KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY, KUMASI

COLLEGE OF ART AND SOCIAL SCIENCE

SCHOOL OF BUSINESS

INVESTMENT IN THE STOCK MARKET (A BEHAVIOURAL ASPECT OF THE GHANAIAN CITIZENRY)

BY

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DECLARATION

I hereby declare that this submission is my own work towards the MBA and that, to the best of my knowledge, it contains no material previously published by another person nor material which has been accepted for the award of any other degree of the University, except where due acknowledgement has been made in the text.

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DEDICATION

I wish to dedicate this project first to the Almighty God for His strength, provisions, wisdom, knowledge and understanding in my life, then to my sweet mother Martha Takyi Acquah and my father the late J. E. K. Acquah, my brother John and sisters Agnes, Veronica, Theresa and Elizabeth for their cooperation, support and sacrifice during the course of the programme.

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ABSTRACT

Most economist assume that people are rational and fully informed and that their stock investments reflect a realistic assessment of the economy, though the theory of economics even state that human behavior is unpredictable. One cannot concretely explain the behaviour of investors nowadays because of their irrationality which they demonstrate in certain time periods; this makes it difficult to really ascertain whether investors, both actual and potential, believe in the stock market.

The study therefore entailed the examination of the knowledge level concerning investments and the stock market, and the behaviour of investors with regards to the stock market. A cross-section of a hundred and twenty (120) people were sampled and interviewed as well as experts in the field of investment. Data was also obtained from the GSE website regarding trends in share prices for some selected listed companies.

Results showed that, for most investors, there is feeling of investing in long term investment vehicles which not only bring them a short term gains though marginal but long term gains. And there is a whipping interest in investing in collective investment schemes due to several reasons including its returns and diversity nature of it. However, most investors are blinded by the returns posted by the stock giving little credence to a possible bear market.

Investors must know that they can be influenced by certain factors and if not well analysed cause a wrong investment decision and so they must seek advice from a competent professional advisor before embarking on such investment drive. And financial education regarding the stock market and risks should be intensified to curtail any conflict between investors and stock brokers.

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LIST OF ABBREVIATIONS

ABL	–	Accra Brewery Limited
AYRTN	–	Ayrton Drug Manufacturing Limited
BOPP	–	Benso Oil Palm Plantation
CFAO	–	CFAO Ghana Limited
CIS	–	Collective Investment Schemes
CNN	–	Cable News Network
EBG	–	EcoBank Ghana Limited
EIC	–	Enterprise Insurance Company
GCS	–	Gold Coast Securities
GSE	–	Ghana Stock Exchange
ININ	–	Individual Investors
IPO	–	Initial Public Offering
OEIC	–	Open-ended Investment Companies
SDC	–	Securities Discount Companies
SPSS	–	Statistical Package for Social Scientist
TOTAL	–	Total Petroleum Company

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CHAPTER ONE

GENERAL INFORMATION

1.1 INTRODUCTION

An investment is a necessary tool for individual and societal development. For rapid economic growth and development, investment is one of the key factors to propelling these growth and development. Basically stated, investment means putting money into something for a return (profit) someday.

The Stock Exchange is an organized market for buying and selling financial instruments known as securities, which include stocks, bonds, options, and futures. The size of the world stock market is estimated at about $36.6 trillion US at the beginning of October 2008. The world derivatives market has been estimated at about $480 trillion face or nominal value, 12 times the size of the entire world economy. It must be noted though that the value of the derivatives market, because it is stated in terms of notional value cannot be directly compared to a stock or a fixed income security, which traditionally refers to an actual cash value. Many such relatively illiquid securities are valued as mark to model, rather than an actual market price.

The stocks are listed and traded on stock exchanges which are entities a corporation or mutual organization specialized in the business of bringing buyers and sellers of the organizations to a listing of stocks and securities together. However, people may invest to make money. Though their motivations – a bigger house, a better education for their children or a better retirement for themselves – may differ, their objectives do not. To achieve these objectives, the investor has a wide variety of products and services to choose from. He can deposit his savings in a bank account, buy shares or bonds on the stock exchange, or buy a life insurance policy or invest in a retirement plan account among other investment alternatives (Marfo-Yiadom 2002; Hirt et al, 1999; Wikipedia-Stock Market).

1.2 BACKGROUND OF THE STUDY

It has always being said that Ghanaians lack the culture of investing especially in the stock market and also not enough products are traded on the stock market for the benefits of players in the industry at large. Whiles these complains are going on, only a few have thought it wise or seen the need and importance of investing in the stock market for additional income and income security in the future though risks are involved.

The Ghana Stock Exchange (GSE) has been in existence for long more than ten (10) years but the slow pace of businesses enlisting on the stock market and the unwillingness of the public to invest in these listed companies is one other factor hampering the growth rate of the economy. These may be due to non-awareness of the GSE activities or perhaps knowing but ignoring all that pertains to the sector.

1.3 RESEARCH PROBLEM

In past and recent times, some individuals have invested and continue to do so whiles others have ignored the potential of investing in the financial sector especially the stock market for maximum benefits in the future.

One cannot vividly explain this behaviour of the Ghanaian citizenry as to why he/she does invest or not to invest in the stock market and much studies have not been done with regards to the behaviour of investing in the local equity market. Some people have the tendency of holding their stock though prices may fall or rise whiles others may tend to sell or buy. This suggests some kind of irrationality and risk aversion among some investors. But will it always be the case of investors being irrational and risk averse especially in the Ghanaian society? This study seeks to find answers to whether the Ghanaian citizenry believes in the stock market and why they tend to behave rationally and irrationally at certain periods.

1.4 OBJECTIVES OF THE STUDY

The research is set to

- Identify the various parameters taken into consideration before investments are made.
- Find out what will cause the Ghanaian Investor to rush to the market
- Find out the level of knowledge of the Ghanaian citizenry of the operations and what the GSE is and
- Also seek experts view on the GSE; its operations and importance, and the investment behaviour of the ordinary Ghanaian.

1.5 JUSTIFICATION FOR THE STUDY

This research is to help the GSE, corporate investment bodies and the individual to gear up their efforts in reaching out and educating Ghanaians both literate and illiterate on the benefits and drawbacks of investing in the GSE and the various products available for investment in the stock exchange for a better Ghana. It will aid in addressing growth and development issues confronting the investment sector in Ghana.

1.6 METHODOLOGY

This research was more of exploratory, to finding out views on certain peculiar things not known much to investment firms across the country (Ghana). Cluster sampling was used to group the targeted population into similar characteristics whiles convenience sampling was used to enable the researcher in obtaining my sample size easily. A total sample of one hundred and twenty (120) people in the Kumasi metropolis will be used. These people (self-employed, students, employees of organizations) within the Kumasi metropolis will be interviewed using structured (questionnaires) and unstructured questions for easy and quick information gathering. Interviews will also be conducted with experts in the field of investments in the stock market, with regards to their experiences in the Ghanaian culture of investments.

Computer, statistical package for social scientist (SPSS) and intellectual logical reasoning will be used in the analysis of the data to be collected.

1.7 SCOPE OF STUDY

The study was conducted in the Kumasi metropolis with regards to civil servants, private and self-employed workers, and students. It covered a hundred and twenty (120) people.

1.8 LIMITATIONS OF THE STUDY

Some experts to be interviewed were unwilling and unavailable at certain times to share and provide needed information. Also, most illiterate were not able to provide accurate information and unwilling to cooperate because of the perception of the tendency of being mocked at or scorned and so the literate also.

1.9 ORGANIZATION OF THE STUDY

The research will be organized into five (5) chapters as enumerated below:

Chapter One deals with the general introduction into the research.

Chapter Two deals with the various literatures written by people with regards to the research topic in question.

Chapter Three deals with the methodology and the theoretical framework on the organization.

Chapter Four deals with the data analysis, findings and discussions, and

Chapter Five deals with the summary, conclusions and recommendations.

CHAPTER TWO

LITERATURE REVIEW

2.1 INTRODUCTION

People invest to make money. Though their motivations – a bigger house, a better education for their children or a better retirement for themselves – may differ, their objectives do not. To achieve these objectives, the investor has a wide variety of products and services to choose from. He can deposit his savings in a bank account, buy shares or bonds on the stock exchange, or buy a life insurance policy or invest in a retirement plan account among other investment alternatives.

The Ghanaian investor also has these investment tools at his disposal. Some are traditional for him, like the bank deposits, while others are still in their early days, like the instruments listed on the Ghana Stock Exchange. Bank depositors receive interest on their savings as a form of income. The stock exchange, for its part, pays no interest rate to its participants. Investors can earn an income either from dividends distributed by a company quoted on the stock exchange or by making capital gains when selling their investments at a higher price than when they bought it. This level of risk that guarantees no minimum income and may even generate a loss, may have kept some local investors away from this second option.

2.2. DEFINITIONS AND FORMS OF INVESTMENTS

2.2.1 DEFINITIONS

According to Hirt et al (1999), investment involves the commitment of current funds in anticipation of receiving a larger future flow of funds. The investor hopes to be compensated for forgoing immediate consumption, for the effects of inflation, and for taking a risk.

However, according to Kiyosaki et al (2000), investment means different things to different people:

- Some people invest in large families. A large extended family is a way to ensure care for the parents in their old age.
- People invest in a good education and job security.
- Some people invest in external assets.

Marfo-Yiadom (2002), define investments as forgoing spending money at present with the aim of receiving more money back in the future.

From the above definitions, one can say that investments involved putting something (money, effort, time etc.) into things such as financial assets (stocks, bonds etc.), real assets (lands, building, machines etc.), persons (education, skills etc.) and expecting a return which may come in the form of monetary and or non-monetary terms such as a dividend, resting place, enhanced knowledge and employable skills.

Investing may be both exciting and challenging. First time investors who pour over the financial statements of a firm and then make a dollar commitment to purchase a few shares of stock often have a feeling of euphoria as they charge out in the morning to secure the daily newspaper and read the market quotes (Kiyosaki et al, 2000).

2.2.2 FORMS OF INVESTMENT

There are various forms of investments which can be differentiated into two (2) main broad terms: Financial Assets and Real Assets. These can further be broken down on the basis of a number of factors such as whether the investment is a security or property; direct or indirect; debit, equity, or options; low or high risk, and short and long term (Marfo-Yiadom, 2002; Hirt et al, 1999; Bodie et al, 1999; Watson et al, 1999).

Security and Property: investments that represent evidence of debt, ownership of a business, or the legal right to acquire or sell an ownership interest in a business are called SECURITIES. The most common types of securities are bonds, stocks and options. PROPERTY on the other hand, is investments in real/tangible personal property. Real property is land, buildings and that which is permanently affixed to the land; tangible personal property includes items such as gold, antiques, objects d'art and other collectibles. No income is generated from tangible property but the owner usually hopes to make a capital gain on disposal (Marfo-Yiadom, 2002; Hirt et al, 1999; Bodie et al, 1999).

Direct and Indirect: A DIRECT investment is one in which an investor directly acquires a claim on a security or property. In other words, they are the ones the individual investor personally selects and registered in his/her name. An INDIRECT investment is made in a portfolio or group of securities or properties. Simply, Indirect investments are a pool of investments managed on behalf of a number of investors by professional managers (Marfo-Yiadom, 2002; Hirt et al, 1999; Bodie et al, 1999).

Debt, Equity and Options: Usually an investment will represent a debt or an equity interest. DEBT is an intangible, such as a bond, investment and it represents funds issued in exchange for the receipt of fixed interest income and a promised repayment of loan at a given future date. EQUITY represents an on-going ownership interest in a specific business or property. An equity investment may be held as security/securities known collectively as stock. OPTIONS, on the other hand, are neither debt nor equity; rather they are securities that provide the investor with an opportunity to purchase another security or an asset at a specified price over a stated period of time. This is rapidly growing especially in the USA (Marfo-Yiadom, 2002; Hirt et al, 1999; Bodie et al, 1999).

Low and High Risk: investments are sometimes differentiated on the basis of risk. As used in finance, RISK refers to the chance that the value or return on an investment will differ unfavourably from its expected return. The greater the risk involved, the greater the return expected. Low risk investments are those considered safe with regard to the receipt of a positive return. High risk investments are considered speculative (Marfo-Yiadom, 2002; Bodie et al, 1999).

Short and Long Term: The life of an investment can be described as either short or long term. Short term investments typically mature within one year; long term investments are those with longer maturities or perhaps, like common stock, with no maturity at all. However, it is not unusual to find investors matching the maturity of an investment to the period of time over which they wish to invest (Hirt et al, 1999; Bodie et al, 1999).

2.3 STRUCTURE OF INVESTMENT PROCESS

Bodie et al (1999), defines investment process as a chain of considerations and actions from thinking about investing to placing the buy/sell order for investment assets or starts with a mission and budget and ends with detailed investment portfolio. The overall investment process is the mechanism for bringing together suppliers of funds with demanders of funds through a financial institution or a financial market (Marfo-Yiadom, 2002). Occasionally, especially in property transactions such as real estate buyers and sellers deal directly with one another. Financial institutions are organizations such as the banks and savings and loans associations that typically accept deposits and lend them out or invest them. Financial markets are forms in which suppliers and demanders of fund are brought together to make transactions, often through intermediaries such as the stock markets, bond markets and options markets. Their common feature is that the price of the investment vehicle at a point in time results from an equilibrium between the forces of demand and supply (Marfo-Yiadom, 2002).

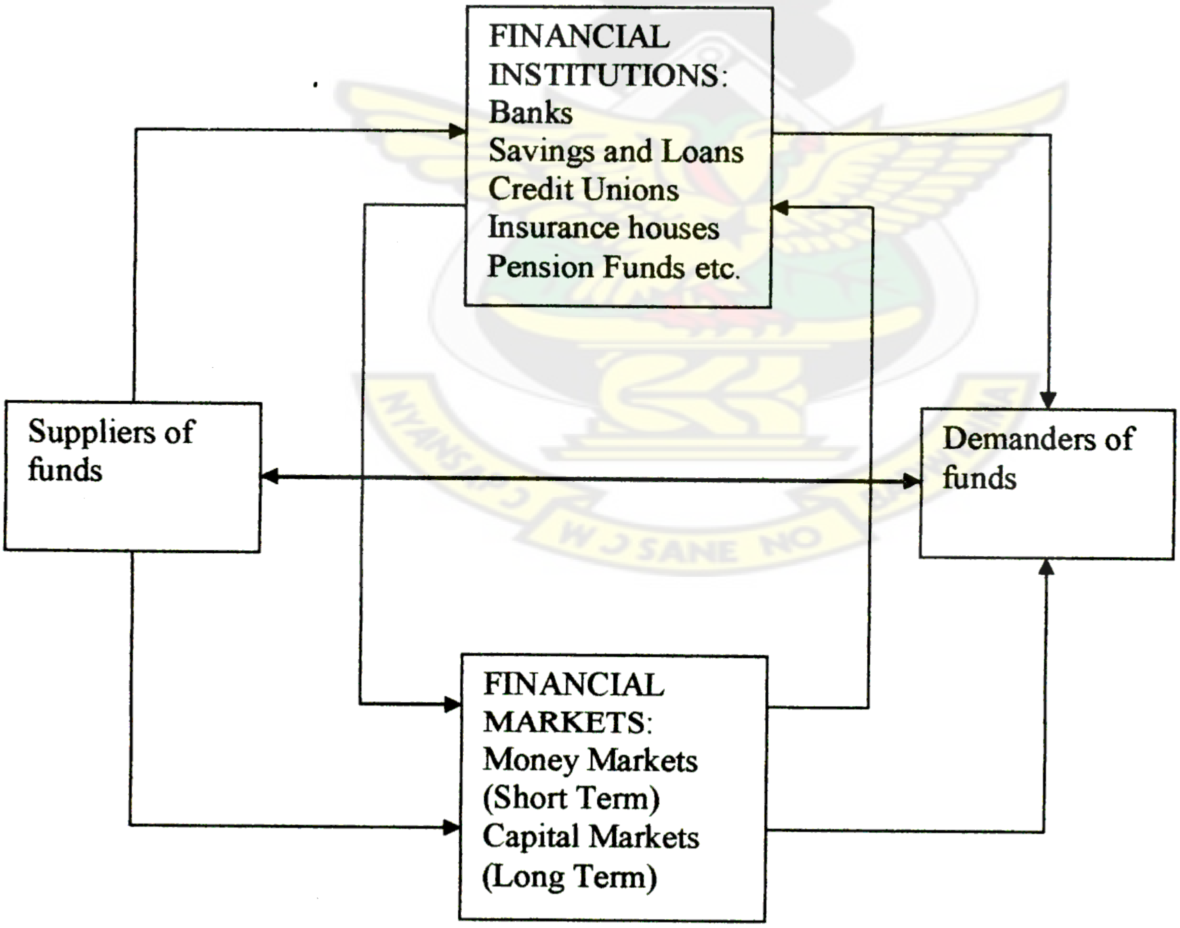


Figure 1. The Investment Process (Source: Marfo-Yiadom, 2002)

From the diagram, it is noted that, the suppliers of funds may transfer their resources to demanders through a financial institution, financial market or directly. Financial institutions participate in the financial markets as well as transfer of funds between suppliers and demanders. The arrows between suppliers and demanders shows that, for some investments transactions, such as the sale of a bond, the principal amount borrowed by the demander from the supplier (lender) will eventually be returned.

As illustrated, financial institutions can participate in financial markets as either suppliers or demanders of funds. The short term financial market is called Money Market; the long term sector is the Capital Market, which is dominated by various securities exchanges.

2.3.1 PARTICIPANTS IN THE INVESTMENT PROCESS

Three key players in the investment process may either be as a supplier or demander of funds, include the Government, Business Organizations and Individuals (Marfo-Yiadom, 2002; Bodie et al, 1999; Hirt et al, 1999).

- Government: Each level of government- national, regional and local- requires vast sums of money to meet it operating needs. These needs centers on capital expenditures which are long term projects related to the construction of public facilities such as schools, hospitals, housing, highways and so on.
- Business: Most business firms, no matter the type, require large sums of money to support operations. On the long term side, businesses seek funds to build plants, acquire equipments and facilities and develop products. Short term needs tend to revolve around the need to finance inventory, accounts receivable and other operating costs. They also supply funds when they have a temporary excess

amount of cash. In fact, many large businesses have active and sophisticated cash-management operations and are major purchases of short-term securities. But like government, business firms in general are net demanders of funds.

- Individuals: Individuals place funds in savings accounts, buy debt or equity instruments, buy insurance or purchase various types of property. Depending upon personal investment goals and objectives, the choice of vehicles in which to place funds is often a difficult one. The key source of demand for funds by individuals typically comes in the form of loans needed to finance the acquisition of property, usually automobiles and homes. Since both government and business are net demanders of funds, the individual investor's role in providing the funds needed to finance economic growth and development is significant.

2.3.2 TYPES OF INVESTORS

Bodie et al (1999) put investors into two types: Institutional or Individual investors.

Institutional investors are investment professionals who are paid to manage other people's money. They are employed by financial institutions such as banks, insurance companies, mutual funds, and pension funds; large non-financial corporations. Financial institutions invest large sums in order to earn significant return for their customers (Hirt et al, 1999). According to Bloomberg University, collective investment schemes (CIS), or as sometimes referred mutual funds or open-ended investment companies (OEICs), can be defined as *"an investment cooperative managed by an investment company. As in other cooperatives, (such as credit unions), mutual fund investors pool their assets together and employ an investment company with investment professionals and* *administrators who conduct the day to day business of managing the fund.*" CIS help investors to reduce investment costs and are provided with professional investment management. CIS also enable investors with small- and medium-sized portfolios to diversify in an efficient manner (Watson et al, 2007; Mangion, 2004; Marfo-Yiadom, 2002).

Typically, investors will pay 3-4 per cent upfront fees. Charges include bid/ask spreads and annual management fees. A study by Dalbar (2001), titled *"The Quantitative Analysis of Investor Behaviour"*, has shown that the average Canadian investor is not earning the level of mutual fund returns advertised by the fund companies. The main reason derived by this study is that attempts to time the market do not pay off for the typical investor. Investors normally walk out early from the market. Consumers stand to gain more by maintaining a buy-and-hold strategy (Mangion, 2004).

Individuals' investors manage their personal funds in order to provide for achievement of their financial goals. The individual investor usually concentrates his/her investment activities on earning a return on idle funds, providing a source of retirement income, or on providing security the investment vehicles to be included in their individual portfolio and or employer retirement plan. Individuals with large sums of money to invest, who lack the time or expertise to make investment decisions, often employ an institutional investor such as a bank trust department or a professional investment advisor to manage their money (Mangion, 2004; Marfo-Yiadom, 2002).

According to Kiyosaki (2000), there are different types of investors, their product specialties and their investing procedure; under the banner of investing there are people who are really: Gamblers, Speculators, Traders, Savers, Dreamers and Losers. Many of these individuals call themselves investors and technically they are.

2.4 INVESTORS BEHAVIOUR TOWARD STOCK INVESTMENTS AND FUNDAMENTAL ANALYSIS

Riskier long-term saving requires that an individual possess the ability to manage the associated increased risks. Stock prices fluctuate widely, in marked contrast to the stability of (government insured) bank deposits or bonds. Shiller also suggests that "the present stock market displays the classic features of a speculative bubble: a situation in which temporarily high prices are sustained largely by investors' enthusiasm rather than by consistent estimation of real value" (Uchitelle, 2000). Some of the risks of the financial sector in general and the stock market in particular need to be considered before entering the stock market; this is certainly more important now that so many newcomers have entered the stock market, or have acquired other 'risky' investments (such as 'investment' property, i.e., real estate and collectibles).

With each passing year, the noise level in the stock market rises. Television commentators, financial writers, analysts, and market strategists are all overtaking each other to get investors' attention. At the same time, individual investors, immersed in chat rooms and message boards, are exchanging questionable and often misleading tips. Yet, despite all this available information, investors find it increasingly difficult to profit (Sevil et al, 2007; Hirt et al, 1999; Bodie et al 1999; Mangion, 2004). As Warneryd et al (2001) put that if one watches Cable News Network (CNN) or any other program discussing the stock market, there seems to be an explanation for everything (Maditinos et al, 2007).

According to a research by Maditinos et al (2007) in Greece, empirical evidence suggests that investment professionals employ a range of practices in different markets and use various techniques for market forecasting across alternative time horizons. Thus, it is probable that the practice of market forecasting and stock selection in Greece may be different from that used in other developed stock markets, such as the US. Today, more than 30 per cent of Greeks own shares either directly or through managed funds and government policy is encouraging individuals to take responsibility for their own retirement income, suggesting that this figure is likely to rise in the long term. Despite the importance of individuals' investment decisions, however, we know little about the factors that influence them.

Individuals' investment behaviour has been explored through a large body of empirical studies over the past three or four decades. For example, as quoted by Maditinos et al (2007), Potter (1971) identifies six factors: dividends, rapid growth, investment for saving purposes, quick profits through trading, professional investment management and long-term growth, affect individual investors (ININ)' attitudes towards their investment decisions; Baker and Haslem (1973) also argue that investors are primarily concerned with expectations about the future, considering earnings projection and historical data to be of high interest to investors; on the other hand, research by Lee and Tweedie (1975a, b, 1976, 1977) reveals that the general public faces problems in understanding financial reporting in the corporate sector; Blume and Friend (1978) provide evidence that both price and earnings volatility are the primary measures of risk employed by ININ, while Schlarbaum et al (1978) compare ININs' performance with that of professional fund managers and find that the former exhibit considerable skill in their investment decision making.

Lease et al (1974) describe ININ as "investors" rather than "traders" since they are long-term minded and give little interest to short-term yields. Moreover, Lewellen et al (1977) reveal that investors' main source of information is through fundamental or technical analysis. Antonides and Van Der Sar (1990) argue that the perceived risk of an investment is lower if an asset has recently increased in value, consistent with Blume and Friend's (1978) findings. Nagy and Obenberger (1994) investigate the extent to which a listing of 34 variables influence shareholders' perception, and provide evidence of a role for a mix of financial and non-financial variables. Additionally, they found that each shareholder considers the seven different factors employed in a factor analysis in a unique way. Fisher and Statman (1997), relying on general agreement that the investment decision is a complex one, suggest that investors are not only concerned about risk and return when buying shares, but also several other parameters taken into consideration. Clark-Murphy and Soutar (2003) report that the vast majority of ININ in Australia have little interest in speculation and are by nature long-term investors (Maditinos et al 2007).

2.4.1 FUNDAMENTAL ANALYSIS

Fundamental analysis seeks the difference between the intrinsic and the market value of a share. Intrinsic value is the actual value that one believes a stock to have, regardless of what it is being bought and sold for on the market. Investors can use a wide array of economic, industry and corporate information to calculate the corporate 'intrinsic value'. These include its assets, earnings, products, markets, competition, and management.

2.4.2 REACTION TO NEWS

News regarding the companies listed on the stock exchange is issued regularly. Naidu (2008) asserts that investors tend to give too much importance to the recent news rather than looking at the whole big picture; however, according to Mangion (2004), there are two ways that investors can weigh the importance of the news. They can either under-react or over-react.

2.4.2.1 UNDER REACTION

According to Mangion (2004), the under reaction evidence studied by Cutler, Poterba, and Summers (1991) shows that over horizons of perhaps one to twelve months, security prices under-react to news. As a consequence, news is incorporated only slowly into prices, which tend to exhibit positive auto-correlations over these horizons. A related way to make this point is to say that current good news has power in predicting positive returns in the future (Pareto, 2005).

2.4.2.2 OVER REACTION

According to Mangion (2004), the over reaction evidence studied by Lakonishok, Shleifer, and Vishny (1994), shows that over longer horizons of perhaps three to five years, security prices overreact to consistent patterns of news pointing in the same direction. That is, securities that have had a long record of good news tend to become over-priced and have low average returns afterwards. Trading volume increases when price takers, insiders, or market makers are overconfident. This is the most robust effect of overconfidence; Naidu (2008), suggest that over-confident investors overestimate their stock picking abilities. This leads to excessive trading because they tend to believe they are better than the others and hence can beat the market. They do not practice the 'buy and hold' strategy. Also the overconfidence makes the investors believe that their losses are due to bad luck. This will prevent them from learning from past mistakes.

Conservatism leads to under-reaction while representativeness leads to over-reaction.

2.4.3 INVESTOR MENTALITY

Not every choice an investor makes is in his best interests. While emotions such as fear and greed often play a pivotal role in poor decisions, there are other causes of irrational behaviour. Common mental mistakes sometimes lead people to incorrectly process new information about a company and, in turn, misjudge a stock's true value (Mangion, 2004). Also, Naidu (2008) points out that, all people, even smart ones, are affected by psychological biases.

2.4.4 PROSPECT THEORY

Kahneman and Tversky (1979) introduced a new class of utility evaluation where investors weight losses more heavily than gains. Psychological studies have repeatedly demonstrated that the pain of losing money from investments is nearly three times greater then the joy of earning money. Investors often have more trouble selling than buying. If a stock is heading up, investors wait, hoping to increase their gains. If it is heading down, investors wait too, hoping to recoup their losses. Of the two, the latter is the bigger problem. This suggests investors do not prefer to "cut their losses" (Mangion, 2004). Also, with our attitude towards gain and loss, Naidu (2008) asserts that people feel the pain of loss much more than they derive pleasure from an equal gain. People are basically willing to take more risks to avoid losses than to realize gains. They prefer selling good performing stocks to book a profit rather than selling poor performers to cut losses. Theoretically investors should be holding on to good performing stocks so that they can increase their profits and sell the badly performing ones so that they can reduce their losses. This thinking leads most investors to hold on to badly performing stocks, with the hope that it will perform better and it might never do (Pareto, 2005; Shiller, 2001). Sevil et al (2007), in their research in Istanbul Stock Exchange in Turkey, show that investors are likely to sell stocks which yield profits rather than those yielding loss.

2.4.5 HERDING AND TREND CHASING

In markets with a diversity of participants, such as the share market, the prices of securities are likely to reflect the expected returns and risk preferences of individual investors. But this does not mean that an investor's decision will always be made objectively.

Herd behaviour has frequently been highlighted in financial markets and it shows that investors can be influenced by the actions of others. Investors may trade on noise caused by the actions of others as if it were information. This encourages investors to trade more frequently than would otherwise be the case. Investors and analysts have extrapolative expectations about prices and firm earnings. Analysts tend to overestimate (underestimate) firms that have strong (weak) earnings performance in the past few years (Mangion, 2004).

Likewise provided by Naidu (2008), herd like behaviour individual investors follow the actions of a larger group whether rational or irrational. The reasons for this herd like behavior include

1. Conformity - conforming with the crowd is easier than going against the crowd and hence most of us prefer to conform.

2. The rationale that so many people can't be wrong and so it is safer to follow.

According to Peter Bernstein: *"While it is important to understand that the market doesn't work the way classical models think – there is a lot of evidence of herding, the behavioural finance concept of investors irrationally following the same course of action"*. Herd behaviour leads to extreme outcomes, first on the upside and then on the downside as confidence turns to panic. Fundamentals are forgotten and markets become extremely 'overbought' or 'oversold'(Mangion, 2004).

2.4.6 ANCHORING EFFECT

Via general market observations, it appears that there is evidence of the anchoring effect of past prices. Anchoring may explain why stock prices, market indices, and financial ratios become sticky around certain levels. In certain circumstances news may weaken the current anchor, which may explain why some studies have found that markets overreact or under-react on particular occasions e.g., significant price changes around profit or dividend announcements (Shiller, 2001; Mangion, 2004; Pareto, 2005).

Naidu (2008) also puts that Anchoring affects investors' behaviour and this can lead to undervaluing/overvaluing a stock. Examples to show how Anchoring affects investors:

1. Investors refuse to buy a stock today because it had a much lower price last year (in the past).

2. Investors refuse to sell a stock because it was much higher in the past.

Again Naidu (2008) suggests that our brain uses historical perceptions and past data to value the stock; assuming a stock was priced at $10 last year and this year the company suffered a significant market share and hence the price fell to $5. Anchoring can lead investors to stick to past data which will lead them to believe that this stock is undervalued because last year it was $10 and now only $5.

2.4.7 REGRET THEORY

Regret theory is about people's emotional reaction of having made an error of judgment, whether buying a stock that has gone down or not buying one they considered and which has subsequently gone up. Investors may avoid selling stocks that have gone down in order to avoid the regret of having made a bad investment and the embarrassment of reporting the loss. They may also find it easier to follow the crowd and buy a popular stock: if it subsequently goes down, it can be rationalized as everyone else owned it.

The possible fear of regret is a factor driving some investors' behaviour. This factor is most likely to dominate where investors are not confident of their information, or ability to process it. Investors may use investment advisers as scapegoats thereby reducing their responsibility for poor investment decisions (Shiller, 2001; Sevil et al, 2007; Pareto, 2005).

Investors faced with the decision to sell an investment are affected by whether the security was bought for more or less than the current price. Goetzmann & Peles (1993), observed that money flows in more rapidly to mutual funds that have performed extremely well than flows out from mutual funds that have performed extremely poorly, suggest that investors, in losing funds, are unwilling to confront the evidence that they made a bad investment by selling their investments. In some instances investors may even be prompted to take risky bets to try and break even, and so save face. Reporting of losses often appears to be the source of much embarrassment (Shiller, 2001; Sevil et al, 2007; Mangion, 2004). Sevil et al (2007), also provided that the pain of regret over a 50% decrease/increase in the stock purchased is greater than the joy of gratification.

2.4.8 INTRINSIC MOTIVATORS

Investors are not solely motivated by the maximisation of expected returns. There may well be intrinsic rewards associated with an investment. For example, an investment may provide an investor with the opportunity to fulfils a long held desire to be involved in the banking industry, or to own a piece of a Hotel chain (Mangion, 2004).

2.4.9 TIME HORIZONS

According to Mangion (2004), in a rising market, investors have long time horizons; they are not only thinking of the future, they are willing to plan for the future. They look at their investment returns over three-, five- and even ten-year periods of time. Conversely, in a declining market, investors shorten their time horizons dramatically.

2.4.10 DISPOSITION EFFECT

The disposition effect describes investors' common tendency of quitting a winning investment too soon and holding on to losing investments too long. Since Shefrin and Statman (1985), the two sides of the disposition effect, i.e. "selling winners" and "holding losers", have been assessed as one coherent bias. High-disposition investors are usually modeled to sell their winners quickly while almost never selling losers, while low-disposition investors are assumed to behave in the opposite way. Investigating both account level field data as well as data from a controlled laboratory experiment, we however show that individual investors' reactions towards "selling winners" and "holding losers" are completely independent, meaning that the disposition effect is better depicted as two separate biases, investors' "preference for cashing-in gains" and their "loss realization aversion". Furthermore, investors' individual preferences towards both sides are also stable over tasks and time so that both biases can be seen and modeled as individual personality traits (Weber et al, 2008).

2.4.11 SOCIAL NETWORK EFFECT

Weber et al (2008), suggest that the way people behave is often affected by the way their friends behave. This may be evident in the similar way that they dress, common hobbies, and their shared interests. The information and ideas that people share with their friends can shape common behaviors. Social networks are an effective tool for studying this type of phenomenon because they give us visibility to the networks with which a person interacts and allows us to draw conclusions on how a person's behaviour is affected by this interaction. In their experiment, they tested how people's investment decisions depend on their friend's investment decisions. In other words, someone might make a decision about a stock purchase based on a decision made on that stock by a friend.

2.5 RISK

Sterling Mutuals Inc.x, a mutual fund company in the US, states how risk can be defined in different ways: *"Some might define risk as the chance of outliving their portfolio (i.e. failing to meet their stated objectives); others as suffering a permanent impairment of value; yet others might simply consider risk to be nothing more than the frequency and magnitude of declines in value."* Larson et al (1999) defines risk as the amount of uncertainty about a return we expect to earn.

No investment strategy can eliminate risk. There are two categories of risks in investments. These are Systematic Risks and Non-Systematic Risks (Ross, 1998; Watson et al, 2007; Hirt et al, 1999; Bodie et al, 1999).

2.5.1 SYSTEMATIC RISKS

Systematic risks are risk factors inherent to one degree or another in all investment markets. An investor has no control on systematic risks and he cannot diversify against them. Systematic risks include Inflation risk, Tax risk, Interest Rate risk and Market risk.

- Inflation Risk is the risk that inflation will make the money returned more or less valuable than the money invested.

- Tax Risk is the risk that the government will alter the tax structure in some way that will make the investments more or less valuable.
- Interest Rate Risk is the risk that the Central Bank will increase or decrease interest rates.
- Market Risk is the risk that the market as a whole will respond emotionally to newsworthy developments more favourably or less favourably than anticipated. (Ross et al, 1998: Watson et al, 2007; Mangion, 2004; Slywotzky et al, 2008; Wikipedia, 2008)

2.5.2 NON-SYSTEMATIC RISKS

Non-systematic risks are risks that are inherent in all investment market-place. These are risks that are largely controllable and include business risk, financial risk, and volatility.

- Business risk is the risk that an individual investment held by the investor will perform better or worse than the market as a whole. Business risk is controllable by analysing managers and 'investment worthiness' of the investments holdings (Bodie et al, 1999; Watson et al, 2007; Wikipedia et al, 2008).
- Financial risk is the risk that one may experience a change in his personal financial situation that may alter his investment objectives and ability to invest. Financial risk has nothing to do with the investments per se; it has to do with the investor. The investor should invest when he can afford to invest (Bodie et al, 1999; Wikipedia, 2008).
- Volatility is the risk that the investor may have to liquidate an investment at a low point on a normal market cycle for some personal reason and won't be able to

wait until the cycle turn. The markets all go up and down and they will be volatile to varying extents (Mangion, 2004; Watson et al, 2007; Bodie et al, 1999).

It may seem that many investors, and their advisers, did not understand the risks they were taking when the market was overheated. Hopefully, if investors stick to their investment plans and resist the urge to abandon their shares completely, they won't make the same mistakes next time. Whether individuals accept a particular investment and how much they are willing to pay for that investment will be influenced by their risk preferences (Mangion, 2004).

Losses that can be quickly recovered through new income may temper the significance an investor places on a possible decrease in wealth. The converse of this logic may explain why investors who have retired from paid work often appears to be strongly risk averse.

Investment theory suggests that risks can be generally reduced by diversification, because the returns of some investments are inversely related to those of other investments for certain risks. Yet evidence suggests that investors are not highly diversified. In many countries, despite an increasingly global economy, most investors still overwhelming hold assets in their home economy (Watson et al 2007; Casu et al, 2006).

Transaction and monitoring costs may suggest domestic investing is cheaper, but technology and specialist financial intermediaries are increasingly eroding these costs. It seems likely that other factors, such as risk aversion, must also explain why home investments persistently dominate portfolios (Watson et al 2007; Casu et al, 2006).

2.6 BUBBLE BLOW AND CRASHES

According to Mangion (2004), Kindleberger while analysing the history of financial crises argues that there is a consistent pattern to financial manias and panics which can be controlled or moderated and also spells out the following stages of the credit cycle of boom and bust:

- . The upswing usually starts with an opportunity - new markets, new technologies or some dramatic political change - and investors looking for good returns.
- . It proceeds through the euphoria of rising prices, particularly of assets, while an expansion of credit inflates the bubble.
- . In the manic phase, investors scramble to get out of money and into illiquid things such as stocks, bonds, or real estate: a large group of people seeks to become rich without a real understanding of the processes involved.
- . Ultimately, the markets stop rising and people who have borrowed heavily find themselves overstretched. This is 'distress', which generates unexpected failures, followed by 'revulsion' or 'discredit'.
- . The final phase is a self-feeding panic, where the bubble bursts. People of wealth and credit scramble to unload whatever they have bought at greater and greater losses and cash becomes the most important asset.

As cited by Mangion (2004), Marc Faber, in a report titled "*The Gloom, Boom and Doom Report*" states that in every equity mania, cash is regarded as a totally unattractive investment alternative.

2.7 THE INITIAL PUBLIC OFFERING (IPO)

One of the most seemingly attractive areas of investment is that of initial public offerings (IPOs). Buying shares the first time they are offered to the public has considerable natural appeal, especially in a bull market, tempting investors with potentially phenomenal short-term returns as well as exposure to exciting new companies and industries.

Some investors make up their mind about investing in an initial public offering even before the offer documents (investment statement and prospectus) are available. Investors may be affected by deliberate 'data mining'. Data mining refers to the practice of presenting or manipulating data in such a way as to encourage a misleading interpretation. One must be aware that not all IPOs have a successful performance on the stock market. According to a report by Tim Loughran and Jay Ritter (1995) a study of the US market reveals that of nearly 5,000 IPOs initiated between May 1988 and July 1998, nearly a third no longer trade their stock and 44% sell at a market price below their original offering price. So investors must always show great caution, being careful to study the prospectus, balance sheet and profit and loss account of any potential investment (Mangion, 2004; Hirt et al, 1999).

2.8 INVESTOR'S PRIDE

Pride has often been highlighted as an explanation of investor behaviour. A number of studies like that of Bernstein (1996) have found people are generally highly confident in their intuitive judgment, which leaves them susceptible to illusions and poor judgment. There is evidence that investors often think their choices are based on superior information without even knowing what information is available to the counter-party to their trade.

The same studies suggest investors are more likely to hold securities they have touched or personally selected. The frequency level with which investors trade can also be explained by pride factors. In this regard the investor takes pride from being seen as playing the share market (Mangion, 2004).

2.9 INVESTOR OBJECTIVES

To help avoid mistakes, an investor should always establish his expectations before entering a trade. His expectations should be based on two sets of factors: personal and technical. Personal factors include how much the investor wants to gain and how much he is ready to lose, based on his level of assets, investing goals, and timeframe. Technical factors take account of where the investor expects the stock price to go and where it should not go (Hirt et al, 1999; Mangion, 2004). As Kiyosaki et al (2000) put that, there are two plans that people are to have in mind before making investments and these are: the plan for financial security and the plan for financial comfort; however too many people begin investing without having the first two plans in place and that was risky.

The existence of bubbles and crashes can be a clear proof that investors have irrational behaviour, not rational ones. This indicates that when one tries to analyze the investor attitudes and actions in any stock market, the psychology of the investor towards the market is involved. Some theories like the regret theory, prospect theory, herding and positive feedback trading effects, news reactions, anchoring effect and the investors' pride and objectives all play part in the decision making of when to buy or sell a stock on the market (Mangion, 2004).

There are, however, few studies that examine the way in which various investor groups (both professional and individuals) make their investment decisions in less developed countries and/or those with only moderately sophisticated capital markets. Notable among the exceptions are studies by Nassar and Rutherford (1996) and Naser and Nuseibeh (2003) who show that investors treat annual reports in broadly the same way as do those in developed countries, although they rely more on information obtained directly from the companies and do not tend to consult intermediary sources of corporate information in order to make informed decisions. Overall, investors seem mainly to use fundamental analysis and, to a lesser degree, portfolio analysis (i.e. conventional mean-variance analysis) (Maditinos et al, 2007).

2.10 ECONOMIC IMPORTANCE OF INVESTING

According to Marfo-Yiadom (2002), the functioning and growth of our economy depend on the ready availability of funds to finance the increased needs not only of government and businesses but also of the individuals. For example, without mortgage loans, very few homes would be purchased. Such a lack of mortgage money would result in fewer persons being employed to build homes as well as to manufacture the needed components (lumber, nails, glass and so on). The net effect of decreased mortgage financing would thus probably contribute to the general slow down in economic activity in an undesirable result since the availability of funds to qualified individuals, as well as government and businesses, is needed to allow the economy to grow and prosper. Because individuals as a group are net suppliers of such funds while government and business are net demanders, the process of investing thus has a profound impact on the economy.

2.11 GROWTH OF INVESTMENTS IN RECENT TIMES

Though there is somewhat a growth in investments in recent times, these may be that only those who are already investing are pumping much more of financial resources into it because of the benefits that have accrued to them in their past or present investments or perhaps have acquired some knowledge on investments with regards to its benefits to the individual and the society at large; however, there are still large sizeable number of the population, especially the working population and those who have large sums of money lying idle, who are not investing especially in the stock market due to many reasons known to themselves. The following factors can be attributed to the reasons why investments are increasing in recent times: increase in the working population leading to larger incomes and consequent higher savings; provision of tax incentives in respect of investments in specified channels; increase in the tendency of people to hedge against inflation; availability of large and attractive investment alternatives; increase in investment related publicity; ability of investments to provide income and capital gains (Marfo-Yiadom, 2002; Robertson, 2007).

Several powerful forces have affected investors recently. First, a strong and extended economy has created the disposable income for millions of new investors to enter the investment world. Most of these new investors have little or no formal education in finance. Second, this economy has spurred one of the longest and strongest bull markets in history. These new investors could have mistakenly attributed their high investment returns to their own capabilities instead of being a consequence of investing during a bull market. Finally, the rise of the Internet has led to increased investor participation in the investment process, allowing investors to trade, research, and chat online. These three factors have helped our psychological biases to flourish.

According to Kiyosaki et al (2000), in America, about 45% of the population owns share in companies. And the number is growing as people realize that job security and lifetime employment are less and less guaranteed.

2.12 INVESTMENT PRODUCTS

According to Kiyosaki et al (2000), there are many different investment products: Stocks, bonds, mutual funds, real estate, insurance, commodities, savings, collectibles, precious metals, hedge funds etc.

Stocks	Real Estate	Mutual funds
Common stock	Single Family	Index Fund
Preferred stock	Commercial office	Aggressive growth fund
Sector fund	Commercial retail	Sector fund
Small cap stock	Multi family	Income fund
Blue chip stock	Warehouse	Close end fund
Corner title stock	Industrial	Balanced funds
Technical stock	Raw land	Municipal bond fund

Insurance

Whole, term, variable life

Universal, variable universal

Blended (whole and term in one policy)

For funding buy and sell agreement

For funding estate taxes

For non-qualified retirement

For executive bonus and deferred compensation

2.13 REASONS FOR NOT INVESTING IN SECURITIES ON THE STOCK

According to Marfo-Yiadom (2002), there are various reasons why people may not want to invest especially in the stock market, and this includes:

- People feel more comfortable owning something they can see and touch
- Liquidity: ability to sell one's stock easily or converting your investment into cash in a short period without any hassle. (Number of people investing in the stock market is below 100,000 of the total population)
- Fear of risk of loosing one's money

CHAPTER THREE

METHODOLOGY

3.1 INTRODUCTION

This chapter deals with the methods employed in obtaining information needed, it also identifies the population, sampling techniques, data collection and analysis, and the organizational framework.

3.2 SCOPE OF STUDY

The study was conducted and restricted to people living in the Kumasi Metropolis as to the use of questionnaires but with the experts, a cross-section was used whether he/she is based in Kumasi or not.

3.3 SAMPLING AND SAMPLING SIZE

Cluster sampling was conducted to group the entire population into students, self-employed and employees in both private and public organizations/institutions.

Convenience sampling method was also used to sample the people as respondents for the questionnaire administration such that wherever the researcher finds a potential respondent, interview is made.

The population size for the study was made of students (30), self-employed (30), private organization's employees (30) and government workers (30), totaling one hundred and twenty (120) people.

3.4 DATA COLLECTION AND ANALYSIS

3.4.1 DATA COLLECTION

The research employed two (2) categories of data collection. They are primary and secondary. The primary data was based on questionnaires administration and personal interviews. The secondary data sources of this research include reports of the Ghana Stock Exchange in print and or on their websites.

3.4.2 DATA ANALYSIS

Data analytical method used in evaluating the behavioural approach in investing includes the number of people investing in the stock market and the number of investment products invested in and their reactions in a given situation. These will be put in graphical demonstrations for easy comprehension.

Computer, statistical package for social scientist (SPSS) and intellectual logical reasoning will be used in the analysis of the data to be collected.

3.5 ORGANIZATIONAL FRAMEWORK

3.5.1 HISTORY AND OPERATIONS

The Ghana Stock Exchange (GSE) is the principal stock exchange of Ghana. The 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 under the Stock Exchanges Act of 1971(Act 384) in October 1990 and trading on the floor of the exchange commenced in November 1990. It currently has around 30 listed companies and 2 corporate bonds. All types of securities can be listed. Criteria for listing include capital adequacy, profitability, spread of shares, years of existence and management efficiency. The GSE is located in Accra.

Since its inception, the GSE's performance has varied considerably. All listings are included in the main index, the GSE all-share index. In 1993, the GSE was the 6th best index performing emerging stock market, with a capital appreciation of 116%. In 1994 it was the best index performing stock market among all the emerging markets, gaining 124.3% in its index level. 1995's index growth was a disappointing 6.3%, partly because of high inflation and interest rates. Growth of the Index for 1997 was 42%, and at the end of 1998 it was 868.35 (1998 Review).As of October 2006 the capitalization of the Ghana Stock Exchange was about ($11.5bil) 111,500billion cedis. As at December 31 2007, the GSE's market capitalization was 131,633.22billion cedis. In 2007 the index appreciated by 31.84%.

The manufacturing and brewing sectors currently dominate the exchange. A distant third is the banking sector while other listed companies fall into the insurance, mining and petroleum sectors. Most of the listed companies on the GSE are Ghanaian but there are some multinationals.

Although non resident investors can deal in securities listed on the exchange without obtaining prior exchange control permission, there are some restrictions on portfolio investors not resident in Ghana. The current limits on all types of non-resident investor holdings (be they institutional or individual) are as follows: a single investor (i.e. one who is not a Ghanaian and who lives outside the country) is allowed to hold up to 10% of every equity. Secondly, for every equity, foreign investors may hold up to a cumulative total of 74% (in special circumstances, this limit may be waived).The limits also exclude trade in Ashanti Goldfields shares.

There is an 8% withholding tax on dividend income for all investors. Capital gains on securities listed on the exchange will remain exempt from tax until 2015. The exemption of capital gains applies to all investors on the Exchange. There are no exchange control regulations on the remittance of original investment capital, capital gains, dividends, interest payments, returns and other related earnings.

Potential changes at the exchange include the introduction of automated trading and the listing of some of the state banks. The Bank of Ghana plans the development of mutual funds, unit trusts and municipal bonds later. These changes are aimed at making the exchange more relevant, more efficient and more effective. The Exchange was also involved in the preparation of the draft law on collective investment vehicles (Marfo-Yiadom 2002; The Ghana Stock Exchange).

3.5.2 GOVERNING COUNCIL

The Exchange is governed by a Council of thirteen representing Licensed Dealing Members, Listed Companies, Insurance Companies, Banks, Money Market Institutions and the General Public. The Council acts as the Board of Directors, by virtue of the Stock Exchange Act 1971. Such functions include maintaining good order among members, regulation of stock market business and granting listing and publishing prices (The Ghana Stock Exchange).

3.5.3 MEMBERS OF THE EXCHANGE

The Ghana Stock Exchange as a public company limited by guarantee has no owners or shareholder as such, but members who are either corporate bodies or individuals.

There are two categories of members: Licensed Dealing Members and Associate Members. A Licensed Dealing Member is a corporate body licensed by the Exchange to deal in listed securities. An Associate Member is an individual or corporate body, which has satisfied the Exchange's membership requirements, but is not licensed to act as a stockbroker on the Exchange (Ghana Stock Exchange).

CHAPTER FOUR

DATA ANALYSIS, FINDINGS AND DISCUSSION OF RESULTS

4.1 INTRODUCTION

The results from the questionnaire were analysed using the SPSS statistical software and intellectual logical reasoning. Questionnaires were distributed to one hundred and twenty (120) people of various backgrounds. These are

- Students
- Self-employed
- Private employees and
- Government employees.

The questionnaire was designed to examine three basic areas in investments. They are

1. The knowledge level of Ghanaians concerning investment in general
2. The knowledge level of Ghanaians with regards to the stock market and
3. Behaviour towards investment in the stock market

Also experts in the field of securities investments were interviewed.

4.2 .0 SURVEY OF PERSONAL DETAILS

4.2.1 GENDER

From the results gathered, out of the one hundred and twenty (120) respondents, sixty-three (63) of them constituting 52.5% are males with the minority of fifty-seven (57) of the total respondents being 47.5% representing females.

4.2.2 AGE

Majority of the respondents constituting 72.5% are aged between fifteen (15) years and thirty (30) years whiles the minority being 10% are aged between forty-six (46) years and sixty (60) years.

This suggest that more of the population are in their youthful age than in their old age and are more prone to long term investments than old folks who may be interested mostly in short term investments for current income; and this provide an opportunity or an avenue for investment firms to win this population in investing in the various investment vehicles available or which they operate.

4.2.3 EDUCATIONAL LEVEL

From the results, 67.5% of the respondents are at or have attained the tertiary level of education of Masters, Bachelors, Higher National Diplomas, Diplomas and Certificates; 27.5% of secondary level and the remaining 5% at the basic level.

It is anticipated that respondents with a tertiary level of education are more likely to engage in investing unlike those with basic level of education who may not have the requisite understanding or knowledge in investing.

4.2.4 OCCUPATION

The respondents to this questionnaire are from different occupation including business executive/traders, bankers/credit officers, librarian, hotelier, educationists and students. Apart from the students, those working are either self-employed, working in government institutions or for private firms/individuals.

4.2.5 STATUS/POSITION

From the data collected, it is noticed that majority which is 30% of the workers are in the lower level of management; the next being 27.5% are in the top management position of their working places or own firms and the lowest being 5% in the middle level of managerial positions especially in firms other than their own. 12.5% of the respondents are operational workers in their various places of employment and 25% are not workers but students of tertiary and secondary level.

4.2.6 NUMBER OF DEPENDENTS

The results provides that about 68% of the respondents have no child/dependant to look after or cater for but 15% of the total number of respondents have children/dependants between four (4) and six (6) to cater for. This pre-suggest that, there is the propensity of the respondents with the high number of dependants not to have much financial resource to invest much or not at all, unlike those respondents with no dependant; this is because, in the normal parlance, people with high number of dependants have higher financial commitments towards the upkeep of the home and so may not have enough means of investing in the tradable investment vehicles available on the stock exchange(s).

However, this rather calls for investments to be made to cater for unexpected events when one can not be able to meet when the burden has become too much to carry and may need additional sources of funds to meet those needs.

4.2.7 SALARY LEVEL

From the data collected, 50% of the respondents receive salary/stipend less than GH¢201 a month; 22.5% receiving above GH¢200 but below GH¢401, with only 2.5% receiving a salary of GH¢801 or above. This shows that majority of the respondents are not in well-to-do state to advance the course of making any meaningful investments or have the kind of interest of investing in tradable exchange securities because of their low level of income. However, notwithstanding that fact, some may demonstrate their willingness to invest in order to make more gains/income to supplement their already low income they receive from their jobs or benevolent (parents/guardians).

4.3 GENERAL INVESTMENT KNOWLEDGE

4.3.1 THINGS SOUGHT TO BE DONE IN THE FUTURE

Table 1. Summary of the things that respondents will seek to do in the future for themselves and or family members

	Furthering education	Marry and bear children	Build/buy a house, car	Set up a business	Relaxing and enjoying the time	Others
Valid	78	33	69	84	18	3
Percentages	65%	27.5%	57.5%	70%	15%	2.5%

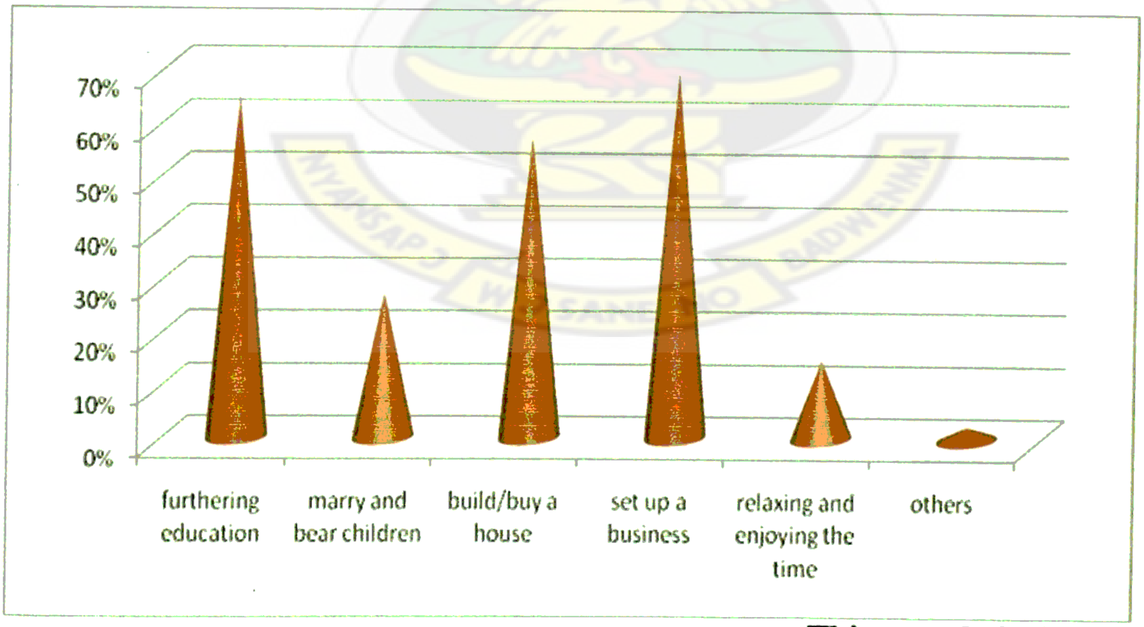
The above data reflects what things the respondents seek to do in the near future for their own selves and or for family members. The respondents were requested to select more than one. It is seen that the major priority of most respondents was the setting up of their own business in the future than relaxing and enjoying the time which only 6% opting for it. This suggest that the respondents who chose the option of relaxing and enjoying the time may have made some considerable investments to cushion them up in the retirement age or perhaps may not want to burden themselves working in their old aged.

The next best choice being furthering education with about 65% opting for it as well; this can be based on the fact that majority of those preferring to set up a business and or further education are students and also those aging between fifteen (15) and thirty (30) years as compared to those nearing their retirement age.

To marry and bear children in the future was also deemed an important consideration by 27.5% of the respondents as the fun of getting married to their sweethearts after school takes a centre stage. And such a choice was made mostly by the females and those under the age of thirty (30) years.

Below is a graphical representation of the results shown in Table 1.

Percentage (%)



Things to do in future

Figure 2. Things Sought To Be Done In Future

These choices set out the agenda for respondents to save funds in order to meet those aspirations which involve money. This also calls for funds saved to be invested in other things to generate additional funds and to safeguard the monetary value against inflation especially.

4.3.2 PLANS FOR FUTURE AFTER RETIREMENT

Table 2. Summary of plans for the future after retiring from active work

	Frequency	Percent	Valid Percent	Cumulative Percent
Resting and relaxing	30	25.0	25.0	25.0
Set up a business/go into partnership	54	45.0	45.0	70.0
Work on contract basis	36	30.0	30.0	100.0
Total	120	100.0	100.0	

As majority (45%) of the respondents have given that they will set up their business/go into partnership when they retire; with the next majority also indicating to work on contract basis as against the minority of resting and relaxing; there seems to be a notion that suggest that most of the respondents fear of financial insecurity in the future due to inadequate preparations after retirement may want to go back again.

4.3.3 INVESTING INTEREST

Table 3. Summary Of Whether They Like Investing

	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	114	95.0	95.0	95.0
No	6	5.0	5.0	100.0
Total	120	100.0	100.0	

To really find out as to whether people like to make investments be it in the financial sector, agricultural sector or any other sector worth investing; 95% of the total respondents affirmed their interest investing in worthwhile sectors leaving out the remaining 5% who seems not to be interested in making any sort of investment for their benefit. Or perhaps, the 5% may have understood it as investing in the stock market only which they may not like to do. However, even considering those who have affirmed their interest in investing does not mean that all of them will do so depending on several parameters which are taken into serious thought before an action is taken; as it is normally said that "it is easier said than done".

4.3.4 PREFERENCE TERM OF INVESTMENT

Table 4. Summary Of Preferred Form Of Investment

	Frequency	Percent	Valid Percent	Cumulative Percent
Long term	96	80.0	80.0	80.0
Short term	24	20.0	20.0	100.0
Total	120	100.0	100.0	

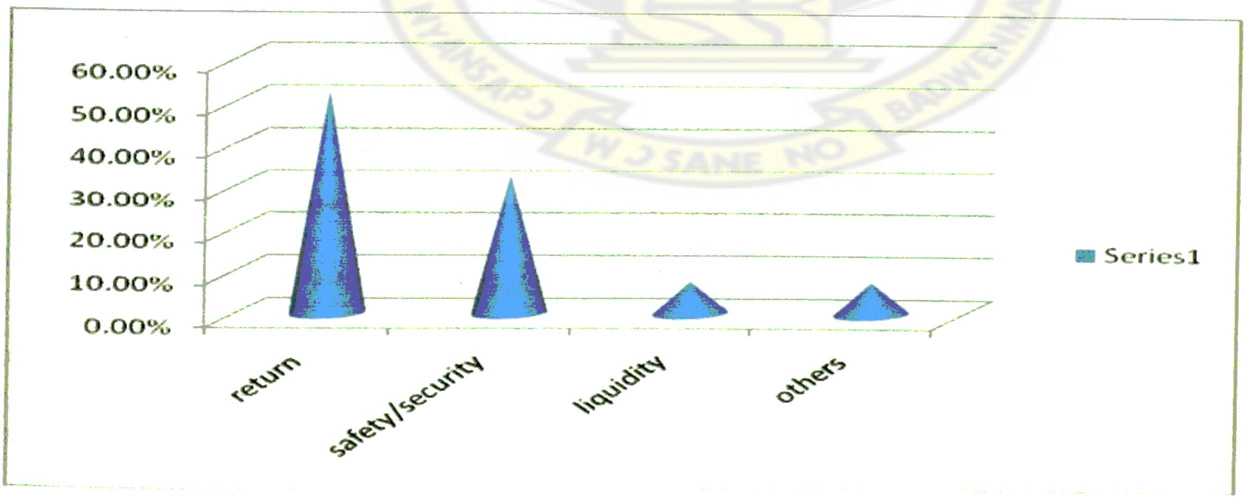
Though 95% of the respondents have indicated their interest in investing, only 80% of these respondents prefer to invest in the long term investment vehicles with the remaining 20% of the respondents of the 95% preferring short term investments.

This demonstrate the likelihood of most people wanting to take higher risks investing in long term investment vehicles but coming with a cost of higher returns for the risks to be taken.

Considering investors behavior under "time horizons", the response provides that the Ghanaian stock market is rising making most investors to prefer investing in the long time horizon. This also confirms what Lease et al (1974) said that investors are long term minded and they give little interest to short term yields.

According to Potter (1971) and Mangion (2004), investors are not solely motivated by the maximization of expected returns but other intrinsic rewards associated with the investment. This is represented in the graph below:

Percentage(s)



Reasons for such stance

Figure 3. Reasons For Preferred Form Of Investment

Though the assertion made by Potter (2007) and Mangion (2004) is true, however most of them are motivated to invest because of the returns (dividend and or capital gains) they may get in making such investment. This is shown by the reason(s) for either to invest in the short or long term, as 52.5% of the respondents demonstrated that they will invest mostly because of the returns (dividend/capital gains) they will receive. Also, it was indicated by the long term investors of the higher returns which will accrue to them in undertaking such investments.

4.3.5 PARAMETERS CONSIDERED BEFORE INVESTMENT IS MADE

Table 5. Summary Of Parameters Considered Before Investment Is Made

	Time/ duration	Returns/ safety of investment	Operations/ performance of company	Investment size/amount	Liquidity of shares	Economy/ personal financial position
Valid Percentages	21 17.5%	57 47.5%	42 35%	12 10%	9 7.5%	39 32.5%

As respondents points out to the factors they will consider before investing, majority constituting about 47.5% chose the returns and safety of the investment considering the risk involved as it shows how risk averse investors are. This also points out to the fact made by Hirt et al (1999) and Mangion (2004), that investors expectations made before entering a trade are based on two sets of factors, one being a personal factor which considers how much the investor wants to gain and how much he is ready to lose in such a trade.

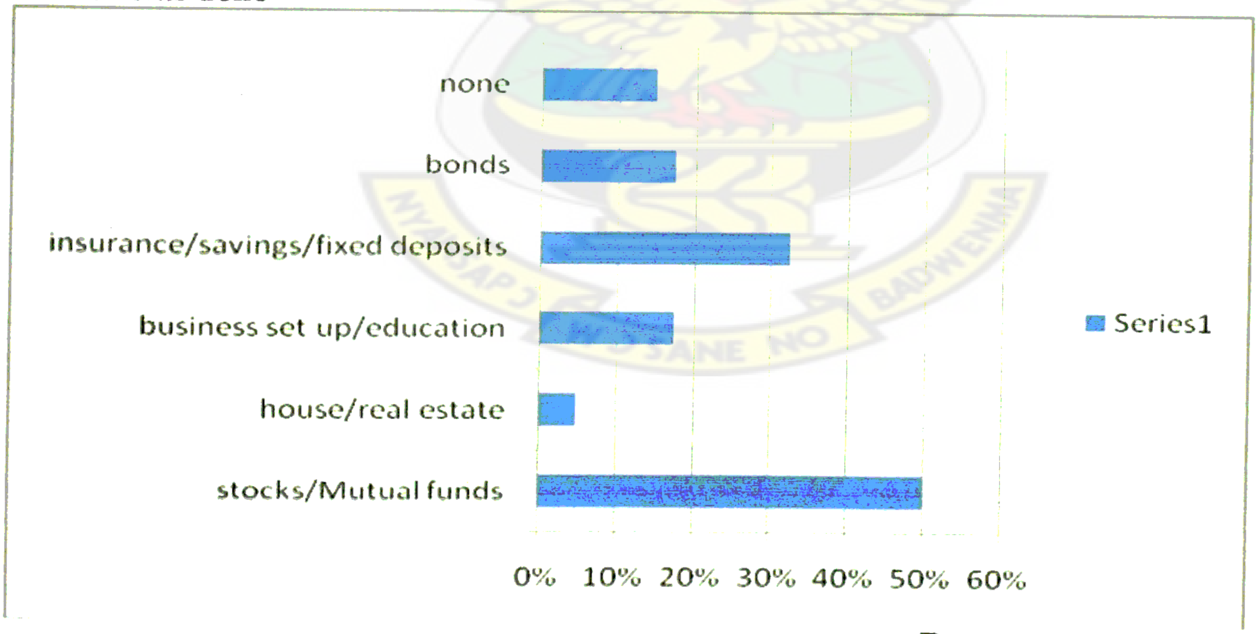
Though returns/safety of investment is principally looked at, the operations/performances of company are also considered, since a low performing company can not be able to generate and pay much or the required return on investments made in such a company. However, little cognizance is given to the ability to liquidate the investment vehicles easily, as only 7.5% of the respondents made it a factor to consider before investing.

4.3.6 INVESTMENTS DONE SO FAR

Table 6. Summary Of Some Investments Done By Respondents.

	Stocks/Mutual funds	House/real estate	Business set up/education	Insurance/saving s/fixed deposits	Bonds	None
Valid Percentages	60 50%	6 5%	21 17.5%	39 32.5%	21 17.5%	18 15%

Investments done



Percentage(s)

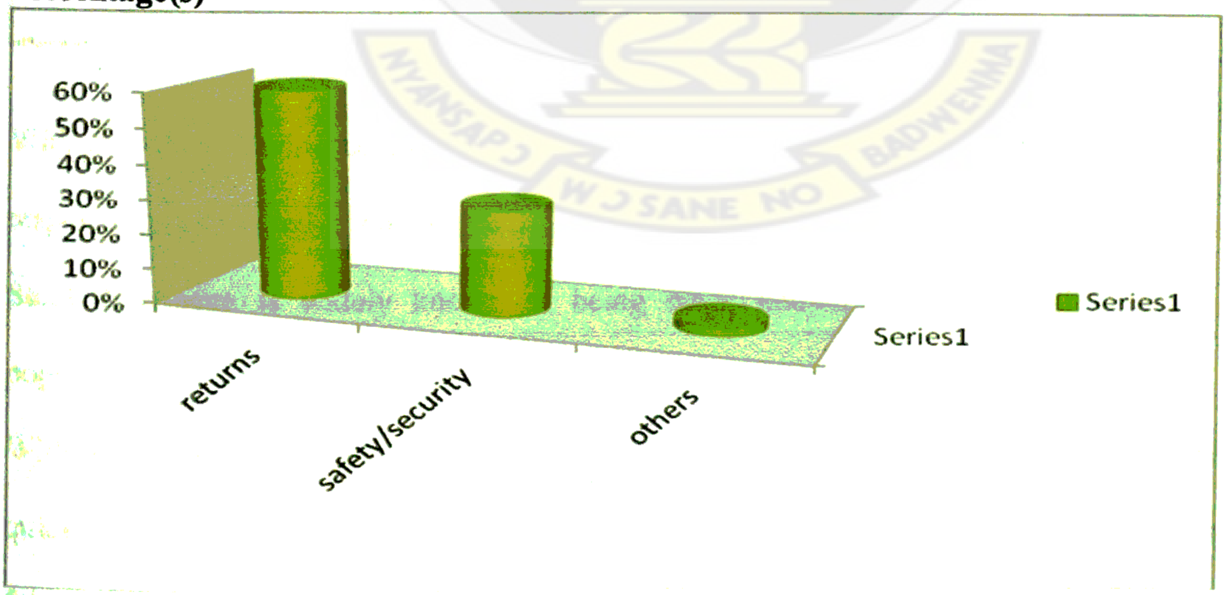
Figure 4. Investments Done By Respondents

From the table and diagrammed results, it is obvious that most of the respondents (50%) have investments in stocks/mutual funds as compared to other areas of real estate with only 5% making or have made investment in such area whiles 15% have not made any investment at all. With many investing in the stock market, it shows the confidence that most Ghanaians have in the growing stock market in the country; as well as being long term minded rather than short term minded as most have invested in long term products such as stocks/mutual funds, house/real estate and business set up/education.

However, it could be realize that, only few of the investors are investing in more than one investment product, showing how undiversified investors are.

For those who have invested, 60% of them showed that they were more interested in the returns for immediate/future consumption from the investments than any other reward on such investments; with 2.5% wanting to be his/her own boss such to do that. This is also shown in the diagram below:

Percentage(s)



Reasons

Figure 5. Reasons For Having Invested

However, 15% of the respondents were unable to provide any reason due to the fact that they have done none of any investment as of the time of providing response to the questionnaire.

In considering the 30% response of safety/security reasons, most of them are into savings in banks; shielding them from unnecessary expenditures. But they forget that, with the proliferation of Automated Teller Machines and Debit Cards, access to ones funds is now easier, creating room for unnecessary/unplanned expenditures to be made still.

4.4 GENERAL KNOWLEDGE OF THE GHANA STOCK EXCHANGE (GSE)

4.4.1 HAVE YOU EVER HEARD ABOUT THE GHANA STOCK EXCHANGE (GSE)?

Table 7. Response Summary

	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	102	85.0	85.0	85.0
No	18	15.0	15.0	100.0
Total	120	100.0	100.0	

With regards to having heard about the Ghana Stock Exchange (GSE), 85% of the total respondents expressed in the affirmative, "yes", indicating the extent to which the Ghana Stock Exchange is widely known or being made known to the general Ghanaian populace.

With the high speed development of the telecommunication industry, news travels quickly. From the survey, it transpires local financial news on television and radio is followed by 68% of the 85% respondents of investors surveyed while financial newspapers attract 8.6% of the respondents. This level of follow up demonstrates the importance that all news broadcasted must be correct, unbiased and does not mislead the investor. Though news may be correct, investors can either overreact or under react to its importance. As over 68% of the 85% respondents of having heard about the GSE got to know it through the electronic media as against 5.7% of the 85% getting to know it through their friends/family members, it clearly shows how the electronic media can be an opportunistic means of getting information regarding the GSE to the public or the country citizens and beyond. Since the electronic media takes the largest chunk (**as depicted in the below pie chart with electronic media constituting 68.6%; banks/brokerage firms, 8.6%; print media, 8.6%; institutions/workplace, 17.1% and family/friends, 5.7%**) through which people tends to source information from, it must be used wisely.

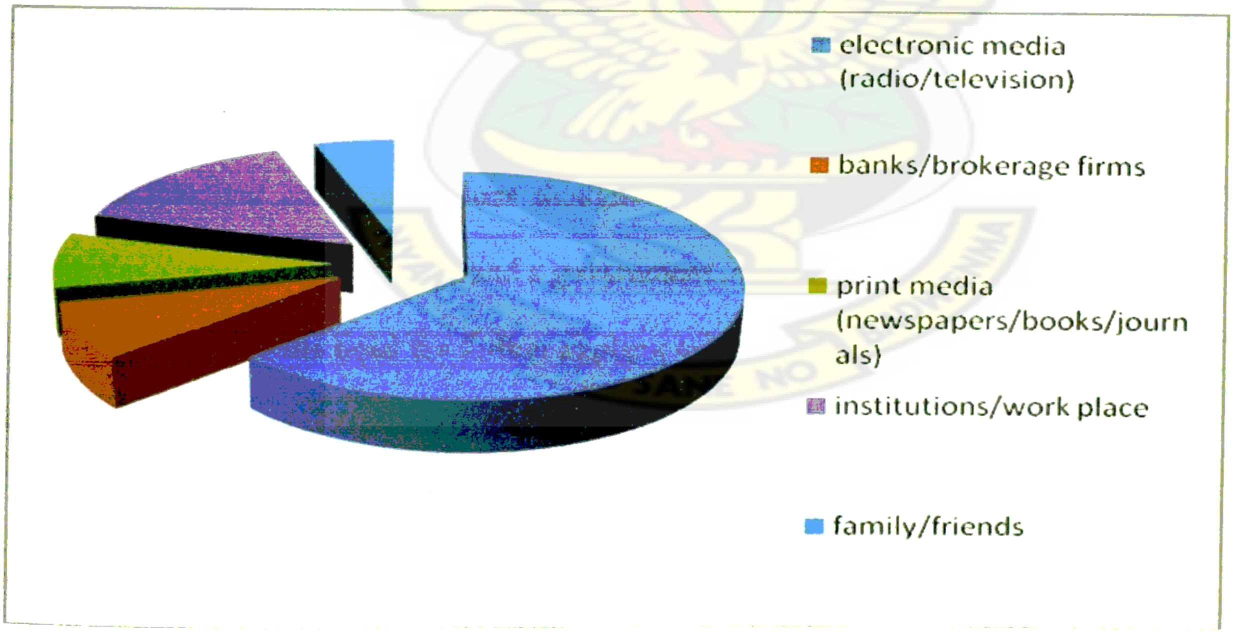


Figure 6. Channels Through Which GSE was heard

4.4.2 PERCEPTION AS TO WHAT GHANA STOCK EXCHANGE (GSE) IS

Table 8. Summary Of Perception About What GSE Is

	Frequency	Percent	Valid Percent	Cumulative Percent
A banking institution	9	7.5	7.5	7.5
A regulator of companies	9	7.5	7.5	15.0
An organized market in securities trading	90	75.0	75.0	90.0
A government's ministry/institution	3	2.5	2.5	92.5
A business organization	9	7.5	7.5	100.0
Total	120	100.0	100.0	

To assess their knowledge of the GSE as to what they have heard or seen in the various media or channels through which they access information or think what the GSE is, a question of such was posed to them; and though the Ghana Stock Exchange (GSE) is an organized market for securities trading as majority of the respondent representing 75% indicated that; yet still some others thought of it as banking institution, regulator of companies, business organization and a government ministry.

This means there is the need for further explanation as to what GSE is, not only to those with limited knowledge but also to those who have not heard it.

4.4.3 KNOWLEDGE OF GSE TRADED PRODUCTS

Though people may have heard about the Ghana Stock Exchange (GSE), not all of them may know the products being traded in there. Table 9 depicts the response as to the knowledge of products traded on the GSE

Table 9. Summary of Knowledge of Products Traded on The GSE

	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	87	72.5	72.5	72.5
No	33	27.5	27.5	100.0
Total	120	100.0	100.0	

In assessing the knowledge level with regards to the products being traded on the GSE, results gathered indicate that about 72.5% know some of the GSE traded products, whiles 27.5% accedes to the fact that they have no knowledge with regards to the GSE traded products which includes those respondents who have not heard about the GSE and those who have limited knowledge or are unaware of the products being traded on the exchange.

And even though the GSE is engaged in the trading of shares, stocks and bonds, only 34.5% indicated their desire to invest in those securities, whiles the majority of the respondents (65.5%) only want to invest in shares. This shows how investors are less knowledgeable and or not mostly diversified in their investment which they make, confirming what Watson et al (2007) and Casu (2006) suggested that investors are not highly diversified in their investments.

4.5 INVESTORS BEHAVIOUR IN THE GHANA STOCK EXCHANGE (GSE)

It is quite significant to note that only 37.5% of the respondents have indicated they having investment in the stock market whiles 62.5% gave "no", as to not have invested in the Ghana Stock Exchange. This is summarized in Table 10.

Table 10. Response Summary As An GSE Investor Or Not

	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	45	37.5	37.5	37.5
No	75	62.5	62.5	100.0
Total	120	100.0	100.0	

This somehow contrasts to answers given in a previous question as to some of the investments made by them. Though some of the investors made their investment in securities on the stock market through open-ended investment companies, they do not know that they have invested in such securities on the stock market indirectly but think such branded investment vehicles by these investment companies are different from what are traded on the stock exchange. This shows the limited knowledge of the stock exchange.

For those who have professed to be investing in the GSE, only 6.7% of the respondents have invested in the GSE traded securities for six (6) years and above, whiles the majority of 40% have invested between two (2) to three (3) years. With 26.7% investing between one (1) day and a year, and 26.7% also investing between four (4) to five (5) years, it is not the best to boast about the Ghanaian investors in the Ghana Stock Exchange traded products.

Many reasons have been assigned by the investors for investing in the Ghana Stock Market traded securities; it was still evident that most of the investments are done purposely for returns either for immediate or future consumption or both with less consideration to safety of investments due to inherent risks.

Non-Investors In The Ghana Stock Exchange (GSE)

To know whether those respondents who have disclosed they not being investors in the GSE but given the opportunity would want to make a move in investing there?

Out of the 75 respondents who indicated them not being investors in the GSE/Mutual funds, 68% of them have indicated their interest in investing when opportunities become available, whiles the remaining 32% have declined in making any investment in the GSE traded securities/mutual funds.

One may wonder why the 32% of those not already investing in the GSE declining to invest; these reasons were among others that a question was asked to unravel.

And from the response gathered, those who professed (68%) in their willingness to invest in the GSE traded securities/mutual funds, over 88% are being propelled to do so because of the expected returns that will be receive on their investments; with less than 12% for safety and liquidity purposes of investments.

Whiles those unwilling to invest in the GSE traded securities/mutual funds, 50% gave a reason of not having or having less knowledge with regards to what GSE is. This pre-supposes that some potential investors will not put in their money into things they have no or less knowledge about until they are able to gather sufficient information before embarking on such investments. This also shows that not all people can just be tossed into making any investment at all, since they might consider the risk of losing their invested funds for no just cause.

However, 25% expressed the less developed nature of the GSE as being their reason not to invest in the GSE; whiles the remaining 12.5% also said because they are already investing in something else they wouldn't be able to invest in the GSE traded securities/mutual funds.

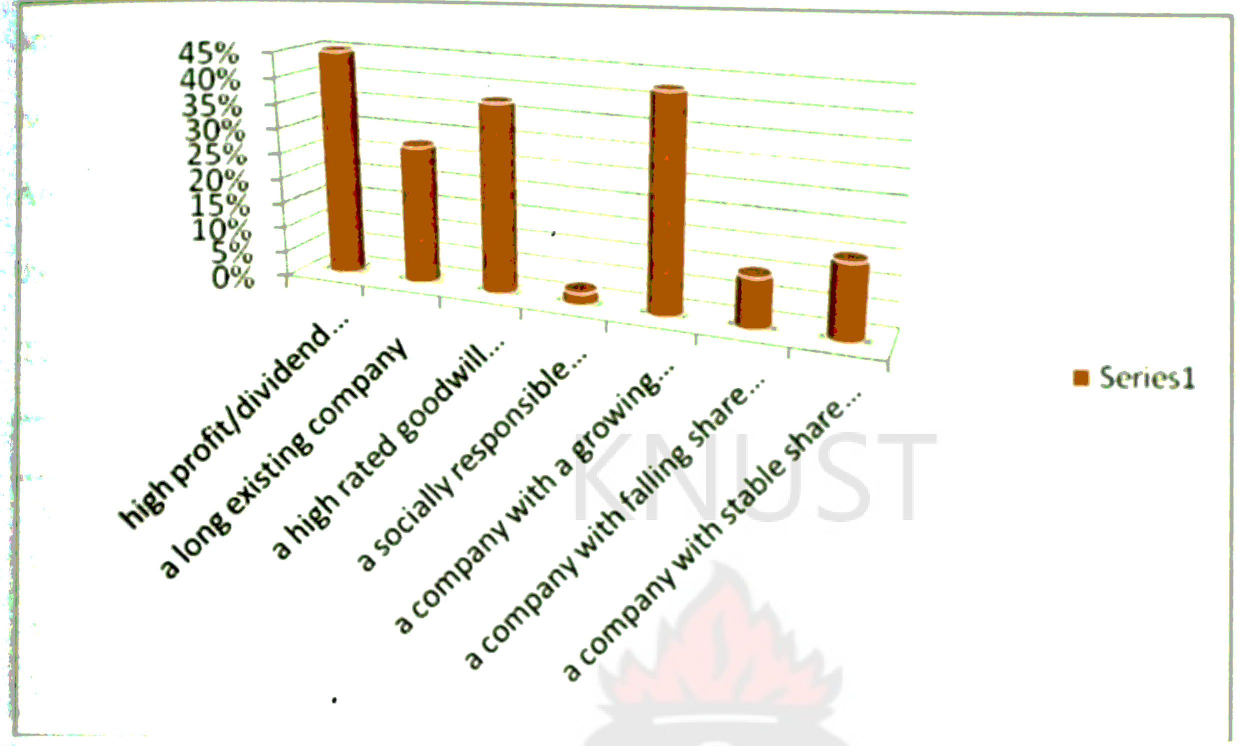
Several factors potential investors also look at regarding ***Company(s) Likely To Be Invested In*** may be seen in the provided results of such as depicted in the table below:

Table 11. Summary Of Company(s) Likely To Be Invested In

	High profit/ dividend declaring company	A long existing company	A high rated goodwill company	A socially responsible company	A company with growing share prices	A company with falling share prices	A company with stable share prices
Valid Percentages	54 45%	33 27.5%	45 37.5%	3 2.5%	51 42.5%	12 10%	18 15%

And as Baker and Haslem (1973) argued that one of the primary concern with expectations about the future which is of a high interest to investors is earnings projection, which seems to suggest that, most investors will want to invest in companies which will provide the kind of earnings they want from their investments. And this is what was exhibited by the respondents as 45% voted on investing in companies with high profit/dividend declaration and over 42% with growing share prices (as shown in figure 7). The latter choice by respondents seems to be in contrast to the belief that investors will prefer to invest in shares whose value has fallen or become cheap, so as to make gains when the prices of such shares begins to soar up again.

Percentage



Kind of company to invest

Figure 7. Kind Of Company To Likely To Be Invest In

In a ***Likelihood Situation To Sell Shares*** if one is an investor on the stock market; over 67% indicated their willingness to sell their stocks in companies when share prices move up, giving credence to the fact under the "prospect theory" that investors prefer selling their good performing stocks to book a profit rather than selling poor performing stocks to cut loss (Naidu, 2008). In agreement, the "disposition effect" also describes investors common tendency in quitting a winning investment too soon as majority of the respondents sought to do in such a situation. This also confirms the research done by Sevil et al (2007) in Instanbul Stock Exchange that investors are likely to sell stocks which yield profits rather than those yielding losses.

Most of the reasons given confirm Naidu (2008) assertion that good performing stocks are sold mainly to book a profit (return); over 62% of the respondents gave such a reason to sell their stocks when prices of shares rise.

Also, in ***Likely Situations*** where investors tend ***To Hold The Shares*** is summarized in the table below:

Table 12. Summary Of Likely Situations To Hold The Shares

	Frequency	Percent	Valid Percent	Cumulative Percent
When share prices go up	36	30.0	30.0	30.0
When share prices fall	24	20.0	20.0	50.0
When share prices are stable	60	50.0	50.0	100.0
Total	120	100.0	100.0	

As majority, which is 50% of the respondents anchoring their position to hold their shares in times of share price stability as against 20% of the respondents who indicated their position of holding shares when the share prices fall, clearly going in contrast to the stance of "regret theory" and "disposition effect", where it has been stated that investors are more likely to hold unto or avoid selling their stocks that have gone down. Naidu (2008), also points out that people are basically willing to take more risks to avoid losses than to realize gains contrast to the attitude being shown here, as the respondents prefer to hold unto their shares when prices are stable than shares with falling prices.

Considering the reasons for such a move as to when shares will still be held; results showed that 17.5% of the respondents did not provide any reason to that effect. However, with the 82.5% providing reasons, 30.3% made it clear that because of the stable returns that will be enjoyed providing some sort of financial stability and the safeness of the investment made whiles 12.1% also made it known that, there is neither losses or gains on stable share prices giving credence to the fact that about 42.4% (30.3% +12.1%) would want to avoid the risks involved in such investments.

4. 5.2 INVESTORS REACTION

4.5.2.1 INVESTORS REACTION WHEN STOCK/SHARE PRICES FALL AS AGAINST THEIR EXPECTATIONS

Table 13. Summary Of Reaction When Share Price Falls Against Expectation

	Frequency	Percent	Valid Percent	Cumulative Percent
Hope/ hold	51	42.5	42.5	42.5
Sell	27	22.5	22.5	65.0
Others	42	35.0	35.0	100.0
Total	120	100.0	100.0	

As said that, in the event of a stock heading down, investors wait hoping to recoup their losses under the "prospect theory'; in finding out the reaction of the respondents with regards to falling share prices as against their expectations, most declared their desire to hold the shares and wait, hoping that the share prices will rise again in order to recoup their losses. And also to avoid the stock prices falling drastically when more of the investors want to offer their shares for sale due to the falling share prices will drive the prices down. The response supports the "disposition effect", "prospect theory" and the "regret theory". Nevertheless, with the earlier response by most respondents to holding shares when stable contrast to this very response of holding shares when share prices fall.

However, this also suggest that, no matter the falling share prices, some significant number of investors will still hold unto their shares hoping to recoup their losses when the share prices starts gaining weight on the stock market.

35% sought to find out from management with regards to the reasons for falling share prices, with others expressing how disappointed they will be while some also impressed upon their decision to remove/change the company's management team/board and replace them with more competent team/board to manage the company.

This also indicates how risk averse investors are, not wanting to take any chance of bearing any unsystematic risks inherent in the company which they can control.

4.5.2.2 COMPARISON OF GRATIFICATION AS AGAINST REGRET

Table 14. Summary Of Comparison Between Regret And Gratification Of Increase/Decrease In Shares

	Frequency	Percent	Valid Percent	Cumulative Percent
The magnitude of gratification will be greater than the magnitude of regret	45	37.5	37.5	37.5
The magnitude of regret will be greater than the magnitude of gratification	75	62.5	62.5	100.0
Total	120	100.0	100.0	

In comparing the joy of gratification of a 50% increase in a stock as against 50% decrease in a stock purchased, 62.5% indicated that the magnitude of regret will be greater than the magnitude of gratification in the event of 50% increase in stock as against 50% decrease in stock purchased, demonstrating that the pain of losing money from investments is much higher than the joy of earning money. This has repeatedly being suggested by psychological studies and researches undertaken by Sevil et al (2007) and Mangion (2004), both affirming the pain of regret over a 50% increase/decrease in stock purchased greater than the joy of gratification among investors. In such a case of investors avoiding the pain of regret will tend to reduce their share of personal responsibility in their investment decisions.

4.5.3 DIVERSIFYING RISK

In the diversification of risks, beta risks or systematic risks cannot be eliminated through diversified investments in other areas of related or unrelated businesses. However, with unsystematic or company specific risks, one can be able to reduced his risks in such companies through diversification.

In order to ascertain how diversifiable they will be that aside investing or not, in the stock market, in which area are you likely to invest? The following responses were provided, as summarized in Table 15.

Table 15. Other Areas To Invest

Areas	Frequency	Percent	Valid Percent	Cumulative Percent
Education	12	10.0	10.0	10.0
Real estate	24	20.0	20.0	30.0
Insurance	9	7.5	7.5	37.5
Business/trade	30	25.0	25.0	62.5
Agriculture	9	7.5	7.5	70.0
Others	36	30.0	30.0	100.0
Total	120	100.0	100.0	

25% of the respondents seek to establish their business or trade aside investing in the stock market shows how investors will want to be self-independent especially financially. With the others option, representing 30%, some will want to invest in the banking sector, family members, transportation sector and one person indicating never liking to invest. This may probably be some experience he might have faced in making investment. This also shows how diversifiable the investors will be, either in a related area or unrelated.

In finding out about the motivating factors in investing in other areas, most of them, over 42% expressed how profitable or the kind of returns to be enjoyed in those areas/sectors are enormous. The least representing 10.5% sought to reduce their risks generally through diversification. It seems most of the respondents are more concerned about the earnings they will get in investing in other areas not taking into consideration how to diversify their risks and to have sustainable level of returns, though almost all are in one way or the other diversifying.

4.6 INTERVIEWS WITH EXPERTS IN SECURITIES INVESTMENT

From the SDC Brokerage Services Limited and Gold Coast Securities (GCS) limited, experts were interviewed with regards to the behaviour of investors, the general knowledge of investors and operations of the Ghana Stock Exchange.

4.6.1 CAUSES OF STOCK MARKET RUSH

Experts provided that some of the things which cause some Ghanaians to rush in making investment in the stock market include share price in most times, information, recommendations and impression of active trading.

It was pointed out that when investors see the price of a share of a particular company going up; they tend to rush into buying or wanting to buy those company shares without much diligence. They perceive that in so doing they will make more gains in the purchase of such shares especially in current terms without much considerations to other important analytical factors.

In other cases, when there is a release of information, mostly false or hearsay/rumour into the market by some people which may even involve some company officials, make investors and potential investors to rush into buying more of that company shares. This also involves information manipulation by some officials of such companies to make it look good in investing in such a company, as Smith in his writing on "Market Incentives for Ethical Behaviour" puts out that firms in financial difficulty are more likely to cheat than financially healthy firms (Ross et al, 1998); this presupposes that non-performing firms will try as much to manipulate or distort information into the market to their advantage so as to encourage/propel more investments in the company because of the good picture/image they've painted for the company. And for one to obtain relevant information regarding the company is difficult and expensive as Roll also in his writing on "Market Efficiency" asserts that relevant information is difficult and expensive to uncover and evaluate (Ross et al, 1998) thereby making way for people to accept whatever information put into the market.

Furthermore, some single majority shareholders or corporate investors create the impression that there is active trading in the shares of the said company, making other potential investors to go into the purchase of the said company's shares. And finally, recommendations from other investors which are mostly in few cases, cause people to make investments in securities.

4.6.2 WHAT INVESTORS DO

With a question on whether investors do

a. Buy on rumour. The experts said yes, though not all but most especially with a rumoured information on high dividend payment and soaring profitability of that company.

b. Try to predict the market. The experts said only a very few try to do so, especially with those into stock investments who have information.

c. Fail to inform their financial representative of any change in their risk tolerance. The response was categorically "no", for investors do inform even with regards to any little thing about their investments especially for fear of losing their money. And some tend to sell their shares when share prices fall than expected.

d. Get influenced by foreign markets developments. One of the expert said "yes", to the fact that in this era of credit crunch in the global financial industry where most people are selling off their shares at cheaper rates, some are unwilling to buy any shares at all so as not to lose their money; with the other expert expressing that very few rational investors are influenced by foreign markets developments.

4.6.3 PARAMETERS ANALYSIS

In finding out whether investors look at and analyze the following parameters such as price/earning ratio, dividend yield and new prospect for the company before taking a decision.

Both experts said very few do look at and analyze the price/earning ratio before taking a decision and this is especially with those having a finance background, since they are able to do some financial analysis of such companies by looking at the company's financial statements over a period.

With respect to dividend yield, one expert said about 10% do look at that while the other expert pointed out that most do look at the percentage of dividends payable to investors and also the performance of the stock on the stock market.

Nevertheless, some do look at the new prospect of the company due to the huge impact on the security of the investment to be made as some look out for information on the market.

4.6.4 SATISFACTION ON RATE OF RETURN

In getting to know how really satisfied are investors with the rate of return on the investments, one expert said some whiles the other said very few get satisfied especially when they look at the size and goodwill of the company comparing it with the amount of return they get. And this in fact has a serious effect on their behavior. This may be due to wrong or unclear objective and inability to match their needs with the right kind of investment vehicle, whether short or long termed.

4.6.5 BASIS ON INVESTORS DECISION TO INVEST

Also in assessing investors decision to invest in the local stock market was based on professional advice, personal feelings, and positive experience from family members/friends or from personal calculations.

It was revealed that very limited people do approach professionals for advice before making investment but most of them are influenced by the experiences of friends and family members towards a particular share or mutual fund.

With regards to personal feelings, it is one out of a thousand especially when they have had a bad past experiences with a listed company or some sentiments against that company.

Also, an insignificant number of people/investors do personal calculations and this is only particular with those in financial institutions.

However, some people just invest in an irrational way without any advice to show to people that they have bought shares of some companies' whiles others too look at the branding of the investment product.

4.6.6 SELLING SHARES

In a follow up question as to when do people normally sell their shares; it was not surprising as one expert said mostly when share prices are falling, especially when they become too much sensitive to price falling on the stock market for fear of losing their money. This contrasts to the view that, investors will sell their stocks when prices are soaring up for some capital gains. However, the other expert said that investors normally sell their shares when they are in need of money; they do not know the timing to sell their investments (shares).

4.6.7 KINDS OF PEOPLE WHO INVEST A LOT

On the move to know the kind of people who do invest a lot, it was realized that the middle class and the upper class do invest a lot mostly in stocks as compared to the lower class mostly investing in short term securities such as the treasury bill. And as also provided by one of the experts that those with high net worth, that is those with excess cash after expenses have been deducted from their income, and they are those with good jobs/work.

4.6.8 KNOWLEDGE ABOUT GHANA STOCK EXCHANGE

Also, in assessing the knowledge level about the Ghana Stock Exchange (GSE) of the Ghanaian citizenry; in their opinion, the ordinary Ghanaian has a very minimal knowledge and mostly not at all as most of the investors, both potential and actual do confuse themselves with treasury bills being a kind of traded shares. However, the elite class can be said to have an average knowledge about the GSE but not in-depth unlike those trained and or working in securities market or in financial services may have substantial knowledge about it.

In considering what the major operations of the Ghana Stock Exchange are, they articulated as a facilitator in the trading of securities between buyers and sellers; trainers of potential brokers and act as advisors to government and corporate bodies.

4.6.9 INVESTORS BEHAVIOUR TOWARDS COLLECTIVE INVESTMENTS SCHEMES

According to the experts the concept of Collective Investments Schemes (CIS), otherwise known also as Open-Ended Investment Companies helped small investors to take part in the stock market by investing small amounts of money in a fund where all money invested by the investors are pooled in one account and then diversified to the varies equities and bonds that are listed on the market. This meant less risk for the investor while the financial advisors were targeting new clients that were reluctant to get in the market before. And given the overwhelming growth of the industry in the last years, one may conclude that many of the latest investors to collective investment schemes do have limited knowledge about it. Some investors have invested in funds that they did not even know how the funds were made up and the level of risk that funds had.

This was confirmed by Franco Xeureb, stockbroker at Bank of Valletta Stockbrokers Limited when he said *"Some investors come for advice and they don't have a clue what the fund they have invested in is all about, in what currency they are dealing in and what level of risk the fund carries, ... "* (Mangion, 2004)

In their conclusion, they held that some investors' behavior can be so much awkward in times of share prices falling; weeping and sometimes arguing or fighting with them (experts) especially for making non-profitable investments on their (investors) behalf when they the investors had by themselves opted for it without their (experts) professional guidance and advice.

4.7 TRENDS IN SHARE PRICES BETWEEN 2007 AND MIDDLE OF 2009

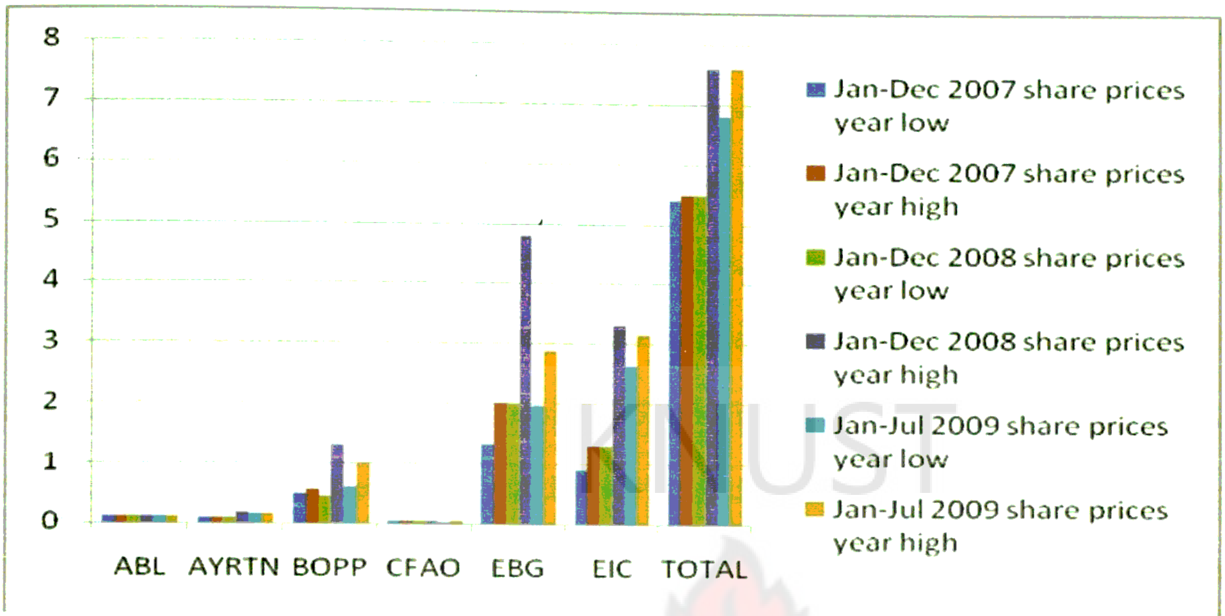


Figure 8. Trends In Shares Prices (Source: Ghana Stock Exchange)

From the chart, considering the various companies share prices year high, ABL has been stable between 2007 and 2008 but increased marginally by 4.35% by the middle of 2009. However with AYRTN, there was a sharp increase in its share price year high between 2007 and 2008 by 73.8% but fell marginally by 5.88% in 2009; BOPP also had its share price year high increased sharply by 136.36% between 2007 and 2008 but also fell in 2009 by 23.08%. CFAO had a very marginal increase in its share price year high by 0.25% between 2007 and 2008 but remained unchanged by the middle of the year 2009. EBG had an increase in its share price year high also by a sharp increase of 140% between 2007 and 2008 but also did fell in 2009 by a 40% margin; so does EIC increasing by 153.85% in 2008 been the highest increased but fell marginally by 4.85% by the middle of 2009. However, in 2008, TOTAL's share price year high increased by only 38.4% from the previous year but remained unchanged by the middle of 2009.

In considering the share price year low: ABL remained the same as its share price year high for 2007, 2008 and by the middle of 2009. With regards to AYRTN, there was a marginal increase by 0.31% in 2008 from the previous year of GH¢ 0.0975 and 53.37% by the middle of 2009. BOPP however experienced a fall by 8.13% in 2008 but rose by 36.05% in the mid-way of 2009. In the case of CFAO, it had a stable share price year low between 2007 and 2008 but experienced a fall in the middle of 2009 by 14.29%. EBG had its share price year low increased by 50.9% by year end of 2008 but dropped marginally by 1.5% in the mid-way of 2009. EIC and TOTAL had their share price year low increased by 47.4% and 1.6% in 2008, and 102.3% and 23.8% by the middle of 2009 respectively.

In comparison of the fluctuations (rise and fall) in the share prices of both year high and year low, the increases have been more significant than the falls in all the years; this establishes the high level of patronage in the stock market causing a significant hike in share prices though certain situations or happenings may cause other investors to leave the market thereby marginally causing the value of the shares to fall over the periods.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 SUMMARY OF FINDINGS

It was observed that some of the respondents mostly interchange or confuse treasury bills, which is a short term bond with shares. This was due to no or limited knowledge concerning investments products in stock market. And even most people do not know that a mutual fund consists of a mixture of securities both shares and bonds.

Investors are blinded by the cedi returns posted by stocks and, as a result, give little credence to the possibility of a bear market. This was demonstrated through some of the questions asked, as most of them invest purposely to get returns and will consider the returns factor before making investments.

Most investors are confused with regards to what action to take in situations or times as to when to hold shares and when to sell shares. This was demonstrated when most investors gave that shares will be held when prices are stable but in another situation as to share price falling against expectations gave that they will hold the shares and hoping for the best in future.

Investors do not consider stockbrokers as good and efficient advisers. This is because most of the stock brokers are not being consulted for any advice by investors before investments are made; perceiving that their judgments are the best and the stock brokers are there to cheat them by playing some intelligence on their (investors) intellectuality concerning stock market investment.

Shareholders will be unwilling to let go shares whose value is falling especially when it was their choice in making those bad investments in such companies without any professional advice. This they do to safeguard their pride for fear that they will be mocked for making a bad investment.

There is a growing interest in investing in collective investments schemes by investors nowadays. The major reason being the returns being posted by such schemes are considerable to march up to the risks and also the diversity that it offers to the investors in hedging against systematic risks especially.

The ability to liquidate one's shares is one of the parameters least considered by most investors in the event of making any investments. This creates problems especially when such investors may want to off-load their hares on the stock market and are not getting buyers to purchase those shares, thereby pointing an accusing finger on their stock brokers in not making frantic efforts in off-loading their (investors) shares. Also, No institution has the required finance in order to buy the excess supply for a particular share so as to prevent the price from falling. This lack of liquidity can have a severe effect on the market psychology.

It has also been found out that investors' behaviour are unpredictable as none can be predicted as to which action will be taken by such in different or similar circumstances or situations that may confront the investor with regards to his/her investments made in the stock market through collective investment schemes or personally directly.

It was also found out that a significant number of investors are influenced by certain developments in other foreign markets such as the current credit crunch in the United States of America and the Western Europe which made some of the investors wanting to off-load their shares to avoid the risk of losing their money in the investment made.

5.2 CONCLUDING REMARKS

Behaviourist will often argue that investors often behave irrationally, producing inefficient markets and mispriced securities which create opportunities for people to make money; and consistently uncovering these inefficiencies is a challenge.

Investors should be aware that they can be influenced by the actions of others. They have varying abilities and confidence when investing. Those lacking confidence may choose to seek professional advice. In seeking professional advice, investors should go to someone of demonstrable competence. For those seeking to invest without a professional advice should be careful that they are not responding to misleading signals. There are intangible benefits to investing. However, these benefits should be measured against the potential costs should the investment turn sour. A common mistake is buying a stock/fund because it did well in the past instead of studying what it will do in the future. And most investors in Ghana do not really rely on technical analysis neither on fundamental analysis before making any investment.

5.3 RECOMMENDATIONS

Financial Education

As the surveys showed, investors weren't fully educated on the true short-term risk and long term risk of investing in stocks and the benefits of proper diversification; and as well differences between shares and bonds, and shares and mutual funds; they must be educated on such securities and risks before they undertake such investments to avoid any conflict between them and the brokers.

Considering Other Parameters

As the results of the survey showed that most of the investors consider in prominence, the returns to be derived from the investments as against liquidity of security, performance and operations of the company over a considerable period and new prospects which the company seeks to undertake. These other parameters have significant effect on the returns to be generated on investments made.

Information Acquisition

Investors must make sure that they have enough information regarding an investment vehicle and or company before venturing into making investment in such company. This they may do by seeking professional advice from experts in the brokerage firms who have much experience in dealing in such securities; and also the brokers should not be seen to be cheats but rather helpers in taking the right decisions towards investing in the stock market.

Probe Into Risk Tolerance Level

Stock brokers must probe into the tolerance level of risk of investors before making any investments on their (investors) behalf, so as not to experience bizarre behaviours from investors whose tolerance level for risk is very low.

Acceptance Of Risks

Investors should be comfortable with and behave in a reasonable manner in accepting the risks they bear regarding an investment. Though they have various risk preferences which can make them display extremes of behaviour, which manifest at the one extreme as an overwhelming fear of risks, or at the other as a risk-loving (gambling) mentality. Neither extreme is beneficial in the long run.

Fund Set Up

If possible a fund should be set up by the Securities Exchange Commission or the Sock Exchange to buy any excess supply of shares on the stock market from investors especially in times of falling share prices to safeguard the value of the shares from further devaluation on the stock market.

Further Research

Further research is recommended into investors' behaviour with regards to correlation between age and investment, gender and investment. This is to ascertain whether the age factor has a serious effect on investment or not, likewise the gender factor. Also, more in-depth research should be encouraged in order to understand the real factors that cause investors to invest. By studying the behaviour of investors, authorities and interested parties can minimise the effects of irrational behaviour on the GSE by taking the necessary measures in time to limit this type of behavior.

Encouraging More Investments

To encourage or whip up the interest of the local investor to invest in the financial market, the following should be adopted by the authorities of the stock exchange and the various brokerage firms in the country:

- Talk plainly to investors about different types of funds and investments.
- Educate investors to have realistic expectations about fund performance.
- Explain the relationship between risk and reward to the investor.
- Encourage long-term investment objectives for investors.
- Avoiding unrealistic investment returns that will result in disappointment.

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APPENDIX 1.

Market Information – Share Prices Of Selected Listed Companies On The GSE

	Jan-Dec 2007		Jan-Dec 2008		Jan-Jul 2009	
Company	Year High	Year Low	Year High	Year Low	Year High	Year Low
ABL	0.1150	0.1150	0.1150	0.1150	0.1200	0.1200
AYRTN	0.0978	0.0978	0.1700	0.0978	0.1600	0.1500
BOPP	0.5500	0.4800	1.3000	0.4410	1.0000	0.6000
CFAO	0.0399	0.0350	0.0400	0.0350	0.0400	0.0300
EBG	2.0000	1.3250	4.8000	2.0000	2.8800	1.9700
EIC	1.3000	0.8818	3.3000	1.3000	3.1400	2.6300
TOTAL	5.4910	5.4030	7.6000	5.4910	7.6000	6.8000

APPENDIX 2.
KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY
SCHOOL OF BUSINESS

QUESTIONNAIRE

This questionnaire is designed to collect information purely and purposely for academics and any information provided will be confidentially kept.

Research topic: **<u>Investment In The Stock Market (A Behavioural Aspect Of The Ghanaian Citizenry)</u>**

<u>Personal details:</u>

Gender: Male ☐ Female ☐ Age:.................................

Educational level:......................... Occupation:.........................

Status/Position: Top management ☐ Number of dependants:

Middle management ☐ Nil ☐ 1-3 ☐

Lower management ☐ 4-6 ☐ 7+ ☐

Operational worker ☐

Salary level: GH¢ 10 – 200 ☐ GH¢ 201 – 400 ☐

GH¢ 401 – 600 ☐ GH¢ 601 – 800 ☐

GH¢ 801 and Above ☐

<u>Questions</u>

1. What are some of the things you will seek to do in the future for yourself and or family members?
   a). Furthering education ☐
   b). Marry and bear children ☐
   c). Build/Buy a house, car ☐
   d). Set up a business ☐
   e). Relaxing and enjoying the time ☐
   f). Others (Specify):...

2. What are the plans for the future after retiring from active work, if working?
   a). Resting and relaxing ☐
   b). Set up a business/go into partnership ☐
   c). Work on contract basis ☐
   d). Other(s):..

3. Do you like investing? Yes ☐ No ☐

4. Which of these two would you prefer: long term investment or short term investment?
   ....

5. Reason(s) for that:
   a). Returns ☐
   b). Safety/Security ☐
   c). Liquidity ☐
   d). Others:..

6. What are some of the things you will consider before investing?
   a). Time/Duration ☐
   b). Returns/Safety ☐
   c). Operations/Performance ☐
   d). Size/Amount of investment ☐
   e). Liquidity ☐
   f). Economy/Personal financial position ☐

7. What are some of the investments you have done?
   a). Stocks/Mutual funds ☐
   b). Real estate ☐
   c). Education/Business Set up ☐
   d). Insurance/Savings/Fixed deposits ☐
   e). Bonds ☐
   f). None ☐

8. Why do you invest/put your money into such things?
   a). Returns ☐
   b). Financial Safety/Security ☐
   c). Others:..

9. Have you ever heard about the Ghana Stock Exchange (GSE)? Yes ☐ No ☐

10. If yes, how?
   a). Electronic media ☐
   b). Banks/Brokerage firms ☐
   c). Print media ☐
   d). Workplace/Institutions ☐
   e). Friends/Family ☐

11. What is your perception about the Ghana Stock Exchange (GSE)?
   a). A banking institution ☐
   b). A regulator of companies ☐
   c). An organized market in securities trading ☐
   d). A government's ministry/institution ☐

e). A business organization ☐

12. Do you know some of the products being traded on the GSE? Yes ☐ No ☐

13. If yes, what are some of the product would you like to invest in?
   a). Stocks and Bonds ☐
   b). Stocks ☐
   c). Bonds ☐
   d). Others:...

14. Are you an investor in the GSE traded securities/Mutual funds? Yes ☐ No ☐

15. If yes, for how long?
   a). 1day – 1year ☐
   b). 2 – 3years ☐
   c). 4 – 5years ☐
   d). 6+ years ☐

16. Why did you invest in the GSE traded securities/Mutual funds?
   a). Returns ☐
   b). Safety/Security ☐
   c). Liquidity ☐
   d). Others:...

17. Will you invest in the GSE/Mutual funds, if not already investing? Yes ☐ No ☐

18. Reason(s) to invest or not to invest in the GSE/ Mutual funds?
   a). Returns ☐
   b). Safety/Security ☐
   c). Liquidity ☐
   d). Fear ☐
   e). Not well developed/profitable ☐
   f). No knowledge ☐
   g). Already investing in other things ☐

19. In making investments on the stock market, which company are you likely to invest in?
   a). High profit/dividend declaring company ☐
   b). A long existed company ☐
   c). A high rated goodwill company ☐
   d). A socially responsible company ☐
   e). A company with growing share prices ☐

f). A company with falling share prices ☐
g). A company with stable share prices ☐

20. If you are an investor on the stock market with shares, when are you likely to sell your shares?
a). When share prices go up ☐
b). When share prices fall ☐
c). When share prices are stable ☐

21. Reason(s) for such a move?
a). Returns ☐
b). Safety ☐
c). Others……………………………………………………………………………

22. Also, when are you likely to hold the shares?
a). When share prices go up ☐
b). When share prices fall ☐
c). When share prices are stable ☐

23. Reason(s) for such a move?
a). Returns ☐
b). Financial safety/security ☐
c). No losses/gains ☐
d). Hope ☐
e). Others……………………………………………………………………………

24. What will be your reaction when your stock share prices fall as against your expectations?
a). Hope/Hold ☐
b). Sell ☐
c). Others:…………………………………………………………………………

25. If you compare the joy of gratification of a 50% increase in a stock as against 50% decrease in a stock purchased:
a). The magnitude of gratification will be greater than the magnitude of regret ☐
b). The magnitude of regret will be greater than the magnitude of gratification ☐

26. Aside investing or not, in the stock market, in which area are you likely to invest?
a). Education ☐
b). Real estate ☐
c). Insurance ☐

d). Business/Trade ☐

e). Agric ☐

f). Others……………………………………………………………………………………

27. Reason(s) for that?

a). Higher returns ☐

b). Safety/Security ☐

c). Diversification ☐

d). Others……………………………………………………………………………………