Stockbroker advice ( ) **C.** For my future financial security ( ) **D.** Desire to become a shareholder of a successful company ( ) **E.** To cater for my family when I die ( ) **F.** Because I did not want to waste the money ( )

13. How many types did you acquire? **A**. One ( ) **B.** Two ( ) **C.** Three ( ) **D.** Four ( ) **E.** Five or more ( )

SECTION D

14. What made you choose the particular share(s) or stock(s) you own?

A. Has potential to pay high dividend ( ) **B.** The company has high potential for growth ( ) **C.** Offered to me as a staff ( ) **D.** Expert or broker advice ( ) **E.** Influence of a friend ( )

15. If you answered NO, to 11, why do you not own any stock(s) or share(s)? **A.** I don't see their usefulness ( ) **B.** I think my money will lock-up ( ) **C.** I don't understand how stocks operate ( ) **D.** I usually don't hear about its sale on time ( ) **E.** I can't get quick returns ( )

16. Have you heard about the Ghana Stock Exchange? **A.** YES ( ) **B.** NO ( )

17. If your answer to question 16 is YES, what does the Ghana Stock Exchange do?

A. Protects the investor ( ) **B.** Regulates the securities industry ( ) **C.** Monitors trading of listed stocks ( ) **D.** It offers trading, clearing and settlement functions for shares ( )

18. Would you recommend investment in stocks to your friends and family members?
YES ( ) NO ( )

19. If your answer to question 18 is YES, why would you recommend investment in stocks? **A.** It is a secure form of investment ( ) **B.** Because I want them to feel proud to be shareholders of a successful company ( )
C. Because shares will provide for them good future security ( ) **D.** Because shares are a form of accumulating funds for a business venture ( )
E. Because shares are a form of personal wealth creation ( ) **F.** Because they can sell the shares and make profit when share price go up ( )

20. If your answer to question '18' is NO, why would you not recommend investment in stocks? **A.** Because of the uncertainty surrounding dividend payments ( )
B. Because of the fear that share prices will fall ( ) **C.** Because of an unpleasant past experience with shares ( ) **D.** Because I have little or low understanding of how stocks operate ( ) **E.** I am not interested in shares and stocks so I can not tell others about them ( )

SECTION E

21. In what ways can individuals become interested in investing in shares or stocks?

APPENDIX B

Correlations

		Highest educational level of respondent	Understanding of what a share is	Reason for acquiring stock	Reason for choosing type
Highest educational level of respondent	Pearson Correlation	1	-.200*	-.145	-.125
	Sig. (2-tailed)		.046	.169	.236
	N	100	100	92	92
Understanding of what a share is	Pearson Correlation	-.200*	1	.064	.023
	Sig. (2-tailed)	.046		.542	.828
	N	100	100	92	92
Reason for acquiring stock	Pearson Correlation	-.145	.064	1	.851**
	Sig. (2-tailed)	.169	.542		.000
	N	92	92	92	92
Reason for choosing type	Pearson Correlation	-.125	.023	.851**	1
	Sig. (2-tailed)	.236	.828	.000	
	N	92	92	92	92