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DOMESTIC INVESTORS AND STOCK MARKET INVOLVEMENT BEFORE AND AFTER THE 2021 STOCK MARKET DISRUPTION AND INVESTMENT UNCERTAINTY IN LAGOS STATE, NIGERIA

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Abstract

The 2021 stock market disruption and investment uncertainty in Nigeria has continued to influence domestic investment profile. Previous studies on stock market have focused largely on portfolio diversification, with little attention paid to domestic investors' level of involvement before and after the disruption. The study was anchored on Rationalisation Theory, while descriptive qualitative design was employed. Purposive and snowball sampling techniques were utilized to select 40 investors, 3 stockbrokers and 6 regulatory agencies (3 NGX AND 3 SEC staff) based on their professional capabilities. Data were thematically analysed. The findings revealed that domestic investors responded to perceived market uncertainty by re-allocating capital from equities to alternative investments channels offering higher expected returns and lower perceived risks, reflecting a rational assessment of changing market condition as stipulated in Rationalisation Theory assumptions. The study also discovered that domestic investors were actively involved in stock market activities before the 2021 stock market disruption due to high returns on investment (ROI), whereas there was a sharp decline in the level of their involvement in post 2021 stock market disruption era, despite regulators' concerted efforts to stabilize the market. The study concludes that domestic investors' stock market involvement is best explained as a rational decision making process of minimizing losses. It recommends promotion of financial literacy, re-inforcement of regulatory frameworks and long-term investment culture in the bid to guarantee stock market growth and sustainability in Nigeria.

Keywords: Domestic investors, involvement, Lagos, stock market stress.

Introduction

Globally, stock markets are critical engines of economic growth that provide the needed platform for funds mobilization, investment diversification and wealth creation (Ekechukwu et al., 2024). However, domestic investors play a crucial role in shaping the dynamics of securities markets during period of uncertainty or crisis. In many emerging economies, when foreign investors withdraw their investments due to volatility or policy instability, domestic investors often provide the needed liquidity to stabilize the market (Malmendier, Pouzo & Vanasco, 2020). Regulatory agencies in such markets often respond with reforms capable of enhancing the futunes of the market by mitigating barriers to domestic investors' stock market involvement (Nguyen, 2022). These models are evident in Europe, India, Asia, Africa and America.

In Nigeria, Domestic investors have always been at the receiving end each time crisis hits the Nigerian stock market, there is always a sharp decline in All-share index and market capitalization which affects stock market's growth and sustainability. Stock market cannot operate effectively without large involvement of investors. Policy makers and regulators believe that a comprehensive understanding of factors that influence social environment on stock market involvement will play significant role in formulating relevant policies capable of actualizing stock market growth and sustainability (Bai, Fan, Wu & Zhang, 2022).

Following the after effects of the 2021 stock market disruption and investment uncertainty, domestic investors' involvement in stock market is limited (Athreya, Ionescu & Neelakantan, 2021). Many nations have been working out measures to increase efficiency in the bid to achieving higher output. Sustainability therefore, has become inevitable since human's recklessness to maximize profits led to challenges of climate change, which has devastating effects on social and economic perspectives. Presently, domestic investors no longer invest solely on returns, they also strive for sustainable means that reflect their values (Schneider, 2022).

Data from the Nigerian Exchange (NGX) for April 2021 indicates a decline in foreign participation in equity trading. Foreign investor holdings fell to N178.25 billion in April 2020. In contrast, domestic investors increased their exposure by 46.11% over the same period, from N450.48 billion to N658.21 billion. The shift among domestic investors was largely driven by portfolio re-allocation from fixed-income market (Nnorom, 2021).

Although the Nigerian stock market recorded a recovery from the disruptions caused by the COVID-19 pandemic, year 2021 was marked by considerable instability in the investment environment. The period witnessed a significant decline in foreign portfolio inflows, persistent exchange-rate pressures, rising inflation, and concerns over the broader macro-economic outlook.

Available evidence indicates that foreign portfolio investment dropped to its lowest level in five years, while capital inflow into the country also weakened significantly (Bailey, 2022). At the same time, foreign investors scaled back their exposure to Nigerian equities, leaving domestic investors as the dominant actors in market transactions. In addition, restrictions affecting the repatriation of funds discouraged many foreign investors from maintaining positions in the Nigerian market (Nnorom, 2021). These conditions affected market liquidity and altered investment behaviour across investor categories.

For the purpose of this study, 2021 is treated as a period of stock market stress because it was characterized by weakened foreign investment flows, heightened economic uncertainty, and noticeable changes in trading patterns. Examining domestic investors' involvement before and after this period provides useful insights into how market disruptions shape investment decisions in Lagos State, Nigeria.

Literature review

Domestic investors’ involvement and behaviour in international perspectives

A number of international studies have revealed that domestic investors often differ from their foreign counterpart in terms of strategy, reaction to market trends and risk tolerance. Arroisi and Koesrindartoto (2020) examined trading data in Indonesia and discovered that while foreign and domestic investors engaged in herding behaviour, domestic investors most often adopted different strategies in certain segments of the market. Also in Vietnam, Nguyen (2022) observed strong herding behaviour toward foreign investors among domestic traders during period of volatility, pointing to behavioural factors like risk perception and lack of information.

Another recurring discovery is the “home bias” in investment. Domestic investors tend to overweight local securities due to lower cost of information, familiarity or belief that they have better understanding local market condition (Malmendier, Pouzo & Vanasco, 2020). In many emerging economies, this makes domestic investors to be less responsive to global investor sentiment of foreign policy shocks when making investment decisions (Shi, Ausloos & Zhu, 2020).

A brief historical evolution of the Nigerian Exchange (NGX)

The Nigerian Exchange (NGX) was established in 1960 as the Lagos Stock Exchange and later became a nationwide platform for acquisition of capital. Sequel to this, the exchange changed its name to the Nigerian Stock Exchange (NSE) (Okonkwo & Agu, 2021). Over the years, the exchange has undergone significant reforms. Key landmarks include the 1990 financial sector deregulation, introduction of electronic trading systems in 1999 and 2004-2005 banking reforms that deepened market capitalization (Olowe, 2017). Also, the 2021 demutualization exercise transformed NSE into NGX Group, aligning the exchange with global best practices, thereby attracting both domestic and foreign investors (Yusuf & Emeni, 2023). However, the NGX has witnessed various crises since inception. The 2008 stock market crisis was unprecedented in its evolution history. This equally contributed to the 2021 stock market crisis where economic activities were greatly affected sequel to the negative impact Covid-19 pandemic had on the Nigerian stock market, leading to another phase of Nigerian stock market crisis (Ekechukwu, Uzoh, Adejoh, Dinne & Nwogu, 2024). Nigerian stock market capitalization dropped to N13.136 trillion while investors' lost estimated N16.88 billion as at June 2020. All-Share-Index (ASI) declined to 12.85%, from 26,415.54 basis points recorded on February 27, 2020 to 23,021.01 basis points on April 30, 2020. These stock market indices marked the beginning of 2021 stock market crisis in Nigeria (Raifu, Kumeka & Aminu, 2021; Ekechukwu *et al.,* 2024).

Prior to the 2021 Nigerian stock market crisis, the economic reforms of 2003 garnered Nigeria high credit rating, which led to US 18billion debt termination and created pension funds with billions of funds to invest in Nigeria securities. Domestic investors' confidence was at the peak coupled with the banking sector reforms which boosted recapitalization also necessitated a boom in the equity market. Most banking stocks increased in value, companies kept the free soar of offers which simultaneously matched demand, and the capital market became investors' safe place for profit maximization as both domestic and foreign investors scrambled for limited available shares (Nwude, 2012).

The bullish era in the Nigerian stock market was short lived following the spread of the global financial market crisis and other subsequent crises in the Nigerian stock market. Most of the listed stocks lost much value to the point that domestic investors were unable to trade on them to offset their domestic obligations, while domestic investors became weary of involvement in post stock market crisis investment (Olisaemeka, 2010). The incessant plunge in post stock market crisis investment was mostly attributed to the losses domestic investors incurred during various stock market crises, most of the domestic investors were yet to recuperate from their losses, leading to continuous decline in confidence and slow investment sustainability (Egene, 2017).

Banks and Insurance companies recapitalization exercise were made possible as a result of the vibrant activities of the Nigerian stock market, the manufacturing industries were not left out as most of them trooped to the stock market to raise funds for expansion and domestic investors' stock market awareness and involvement were so high to the extent that they were ready to buy every available share in the market (Nwude, 2012). The aftermaths of 2008 financial markets crisis

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also contributed to the 2017 and 2021 stock market crises in Nigeria. Before the 2008 global financial markets crisis, the activities of the Nigerian Exchange Ltd (NGX) were at the peak, trading was exciting and investors' awareness, and expectations were so great, but those developments were short lived as bearish trading started in March 2008 concurrently with the phase of pervasive credit squeeze in the developed nations, market indices declined till the closing stages of 2008, the entire actions applied by stock market regulators could not stop the downward flow. The indices of the listed blue chip companies did not respond to the market-rescue approaches injected into the market by regulators (Sere –Ejembi, 2008).

Factors influencing investment decisions

Universally, economic factors such as interest rates, inflation, previous performance of securities, dividend policies and expected returns have shown to be significant drivers of investment choices. In Dubai and Jordan for instance, Al-Rafayah (2024) reported that economic growth and inflation had strong influence, though social and psychological factors mattered most in developed markets. Similarly, studies in Nigeria have shown that anticipated bonuses, past company performance, stock splits, expected earnings growth and dividend yields are the main considerations for individual investors (Obamuyi, 2013).

Psychological and behavioural factors are also influential. Many studies have reported overconfidence, risk perception, herding and sentiment as recurring themes (Arroisi & Koesrindartoto,2020; Nguyen, 2022). Domestic investors in Indonesia were found to engage in feedback trading, but with long lags, suggesting sensitivity to returns over time and in most cases with greater caution (Siahaan & Rizkianto, 2020).

Private investments and socio-economic development

Private investment encourages basic economic principles in a free market economy where physical and financial materials are frequently acquired. Privately owned investments are driven by profit maximization. Through wise investment decisions, private investment has what it takes to increase economic efficiency and productivity in the society (Babu, Pantaleo and Ndanshau, 2020). However, private investment is critical for socio-economic development since it enables entrepreneurs in the society to create businesses through efficient allocation of resources in the course of producing goods and services geared towards improving people's standard of living in the society. Production in the private sector is higher when compared to production in the public sector due to the fact that corruption is lower in the private sector (Herman, Surjatno and Daniel, 2022). The Nigerian stock market is the gateway to the nation's economy, it provides long term capital needed by domestic investors, companies, financial institutions and government to meet their daily obligations (Ekechukwu, Uzoh, Adejoh, Dinne & Nwogu, 2024).

Aluko (2018) reported that his projection in the last three decades proved right. He warned that globalization would destroy many industries in the manufacturing sector in Nigeria if not properly handled. A historical look into industries in Nigeria shows that many industries have gone into extinction in the last four decades. Some of these are: African Continental Bank Ltd (ACB), Savannah Bank Plc, National Bank of Nigeria Ltd, Daily Sketch, Concord newspapers, Kingsway Ltd, Nigerian Airways Ltd, Bata Nigeria Ltd and a host of others. However, many of the organizations that are still in existence today are just managing to remain afloat. Premium Times of January 21, 2018 reported that eight hundred (800) organizations were closed between 2009 to 2011. It was also reported that two hundred and seventy two (272) organizations were liquidated in 2016. This heralds the beginning of the 2021 stock market crisis in Nigeria.

Role of social interaction on stock market involvement

Social interaction no doubt played significant role on domestic investors' involvement before, during and after the 2021 stock market crisis in Nigeria. Families, friends and colleagues have been influencing one another in the course of making investment decisions. Studies by Knupfer, Rantapuska and Sarvimaki (2023) showed that investors hold similar equities as their parents. Using instrumental variables estimation and a natural experiment, this correlation of intergenerational is conspicuous in parents and households who are more likely to communicate with one another. Their studies discovered that the correlation replicates social influence. However, this social influence is seen not only from couples to wards, but also from children to parents. The behaviour of holding similar equities increases intergenerational correlations in securities choice, create wealth inequality and at the same time increase the consequences of behavioural biases.Investors are more likely to invest in equities held by their parents. Social interaction within the family could be an important factor.

The finding is consistent with earlier evidence that showed that investors acquire investment ideas from theirneighbours and colleagues (Ouimet and Tate, 2020). Also, the hypothesis that stated that social interaction occurs at the family level corroborates the finding, since equities are more natural issue for investment related matters. On the other hand, choice of securities correlation across generation can also replicate channels that do not permit family members to influence one another (Knupfer, Rantapuska and Sarvimaki, 2023).

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Stock market apathy experienced in the Nigerian stock market during the 2021 stock market crisis was partly as a result of manipulation domestic investors witnessed within the period. Akinmade, Adedoyin and Bekun (2022) carried out a study on the impact of stock market manipulation on Nigeria's economic performance, and their study discovered that stock market manipulation disrupted securities market efficiency, thereby forcing genuine investors out of the stock market. The study recommended prosecution of stock market manipulators as a means of addressing fraud and unethical practices in the Nigerian stock market.

Social interaction is the act of communication that takes place among multiple parties. An event that takes place between two or more people is also known as social interaction. Culturally approved techniques aid social interactions, and information is exchanged in the course of social interaction (Goffman, 2022). Social interaction in sociology entails a large number of behaviour, Goffman (2022) classified interaction into the following categories:

Exchange: Exchange is the most frequent form of social interaction. Here, information is transferred and shared between the parties involved in social interaction. Therefore, it is a social act that allows social behaviour to be exchanged for a reward that has equal or higher value to the behaviour. The main features of exchange as a form of social interaction include sender, receiver, information being sent out and received and reward achieved by the parties involved.

Competition: This is an act whereby two or more people endeavour to actualize an objective that requires the attainment of only one person. Sociologists see competition as a positive approach of motivating people to achieve certain goals in the society. However, competition leads to psychological stress, poor cooperation in social relationships, conflict and inequality.

Cooperation: It is a social process by which individuals work closely in the course of achieving shared objectives. Through cooperation, goals are easily accomplished.

Bai, Fan, Wu and Zhang (2022) identified three main areas influencing stock market involvement as follows:

Education: Education has significant influence on stock market involvement. It plays significant role in the course of making investment decisions on when and how to participate in stock market investment. However, the more people are educated the higher the level of their involvement in the stock market.

Financial literacy: The level of investors' financial literacy also plays significant role on the level of their involvement in the stock market. Investors' financial knowledge to a large extent determines their planning capacity and stock market involvement. **Cognitive ability:** Investors' cognitive ability influences the desire to involve themselves in stock market activities. Aside education, age is also another factor that affects cognitive ability and stock market involvement.

Participation puzzle and stock market involvement

The effect of financial markets on participants' values and socio-political preferences cannot be over emphasized. Shanyo and Margaht (2021) used huge field experiment to examine the impacts of involvement in financial markets. Those that participated in the national sample in England were randomly assigned huge investment funds which they invested in securities and non financial market for a period of six weeks. However, the results showed that stock market investment contributed to a more right learning outlook on society and economy. This includes issues like personal responsibility, role of luck in business upliftment and merit. The results also included increased support for less regulation and policies that are market friendly.

Social media disclosure increasingly influences personal financial decisions. This is capable of improving market efficiency and may also lead to the provision of opportunities for misinformation and distortion. Stakeholders like financial regulators and government agents must cooperate to address the issue (Biancotti, & Ciocca, 2021).

In the course of addressing issues emanating from succession planning, business owners do transfer their shares to their loved ones and charitable organizations. This has given room to the frequent emergence of foundation owned firms when compared to the performance of non-foundation owned firms. The study examined the role of family and charitable organizations, stock market listing and family involvement. Their findings showed that firms owned by family foundations perform better than firms owned by charitable organizations (Block, Jarchow, Kammerlander, Hosseini & Achleitner, 2020).

Social network, transaction costs and stock market involvement

Hung (2021) constructed a mechanism of social network of friends' involvement in US Counties, and his findings showed an insignificant boost in friends' involvement in the central County. The study showed that social peer influences were responsible for the cross-sectional disparities in stock market involvement rates across US Counties which may give rise to low income variation. The works of Nadeem *et al.* (2020) investigated how investors' funds and attitudes shapes their stock market involvement, and their findings showed that risk attitudes mediate the relationship between funds attitudes and stock market involvement.

Curcuru, Heaton and Lucas (2005) argued that transaction cost incurred in stock market involvement could be responsible for domestic investors' apathy while another approach examined whether non-stock holders have experienced systemic risk in the past that is correlated with stock market participation. Though these methods may provide scientific explanations on domestic investors' non involvement in stock market but they could not suggest measures of bringing domestic investors to post stock market crisis investment. Also the reduction in transaction cost in the Nigerian stock market did not bring the required respite in post stock market crisis investment when implemented. Polkovnichenco (2005) discovered that domestic investors' apathy exist even among wealthy domestic investors who can comfortably bear the transaction cost.

Allen and Gale (2002) constituted another important approach between trading volume and returns on investment (ROI). They maintained that an increase in returns lead to a corresponding increase in stock market awareness and involvement, profitability and stock market involvement. In all, market involvement increases with an increase in share price and falls after a price decline.

Ademola (2015) pointed out that awareness and benefits of investing in shares in Nigeria were very low even among the educated elites who were expected to play active role in post stock market crisis investment, unlike what obtains in developed countries. To address the problem of domestic investors' involvement in post stock market crisis investment, market operators and regulators are supposed to make concrete efforts geared towards domestic investors' post stock market crisis investment involvement. Though the regulators, NGX and SEC have tried to address this issue in the past through partnership with Nolly-Wood, efforts should also be made towards taking post stock market crisis awareness campaign to the rural areas in Nigeria. Stock market operations should be made compulsory course of study in tertiary institutions.

Securities and Exchange Commission's (SEC) endeavours in enlightening National Youth Service Corps (NYSC) members on investment prospects in the equities market is highly commendable, the Commission organized lectures on investment and capital market awareness in the 2015 Batch 'A' orientation camps of NYSC in 31 states of the country (Adindu, 2015). This is a step in the right direction. However, investment culture was supposed to have been inculcated in them while in the university as undergraduates and not when they have graduated from school. In stock market operations, there are major approaches by which social interaction can influence participation, through word-of-mouth or observational learning, for instance, prospective domestic investors may learn from one another about how to execute trades or about prospects and high returns the stock market may offer in post stock market crisis investment (Ellison & Fudenberg, 2005).

Factors responsible for stock market crisis

The 2021 stock market crisis has greatly affected domestic investors' involvement in post stock market crisis investment following their previous stock market experiences, the under listed factors were responsible for the crisis in the Nigerian stock market:

Effects of Covid-19 pandemic: The effects of Covid-19 pandemic where major cities and organizations were on lockdown for months greatly affected economic activities of which the Nigerian stock market was an integral part (Ekechukwu *et al.,* 2024).

Universal influence of the financial crisis: The world economies are interconnected to one another and this made it possible for the financial crisis to affect stock markets of the world including Nigeria, since third world economies are weakly connected to the international financial system (Olisaemeka, 2010).

Withdrawal and massive divestments of foreign capital: The Nigerian stock market had the greatest shock as a result of massive withdrawal and divestment by foreign investors who dominated transaction on the trading floor of the Nigerian Exchange (NGX). Foreign investors left the Nigerian stock market in their bid to salvaging their troubled economies at home. This led to the bearish nature of Nigeria stock market till date (Nwude, 2012).

Private placement emergence: Many companies sold private placement at a very low price which attracted many domestic investors, they promised to list the shares on the trading floor of NGX on a later date. Many of these companies were yet to list their shares, but the economic meltdown has made the listing of such shares impossible thereby trapping the funds till date. This created illiquidity in the stock market (Sere-Ejembi, 2008). Effect of the commercial banks: Many banks came to the stock market to raise funds to meet up with the 25 billion naira paid up capital requirement by CBN. Investors sold off their shares in the secondary market in their bid to investing in initial public offers (IPO) from banks. The capital market was over stretched by these banks thereby causing illiquidity in the secondary market (Olokoyo, 2011).

High cost of production: High cost of production in Nigeria has put many companies into illiquidity. Most of these companies run generators on a daily basis. Michelin and Dunlop moved their production plants to Ghana as a result of high cost of production in Nigeria. This has great negative impact on the stock market, social life and economy. Apart from loosing foreign direct investment through this channel, there were also massive lost of jobs and means of livelihood as a result of other small businesses that woundup following the exit of these two companies (Olisaemeka, 2010).

Poor infrastructure: The Nigerian economy is characterized by poor basic infrastructures like good road network, electricity and security challenges. Also, insecurity that gained prominence in 2016 resulted in the destruction of oil pipelines. Kidnapping for ransom and other forms of social vices became the order of the day. These contributed to the exit of foreign investors from the Nigerian stock market (Uwaleke, 2016).

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Margin trading: Prior to the economic meltdown in the Nigerian stock market, banks were funding investors' speculative trading, through margin credit, and this exposed banks greatly as investors were unable to pay back due to the bearish state of stock market.CBN later banned commercial banks from given margin loans to domestic investors for speculative trading on the trading floor of the Nigerian Exchange Ltd (NGX), this also created illiquidity and distortion of social life in post stock market crisis investment (Olisaemeka, 2010).

Studies by Ezeibekwe (2019) on stock market development revealed that stock market development in Nigeria does not contribute significantly to economic growth at the long run. The finding of the study implies that Nigerian economy has not gotten to the level where securities market play crucial role on economic development. The study recommended proper utilization of resources from crude oil exports for critical investment in the areas of health, education and capital goods to rescue Nigeria's moribund manufacturing industries so as to achieve sustainable economic growth through creation of institutions that permits stock market to flourish. Studies by Ajide (2019) on democracy and stock market development showed that financial market can be influenced by political institutions. The study also revealed that advanced democratic system enhances free market, thereby encourages new entrants. This helps in boosting the efficiency of existing companies and also improves its stock market performance. In a free market economy, democracy helps in reducing government's power over the management and control of financial market which at the long run encourages competition which also enhances stock market involvement.

Adigwe, Nwanna and Amela (2015) examined impacts of stock market on Nigeria's economic development. The study's major objective was to ascertain whether stock market growth has a significant influence on Nigeria's economic development. The study revealed that securities market has growth potentials, but the market has not contributed enough to the nation's economic development. The study recommended for adequate involvement of investors in stock market activities, restoration of investors' confidence and improvement in the settlement system. Stock market activities cannot be separated from its political environment. This reality has spurred numerous studies on the relationship that exist between stock market performance and the political system in both developing and developed countries. The stock market performance and political experience in developing countries are not akin to those of advanced nations. The study conducted an empirical analysis of securities market performance during the military and democratic eras in Nigeria. The study revealed that stock market performs relatively better during democratic dispensation than the military era (Raifu, 2021).

Lack of bail out scheme: After the global financial markets crisis, most countries of the world bailed out their stockmarkets. In Nigeria, funds were not released after the appointment of market makers whose major job function was the acquisition of excess shares in the Nigerian stock market. The Nigerian government was politicizing the idea of bailing out the stock market, they rather chose to establish Assets Management Corporation of Nigeria (AMCON) to buy up the toxic assets. Yet AMCON's acquisition of the toxic assets failed to actualize its objectives as the stock market remained bearish (Olokoyo, 2011).Banks' desperate move to recover borrowed funds**:** It is a known fact that banks funds were trapped in stock market and their pressure to recover it led to panic sales by investors in order to pay back, while in some cases banks sold off investors' shares in their effort to recoup their funds. This also impoverished domestic investors, thereby leading to disruption of social life and erosion of means of livelihood (Oluba, 2008)

Tunc (2022) argued that the present structure of the stock market is hindering investors from building social relationships based on care. He viewed religion as an analytic tool to comprehend social relationships at the intersection of capital, justice, science and technology. The study focused mainly on the emerging social life which was heavily relied on supportive communal relationship and caring.

Theoretical framework

This study is anchored on Rationalization Theory, which explains how individuals justify and adjust their decisions in response to changing circumstances. The theory argues that people seek to make their choices appear reasonable by evaluating available alternatives and selecting options that they believe best serve their interests (Cherepanov, Feddersen, & Sandroni, 2013). A key assumption of the theory is that individuals reassess risks, benefits, and opportunities when conditions change and subsequently modify their behaviour in ways they consider rational and beneficial.

Max Weber emphasizes decision making that is grounded in cost benefit analysis and logical efficiency, he had a broader view of specific and peculiar rationalism which formed the central focus of his sociological thoughts through Western Culture, origin and development (Ritzer, 2008). Rationalisation is the approach by which modern societies have systematically become efficient through the actualization of maximum profitability at a very low cost. Rationalisation is also the outcome of scientific and technological progress in the Western World which came into existence by minimizing traditional values of the society through the use of bureaucracies, capitalism and

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democratic ethos which have received global recognition (Onyeonoru, 2002; Ritzer, 2008; Olutayo and Akanle, 2013). The Marxists ascertained that rationalisation aids capitalism through the many roles it plays in the society (Marx, & Engels, 1948). Marxist believes that insofar as society is rationalized, the bourgeoisie will continue to exploit the proletariat (Marx, and Engels, 1948). Max Weber was highly interested in the rise of cities in the West, the city provided an alternative to the feudal way in which modern capitalism and rationality emanated (Ritzer, 2008). Whereas Marx and Engels saw the development of modern cities as an aftermath of the emergence of capitalism, Emile Durkheim rather saw it as industrialisation with its inherent division of labour while Weber saw modernization as a result of distinctive way of thinking, rational calculation as envisaged in his protestant Ethic (Harriss, 1992). Post-modern period contradicted the modern era with well-known industrial organizations spearheaded by industrial revolution (Onyeonoru, 2002).

These criticisms notwithstanding, rationalisation has played pivotal role in the industrialization of major cities of the World of which the Nigerian stock market is an integral part. Rational investors do include psychological risks in their calculations since greed and fear significantly influence stock market investment in Nigeria (Ilesanmi et al., 2022). Studies by Arewa et al. (2023) on herding behaviour revealed that when markets are on the increase, investors rationally follow the trend in expectation of high returns on their investments.

The theory is relevant to stock market involvement because investors continuously evaluate market conditions before making investment decisions. When faced with uncertainty, declining returns, or increased risk, investors may reduce their participation in the stock market or redirect resources to alternative investments perceived to offer better returns and greater security. In the context of the 2021 Nigerian stock market environment, domestic investors reassessed prevailing market conditions and adjusted their investment behaviour accordingly. Rationalization Theory therefore provides a useful framework for understanding changes in stock market involvement before and after the 2021 period of market uncertainty.

Methodology

The methodology presents all the various methods adopted in the course of carrying out the study. Descriptive qualitative design was utilized. This design aided the collection of qualitative data because the study sought to understand how domestic investors interpreted and responded to stock market investment before and after the 2021 stress and investment uncertainty. Rather than relying on figures or statistical models, this design allowed participants to describe their lived experiences and decision-making processes in their own words. This depth helped in capturing both rational and emotional features that shaped domestic investors' behaviours.

Also, the decision to use a qualitative approach was shaped as a result of the aftermath of Covid-19 pandemic, where investors and workers operated remotely online. Sequel to this, some in-depth interviews conducted virtually provided a practical and effective means of collecting rich data directly from participants.

Lagos State was adopted as the study area. The State was created on the 27th of May 1967 in South West geo-political zone of Nigeria. Lagos State has three Senatorial Districts (Lagos East, Lagos Central and Lagos West). The choice of Lagos hinges on the fact that it serves as the commercial nerve centre of economic activities in Nigeria with a population of 17.5 million (2006 population census) people with twenty local government areas.

The study population consisted of stockbrokers, domestic investors and regulators in Lagos. The choice of this population became necessary due to their in-depth knowledge and personal experiences in stock market operations. Stockbrokers that constituted part of this study population were the licensed and authorized dealers who are members of Chartered Institute of Stockbrokers. These dealers trade on securities on behalf of their clients for brokerage commission in return. They are employees of the chosen three Stock broking firms who have been trading on the floor of the Nigerian Exchange Ltd (NGX) in the last five years. Domestic investors that constituted the population of the study were also those active individual local investors who have been trading on securities on the Nigerian Exchange Ltd (NGX) in the last five years. Staff of the Nigerian Exchange Ltd (NGX) that formed part of this study population were the stock market regulators and operations managers who have been at the managerial level in the last five years. They formulate rules and guidelines guarding the smooth operations of trading activities on the trading floor of the Nigerian Exchange Ltd (NGX). Also, staff of Securities and Exchange Commission that formed part of this study population were the operations managers who have been in such positions and above in the last five years.

Sample size

The sample size of forty-nine (49) interviewees consisted of 40 IDI and 9 KII. The breakdown of the population was as follows:

A matrix of method of data collection and sample size

Participants	**Data collection method**	**Sample Size**
Domestic investors	IDI	40
NGX Officers	KII	3
SEC Officers	KII	3

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Stockbrokers	KII	3

The study adopted purposive and snowball techniques while selecting interviewees. Three fully recapitalized Stock broking firms were purposively selected based on their job functions. The selection of these three Firms hinges on their job functions which require huge capital base and large clientele network. They are market makers and also carryout Issuing House businesses aside from their broker / dealer primary functions.

Selected stock broking firms

S/No	Name of selected Firms	Job functions
1.	Cowry Assets Mgt Ltd (14 IDI)	Venture capital, issuing house, broker/dealer
2.	Futureview Financial Services Ltd (13 IDI)	Broker/dealer, market maker, issuing house
3.	Greenwich Trust Ltd (13 IDI)	Issuing house, broker/dealer,market maker

Snowball approach was adopted while interviewing domestic investors from the selected firms. To access relevant participants, stock brokers assisted in reaching out to investors who were otherwise difficult to identify. However, it was acknowledged that this method may introduce bias, as stock brokers often refer domestic investors from within their own clientel networks, hence limiting diversity. Despite this limitation, snowball method was considered suitable for exploring the perspectives of active domestic investors in Lagos State.

Key Informants (KII) were purposively selected from their various offices. Researchers chose only domestic investors, Authorized Dealing Clerks who trade on securities and operations managers of NGX and SEC as they constituted the population of those that met the criteria for the purpose of the study.

Justification of Sampling Technique and Sample Size

The study employed purposive and snowball sampling techniques because stock market investors constitute a specialized population that is not easily identifiable through conventional probability sampling procedures. Purposive sampling enabled the selection of participants with direct experience in stock market investment before and after the 2021 market disruptions, while snowball sampling facilitated access to additional investors through professional and investment networks. Although these techniques may introduce the possibility of network-related bias, they are widely used in qualitative studies involving hard-to-reach or specialized populations where participants possess specific knowledge relevant to the research objectives.

The sample size of 49 participants was considered adequate because the study was qualitative and sought depth of understanding rather than statistical representativeness. Participant recruitment continued until data saturation was achieved, that is, the point at which additional interviews generated no substantially new information or themes.

Furthermore, Lagos State provides an appropriate setting for the study because it serves as Nigeria's principal financial and commercial hub and hosts the country's largest concentration of investment institutions, stockbrokers, financial service firms, and individual investors. As the location of the Nigerian Exchange and the centre of capital market activities, Lagos offers access to diverse categories of domestic investors whose experiences are particularly relevant to understanding patterns of stock market involvement before and after the 2021 period of market uncertainty. Consequently, the findings provide valuable insights into investor behaviour within Nigeria's most active investment environment.

A matrix of research objective and data collection/analysis approaches

S/N	Objectives	Indicators	How indicators were examined	Instrument used	Method of Analysis
i.	Domestic investors' stock market involvement before and after the crisis	• Involvement • Market outlook • Returns on investment. • Awareness	• Extent of involvement • Market trend/ performance • Impact of profitability • Impact of awareness	• IDI • KII	Thematic and content analyses

Data were obtained using advanced digital recording gadget, which were later transcribed alongside verbatim quotations. Thematic analysis was employed to code and interpret data. NVivo software supported the identification of patterns and themes. This process involved coding key phrases, grouping similar codes into categories and refining these into final themes that linked to the study objectives. The study stuck to the ideology governing international ethical standards in order to protect the rights and integrity of interviewees. Ethical approval was also obtained from the Social Sciences and Humanities Ethics Review Committee (SSHERC), University of Ibadan.

Data presentation

Data were presented and analysed thematically in accordance with how stock market indicators were examined. The presentation of findings and their analysis were carried out in line with the objective that guided the study. Also, discussion of findings were done in corroboration with related literature,while the adopted theory for the study was used to deepen the discussuion.

Domestic investors invest in the Nigerian stock market for different reasons, some make seasonal investments while others see stock market investments as store of wealth. The former focuses on capital gains while the latter makes regular investments no matter the mood of the stock market devoid of immediate profit margins. Using indicators like involvement, awareness and stock market fundamentals, the researcher examined the extent of domestic investors' stock market involvement before and after the 2021 stock market crisis.

TEAM 1: Stock market fundamentals

Domestic investors have in the last two decades studied stock market trends favourably. They have mastered the act of using statistical data from the Nigerian Exchange Ltd (NGX) to predict stock market trends. The quality of available statistical data at a particular point in time shapes the mood of the stock market. This stock market mood, to a large extent determines the extent of domestic investors' involvement in stock market transactions. Before the 2021 stock market disruption and investment uncertainty, stock market outlook was very impressive. Recapitalisation of banks and insurance companies were made possible as a result of the impressive state of affairs in the Nigerian stock market. The manufacturing sector was not left out as they were also sourcing expansion funds from the stock market.

As the aforementioned developments were happening, Pension Act stipulates that 25% of pension funds must be invested in the Nigerian stock market. This also contributed to the bullish era recorded towards the last quarter of 2007. However, all these impressive stock market fundamentals were eroded following the aftermaths of 2008, 2017 and 2021 stock market crises which later led to domestic investors' investment apathy.

A businessman maintained that stock market fundamentals were favourable before the crisis and the aftermath of the 2021 stock market disruption eroded his confidence in the stock market. He opined thus:

> I started investing in stock market right from my school days, before the stock market disruption, I was investing heavily due to the fact that stock market fundamentals and enthusiasm were very high. But after the crisis, those indicators declined, prices of shares dropped tremendously. I only invest now just for the sake of having some investments in the stock market. (IDI/51yrs/Businessman/Lagos, 2025).

TEAM 2: Stock market involvement

Domestic investors' stock market involvement is determined by several factors. Some of these factors include:

Dividend: Some domestic investors invest in stock market because of dividends. Investors in this category are more involved in stock market activities each time quoted companies want to declare dividends, usually in the first quarter of the year after their December year end.

A civil servant opined that she recorded huge profits from the stock market through dividend and capital gains before the commencement of the stock market crisis, however, she exited the stock market after the crisis due to losses she recorded. She responded as follows:

> The increase in returns on investments I recorded before the stock market crisis spurred me to participate actively in stock market investment. I made profit through dividends and capital appreciations then. But after the crisis, I was discouraged due to huge losses I recorded. In fact, I vowed not to take the risk of investing in the Nigerian stock market again (IDI/28yrs/Female/Civil Servant/Lagos, 2025).

The above views of a 28 year civil servant corroborated studies by Athreya, Ionescu and Neelakantan (2021) whose findings showed that investors' involvement in stock market was limited, especially among the young people despite high returns on investment.

Rights offer: Rights offer is usually offered below stock market price to existing shareholders. Rights offer also attracts greater domestic investors' involvement in stock market investment insofar as the company offering the Rights issue has strong fundamentals.

Capital appreciation: Capital gain is also another factor that drives domestic investors' stock market involvement. More domestic investors tend to be attracted to the stock market during

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bullish era. An increase in returns on investment (ROI) also attracts an increase on domestic investors' stock market involvement.

An Accountant who was interviewed based on his wealth of experience in stock market concurred as follows:

> I have been buying shares for a very long time for capital gains. I also trade on my shares and I cannot even ascertain how much profit I have made from stock market due to the way I invest. (IDI/45yrs/Male/Accountant/Lagos, 2025).

Another businessman maintained that he did not invest in shares because of capital appreciation due to the current state of affairs in the stock market. He asserted as follows:

> I do not invest for capital gains any longer due to the way the stock market is structured at the moment. Shares have been on bearish state for some time now (IDI/51yrs/Businessman/Lagos, 2025).

Team 3: Stock market performance

The general performance of stock market as a whole also determines the extent to which domestic investors get involved in stock market investment. Most domestic investors were attracted to the stock market when stock market indicators like All-Share Index (ASI) and stock market capitalization were high. Before 2021 stock market crisis, stock market indicators were high and a lot of domestic investors played active role in the stock market within the period. In 2008, stock market capitalization increased to N12.8 trillion for the first time, and All-Share Index also increased to 38,000 basis points. This high performance led to the bullish nature of the stock market within the period. A domestic investor opined as follows:

> I have been involved in stock market transactions for a long time now, but I stayed away during the stock market crisis due to poor stock market performance caused by the aftermath of Covid-19 pandemic. I am just trying to come back to the market having observed some genuine regulatory framework put in place by the current leaderships of Securities and Exchange Commission (SEC) and Nigerian Exchange Ltd (NGX) (IDI/45yrs/Male/Accountant/Lagos, 2025).

The above views of the male accountant corroborate the findings of Nadeem *et al.* (2020) whose studies showed that risk attitudes mediate the relationship between funds attitudes and stock market involvement. Some of the domestic investors maintained that they were not involved in speculative trading. They invested in stock market for store of wealth. To this end, the stock market crisis did not affect them much since they did not sell their shares. Domestic investors that lost money during the stock market crisis were only those that sold their shares. Some domestic investors are still holding on to their investments as store of wealth. This group of investors sees stock market as long term investments. They can keep their shares as long as forty years without selling. In most cases, their children inherit their estates after their demise. However, domestic investors in this category have been maintaining steady investment growth before and after the stock market crisis. A domestic investor asserted thus:

> I have been investing in stock market before and after the crisis through my little earnings. I hardly sell my shares and my investment in shares shall definitely form part of my retirement benefits. I inherited some of my father's shares, so my children shall also inherit some of my own shares as well (IDI/42yrs/Female/Civil Servant/Lagos, 2025).

The above views of a 42 year female civil servant who inherited some of her father's shares corroborate the works of Hung (2021) who stated that social network and word-of-mouth communications play important role in stock market involvement and decision making. This is consistent with earlier proof that showed that investors learned investment ideas from their parents and colleagues (Ouimet and Tate, 2020). Studies by Knupfer, Rantapuska and Sarvimaki (2023) showed that social interaction occurs at the family level.

A stockbroker affirmed that the stock market was very impressive before the crisis, he stated that domestic investors invested heavily in the stock market during the bullish era, but most of them exited the stock market when they recorded huge losses. Also, the crash of money market instruments in 2020 lured domestic investors back to stock market investment where they made good returns. But in 2021, domestic investors fled stock market investment in favour of money market instruments due to foreign investors exit and increase in interest rates. He asserted thus:

> Domestic investors actively participated in the stock market during the bullish era, but their investment declined significantly after the 2021 stock market crisis. Prior to the crisis, impressive returns attracted many domestic investors. However, when returns declined following the exit of foreign investors, domestic investors equally

> exited the market. Covid-19 pandemic and changes in interest rates further influenced their decisions, with many shifting between stock market and money market instruments in response to market fundamentals (KII/39yrs/Male/Stockbroker/Lagos, 2025).

Social and economic environments play significant role in equities market investment. The above assertion of a stockbroker corroborates studies by Aluko (2018); Bai *et al*, (2022), whose studies revealed that understanding of factors that influence social and economic environments on stock market involvement, will guarantee stock market growth and investment sustainability. Also, studies by Aluko (2018) and Raifu (2021) showed that political environment influences stock market activities and involvement. Some of the sound regulatory frameworks put in place by regulators have affected stock market performance positively as demonstrated below:

> Domestic investors can now trade on their own from the comfort of their homes through the sophisticated technology Nigerian Exchange Ltd (NGX) has put in place know as "My Trade Book". All these steps put in place by regulators have restored confidence in the stock market and more domestic investors are now returning to the stock market (KII/36yrs/Female/NGX Staff/Lagos, 2025).

Team 4: Stock market awareness

Stock market awareness influences domestic investors' involvement in equities market investment. Most of the investors were highly aware of opportunities in stock market investment during the bullish era. Traders and students were highly involved in stock market activities before the 2021 stock market crisis as a result of greater awareness occasioned by high profit margin. But the awareness dwindled following the aftermaths of the 2021 stock market stress where domestic investors lost greater portion of their investment capital. The current state of investment apathy in the Nigerian stock market is so enormous to the extent that domestic investors who used to play active role on the trading floor of the Nigerian Exchange Ltd are at present not even aware of some of the fantastic policies and programs put in place by regulators geared towards stock market growth and sustainability.

Stock market awareness and the new regulatory frameworks regulators put in place to checkmate fraud and sharp practices in the bid to woo domestic investors back to the market have started yielding results. Some of these new rules range from the mode of payment to the installation of a new trading platform that permits domestic investors to trade directly from the comfort of their homes without passing through their stockbrokers. Nigerian Exchange Ltd (NGX) pays the proceeds from the sale of shares directly to domestic investors' bank accounts without passing the funds through their stockbrokers in order to forestall misappropriation of funds as stated below:

> Returns on investment affected domestic investors greatly, since the stock market crises of 2008, 2017 and 2021, a good number of domestic investors have been staying away from the stock market. But due to series of reforms and sound regulatory framework put in place by regulators, domestic investors are now showing much interest in the stock market and a good number of them have started re-investing in the stock market. For instance, if domestic investors sell their shares, they receive their proceeds directly from the Nigerian Exchange Ltd (NGX). Invariably, Stock broking firms do not have access to the proceeds of shares sold for domestic investors unlike what was obtainable in the past where Stockbrokers misappropriated the proceeds from the sale of domestic investors' shares. This new medium of payment is called "Direct Cash Settlement". T + 3, meaning transaction day plus three working days for domestic investors to get value for their shares sold (KII/34yrs/Male/NGX Staff/Lagos, 2025).

This assertion by NGX staff corroborates studies by Adedoyin and Bekun (2022) whose works on the impact of stock market fraud and manipulation on Nigeria's economic performance, revealed that stock market manipulation disrupted stock market efficiency, thereby forcing genuine investors out of the stock market. Timely stock market information and the recent takeover of First bank Ltd have instilled much confidence in domestic investors as illustrated below:

> Domestic investors were much involved in stock market activities before stock market crisis. They exited the stock market after the crisis. In 2021 stock market crisis, foreign investors exited the stock market and till date domestic investors have dominated trading activities. The regulators are also giving prompt information to investors and the stock market operators. Listed companies are turning in their reports and audited accounts on time. In fact, the era of doctoring reports is over, any company caught doing that is sanctioned immediately. Before now, listed companies used to hoard

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> stock market information thereby doctoring it. But now audited reports are submitted periodically devoid of manipulations. All these have inculcated confidence in the minds of domestic investors. And because information is timely now, Pension Fund Administrators are also returning to the stock market. The stock market looks so attractive with all these measures that are in place now. Also last week, Femi Otedola invested N16 billion in First bank and took over as the majority shareholder of the bank. This affected the fortunes of the stock market positively and more domestic investors were also attracted to the stock market as a result of this (KII/34yrs/Male/NGX Staff/Lagos, 2025).

The response of a Lagos based businessman contradicted the above views of NGX Staff, he stated that he was heavily involved in stock market activities before the stock market crisis where he lost reasonable sum of money due to sharp decline in prices of shares. He opined that he was no longer interested in stock market activities at present. Below is an excerpt from him:

> In the past before the stock market crisis, I was investing heavily and I was equally making huge returns on my investment. I bought first bank at 7 Naira and I sold at 14 Naira within a short period. But at present, it is no longer like that. Prices of shares dropped significantly to the extent that I am no longer interested in stock market investments (IDI/42yrs/Businessman/Lagos, 2025).

Another interviewee stated that he was investing heavily in stock market before the crisis, he lost N6.5 million during the stock market crisis which led to his investment apathy in post 2021 stock market crisis investment. He submitted as follows:

> High returns on investments motivate one to invest more. When there were high returns on investments in the stock market, it motivated me to invest more money in stock market. The whole essence of my involvement in stock market is to achieve financial freedom. If I leave my savings in my bank account, I may be tempted to use it, but if I invest it in shares, it is more secured and safe for family use when the need arises. I was heavily involved in stock market before the crisis. I was trading with over N12 million before the stock market

> crisis, and during the crisis, I lost N6.5 million at a glance. This made me to stay away from the stock market. But I have started investing in the market gradually (IDI/47yrs/Male/Dental technologist/Lagos, 2025).

A key informant (stockbroker) opined that domestic investors have lost much confidence in the stock market at present due to their past experiences. He argued that stock market regulators have put enough measures in place aimed at sanitizing the stock market coupled with new products like Fin Tech and derivatives that ought to be domestic investors' toasts. With all these, he maintained that domestic investors were gradually returning to the market as stated below:

> The biggest challenge in the stock market at present is that domestic investors have lost confidence in the stock market. A lot has happened in the stock market recently. The regulators have developed a lot of products in the past few years. Fin Tech, and derivatives are coming up gradually. In all these, domestic investors do not have strong confidence in the stock market any longer unlike what was obtainable in the past. Webinars are going on at the moment to educate domestic investors on opportunities available to them in the present Nigerian stock market. The crisis made domestic investors to stay away from the market for a long time. Presently, they are coming back gradually following the exit of the foreign investors in the stock market. During the crisis period, young adults left the market completely leaving only the elderly investors (KII/31yrs/Male/Stockbroker/Lagos, 2025).

SEC staff maintained that foreign investors' exit from the Nigerian stock market due to foreign exchange challenges and insecurity paved way for the coming of more domestic investors into the stock market as highlighted below:

> Before the pandemic, domestic investors were not investing as expected because foreign investors dominated the stock market. However, in post stock market crisis, most of the foreign investors have exited the Nigerian stock market as a result of foreign exchange

> challenges and insecurity. On the contrary, more domestic investors have started coming in due to strong regulatory frameworks in place at the moment (KII/33yrs/Male/SEC Staff/Lagos, 2025).

Considering the above submissions, it is obvious enough that an increase in returns on investment attracted greater involvement of domestic investors in stock market activities before the 2021 stock market crisis, while stock market crisis and foreign investors' exit led to the decrease in returns on investment and low domestic investors' involvement in post 2021 stock market crisis. The 2021 stock market crisis contributed to domestic investors' apathy. This finding corroborates studies by Allen and Gale (2002) who maintained that an increase in returns on investment leads to an increase in stock market involvement. This finding is in tandem with the works of Aluko (2018); Quimet and Tate (2020); Hung (2021); Raifu (2021); Adedoyin and Bekun (2022); Bai *et al,*(2022); Knupfer *et al.* (2023).

Discussion

Domestic investors were actively involved in stock market transactions before 2021 stock market uncertainty as they were competing with foreign investors. During this period, stock market fundamentals were very strong, All-Share Index (ASI) rose to 34,310.37 basis points as at May 28, 2015, whereas stock market capitalization rose to N11.628 trillion the same day. CBN's monetary policy on foreign exchange and insecurity led to the exit of foreign investors. As foreign investors sold off their shares and exited the market. This created illiquidity in the stock market which also contributed to the sharp decline in the price of shares on the trading floor of the Nigerian Exchange Ltd (NGX) since supply exceeded demand greatly. Between May 28, 2015 and May 19, 2017, the Nigerian stock market All-Share Index declined by 6,196.93 basis points to close at 28,113.38 basis points. Stock market capitalization on the other hand declined to N9.718 trillion as at May 19, 2017 (NSE, 2017). As a result of 2021 stock market crisis where investors recorded huge losses sequel to the aftermaths of Covid-19 pandemic, domestic investors have lost much confidence in the stock market thereby leading to a state of investment apathy occasioned by low involvement in post 2021 stock market crisis investment.

This result aligns with studies conducted by Aluko (2018); Bai *et al.* (2022) who revealed that understanding of factors that influence economic and social environment on stock market involvement will guarantee stock market growth and investment sustainability. Also, Aluko (2018); Raifu (2020) opined that stock market activities and involvement are influenced by the political environment of the country. This finding is in tandem with the views of Ademola (2015) which pointed out that stock market awareness and benefits of investing in shares were low even among the educated elites who were expected to play active role in the Nigerian stock market. This study also corroborates the works of Athreya, Ionescu and Neelakantan (2021) whose findings showed that investors' involvement in stock market was limited among the youths regardless of high returns on investment. Studies by Nadeem *et al.* (2020) affirmed this finding. Their studies revealed that risk attitudes mediate the relationship between funds attitudes and stock market involvement. This finding is also in tandem with studies by Hung (2022) who revealed that social network and communication influence stock market involvement. Knupfer *et al.* (2023) reported that social interaction occurs at the family level which also influences stock market involvement. Adedoyin and Bekun (2022) revealed that fraud and manipulation forced genuine investors out of the Nigerian stock market. This finding also corroborates studies by Ouimet and Tete (2020) who revealed that investors learnt about investment from their parents.

The finding also corroborates the tenets of rationalisation theory as it hinges on scientific and technological advancement gained through reduction in traditional values of the society using free market economies, bureaucracies and democratic culture (Onyeonoru, 2002; Ritzer, 2008; Olutayo and Akanle, 2013; Ilesanmi et al., 2022; Arewa et al., 2023). In the manner of rationalisation theory, Nigerian stock market regulators have made adequate efforts to involve more domestic investors in stock market activities through the introduction of sophisticated technologies aimed at minimizing costs, boosting efficiency and maximizing profit in the course of bringing back domestic investors to the stock market. Some of these technologies include: 'My Trade Book', which permits domestic investors to personally trade on shares online from the comfort of their homes. Also, shares sold for domestic investors are now credited directly into domestic investors' bank accounts by NGX without passing through stockbrokers, this process is known as 'Direct Cash Settlement'. Others include prompt and efficient release of stock market information and companies' audited results. Incidentally, most domestic investors are ignorant of all these innovations aimed at boosting efficiency in the stock market.

In reaction to the 2021 stock market disruption, domestic investors made calculated decisions in corroboration with rationalisation norms. They recognized the importance of portfolio diversification following foreign investors exit and low returns on investment. Domestic investors also leveraged their knowledge of money market instruments to reduce uncertainty and even incorporated psychological risks into their calculation of expected gains and losses. This reflects rational behaviour as these factors weigh alternatives, costs and benefits, rather than acting purely on emotions.

From the foregoing, it can be deduced that domestic investors' level of involvement in stock market activities was very high before the 2021 stock market disruption as a result of high returns on investment they recorded. This result is consistent with Nwude's (2012) study that domestic investors' stock market awareness was so high before the stock market crisis to the extent that most listed shares were on high demand. It also corroborates studies by Allen and Gale (2002) that an increase in returns on investment leads to an increase in stock market involvement. Domestic investors' level of involvement in post 2021 stock market crisis is low despite the introduction of sound regulatory frameworks, Financial Technology (Fintech), derivatives and ongoing webinars.

Conclusion

The study investigated domestic investors and stock market involvement before and after the 2021 stock market stress and investment uncertainty in Lagos State, Nigeria. Stock market investment is the hallmark of the nation's economy as it provides immediate capital needed to run the affairs of quoted companies (Ekechukwu *et al.,* 2024). Rationalisation theory guided the study. The findings revealed that domestic investors engaged in calculated and informed decision making during the period of uncertainty through efficient re-allocation of resources from low yielding securities to high yielding alternatives in the money market, thereby leading to post 2021 stock market apathy in Lagos State. However, foreign investors' exit and the aftermaths of 2021 stock market crisis where most domestic investors lost heavily also contributed to the present investment apathy in the Nigerian stock market.

The study revealed that domestic investors were actively involved in stock market activities before the 2021 stock market disruption as a result of favourable stock market indices and increase in returns on investment. Nevertheless, domestic investors have lost much confidence in post 2021 stock market disruption and investment uncertainty. This low involvement is caused by sharp decline in price of shares, low returns on investment, insecurity and foreign investors' exit occasioned by inconsistency in Nigeria's monetary policy coupled with the after effects of Covid-19 pandemic.

The study has shown sufficient evidence that domestic investors played more active role in the Nigerian stock market before the 2021 stock market disruption when stock market fundamentals were favourable. The study also showed that the decline in the price of shares coupled with low returns on investment in post 2021 stock market crisis investment led to domestic investors' apathy and inactive involvement.

Finally, domestic investors' stock market involvement is best explained as a rational decision making process of minimizing losses. Future studies may expand the study by adopting quantitative and deeper qualitative approaches across other states of the federation in the bid to deepen understanding of domestic investors' behaviours during the period of uncertainty.

Recommendations

The study made the following recommendations based on the findings in corroboration with the study objective.

1. Financial literacy: Sequel to the immediate and remote causes of the 2021 stock market crisis in the Nigerian stock market, regulators like Securities and Exchange Commission (SEC) and Nigerian Exchange Ltd (NGX) should introduce targeted financial literacy programs. Adequate efforts should be made to educate domestic investors on these measures and at the same time train them on how to trade on the newly introduced trading software known as 'My Trade Book'. Also, stock market operations should as a matter of urgency be incorporated in school curriculum from secondary to tertiary level in order to improve stock market literacy level which at the long run will improve the level of domestic investors' involvement in stock market activities in the bid to achieving stock market sustainability which will in turn contribute to the socio-economic development of Nigeria.
2. Reinforcing regulatory frameworks: Securities and Exchange Commission (SEC) and Nigerian Exchange ltd (NGX) should intensify efforts toward policy development in the bid to protecting domestic investors against excessive fraud and volatility, thereby strengthening investors' confidence in the market.
3. Long term investment culture: Domestic investors as a matter of urgency should be encouraged to engage in long term investment rather than short term speculation.
4. Improve Market Transparency: Regulatory authorities, particularly the Securities and Exchange Commission (SEC) and the Nigerian Exchange (NGX), should strengthen mechanisms that promote market transparency. This can be achieved through the timely dissemination of accurate market information, regular publication of market performance indicators, and improved communication regarding policy changes that may affect investors. Greater transparency would reduce information asymmetry, enable investors to make informed decisions, and enhance confidence in the capital market, especially during periods of economic uncertainty.
5. Strengthening Disclosure Requirements: Listed companies should be required to comply strictly with disclosure regulations relating to financial performance, corporate governance practices, risk exposure, and material business developments. Regulatory agencies should

enforce disclosure standards more rigorously and impose appropriate sanctions for non-compliance. Enhanced disclosure practices would improve the quality of information available to investors, reduce speculation and uncertainty, and facilitate more informed investment decisions. This is particularly important in fostering trust among domestic investors whose participation is influenced by the credibility and reliability of market information.

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