AN EVALUATION OF UNIT TRUST SCHEHE IN HIGERIA: A STUDY OF SELECTED UNIT TRUSTS

BY

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BEING A DISSERTATION SUBMITTED TO THE POST-GRADUATE SCHOOL, AHMADU BELLO UNIVERSITY ZARIA, IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF MASTER OF SCIENCE (M.SC.) DEGREE IN ACCOUNTING AND FINANCE.

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DECLARATION

I hereby declare that this research work was solely conducted by me under the supervision of Mr. Antony Silva. To the best of my knowledge and belief, this work has never been submitted in any institution for an award of a degree or a certificate of any kind.

All borrowed materials are duly and properly referenced. I take the sole responsibility for mistakes contained therein.

FONDA, S. A.

CERTIFICATION

This dissertation entitled **"AN EVALUATION OF UNIT TRUST SCHEME IN NIGERIA: A STUDY OF SELECTED UNIT TRUSTS", by FONDA, Solomon Agwara** meets the regulations governing the award of the degree in Master of Science (Accounting and Finance) of Ahmadu Bello University, and is approved for its contribution to Knowledge and literary presentation.

Chairman, Supervisory Committee	18-03-97 Date
Member, Supervisory Committee	18/3/97 Date
Head of Department	18/3/97 Date
Dean, Postgraduate School	28/4/99 Date

DEDICATION

This research work is dedicated to, and in memory of my late sisters, Mrs. Grace Atah Ayamo and Mrs. Elizabeth Eyadong Andongma, who all died in painful circumstances.

FONDA, S. A.

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ABSTRACT

The main thrust of this study is to critically examine the operational activities of Unit Trust Scheme in Nigeria and the benefits that accrue to unit holders from this form of investment, using the chi-square test $<x^2>$ distribution as the analytical technique.

It was observed that the scheme had contributed positively to the standard of living of the investors, within the period covered by the study. This was revealed empirically by the strong correlation between unit holders' income per unit holdings and the dividends that accrue from such units.

therefore, in a bid for the unit trusts to grow, develop and maintain, and continue to mobilise and attract idle funds into the financial system for the benefit of the investors, it is recommended that a legal advisory body be designed and set up to protect investors against fraudulent practices of operators and to maintain investors' and operators' confidence in the Unit Trust Scheme.

The above step is all the more necessary because we observed (from the study) that unnecessary bureaucracy has caused obstruction towards the smooth operation of the scheme.

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CHAPTER 1

INTRODUCTION

1.1 AN OVERVIEW

Financial institutions in Nigeria, prior to the introduction of the Structural Adjustment Programme (SAP), concentrated their operations on provision of traditional services in the money and capital markets. This period was characterised by what is now referred to as "armchair banking".

With the introduction of Structural Adjustment programe in the Nigerian economy in 1986, Nigerian businessmen started developing the initiative of creating new investment opportunities for investors. This coupled with the high inflationary situation saw every investor trying to utilise the slightest investment opportunity.

The deregulation that resulted from SAP, has brought about product innovations amongst providers of financial services. The latest addition into the simmering pot of investment services is the Unit Trust Scheme, Ezike (1991:10). Since 1990, when the Securities and Exchange Commission (SEC) nodded to a go-ahead for the operation of Unit Trust Scheme in Nigeria, several Banks and Finance Houses have gone to the market with their own brands of the scheme. The trail of the scheme was pioneered in Nigeria by the Abacus Merchant Bank. As of then (1990), there were nine

Unit Trusts in the country.

A variety of traditional Unit Trusts have long existed in our traditional economy (society) before the advent of modern scheme. The "Esusu" or contribution clubs, the "Adashe" or "Gagya", Rotating Credit Associations and "Alajo" are some typical examples. A point of difference is that, while the traditional scheme only keeps the contribution and pays out the total sum to members in turn, the modern scheme puts the resources in profitable investment which in return yields some revenue. The common concept to both the old and the new version is "Trust".

The modern concept of Unit Trusts started in the United States of America around 1865, after the American Civil War and spread to the United Kingdom in the early 1930s. This concept mooted first in Nigerian economy at the introduction of SAP in the mid-80s and has since then been growing. The modern concept of Unit Trust is defined as a means of investment which makes it possible for people to participate in the stock market and some money market products without committing too much time, money and expertise. This modern concept of Trust is the subject of this study.

1.2 BACKGROUND INFORMATION

A Unit Trust is an association of investors established by Trust Deed and approved by the Ministry of Trade and Finance, Osaze (1991:104).

According to the Companies and Allied Matters Decree (CAMD), 1990, a Unit Trust is any arrangement made for the purpose, or having the effect of providing facilities for the participation of the public as beneficiaries under a trust in profit or income arising from the acquisition, holding, management or disposal of securities or any other property whatsoever. Those who invest their savings in the units offered by the management of the trust are in law the beneficiaries in whose interest the trust must be administered, Hadden (1977:410).

Unit Trust accepts and pools together individual investments. These investments are held by a management company, usually a bank. Each investor is credited with a number of units commensurate to his share of the fund. The value of the unit being determined by the market price of the underlying investment otherwise called the unit portfolio.

Unit Trust offers the individual investor a chance to spread his risks by buying units, which in effect is invested in a balance portfolio of shares, Craig (1979:15). It attracts and mobilises small savings of scattered investors.

The trust provides the investors with profits, spreads risk, financial security, regular income distribution and, liquidity through easy redemption of units.

The Unit Trust Scheme was introduced in Nigeria in 1990, four years after the introduction of the Structural Adjustment Programme (SAP). Unit Trusts that have received recognition in Nigeria from Securities and Exchange Commission (SEC) include: Abacus Unit Trust, Gloria Unit Trust, ICON Unit Trust and Rims Unit Trust. For the purpose of this study, the focus is on selected Unit Trusts.

The Abacus Unit Trust Scheme was one of the first Trust Schemes to be approved by SEC. The Scheme is open to all Nigerians. Its manager is the Abacus Merchant Bank Limited and its trustee is the United Bank for Africa (UBA) Trustees Limited, Lagos.

As at 3rd December, 1990, 50 million units were available for subscription. Each unit holder was expected to have a minimum holding 200 units at 50k per share and above that in multiples of 50 units. After the savings have thus been mobilised by the scheme, the amount of money is invested in:

i). Shares and other capital market instruments.

ii). Money market instruments such as certificates of Deposits, Banker's Acceptances, etc, and

iii). Other investments as the SEC may from time to time approve.

The trust issues unit holders with Trust Certificate which serves as evidence of ownership of the number of units specified therein. Unit holders are entitled to redeem their holdings by lodging their Trust Certificates and Redemption forms with the manager of the Unit Trust. The issue and redemption prices are calculated according to the formula approved from time to time by SEC.

The income to Unit Trust Scheme is derived from three principal sources, namely:

i). Dividend income from investments in securities.

ii). Interest income from fixed interest bearing securities and from money and capital markets operations.

iii). Capital gain from realised investments.

The net income (i.e interest, dividend and realised capital gains, less all expenses and taxes) is distributed to unit holders at the end of every accounting year subject to the approval of Annual General Meeting of Unit holders. Such distributable net income is paid in cash but may also be reinvested in the scheme through the purchase of additional units at the option of the unit holder.

The objectives of the scheme include:

i) To pool financial resources from small savers and manage such resources profitably on their behalf.

ii). To invest the pooled resources in approved investment outlets for the benefit of unit holders.

iii) To enable unit holders obtain a spread of investment which they could not obtain on an individual basis.

iv). To enable unit holders maximise returns on investment at minimal risk through portfolio diversification.

v). To enable unit holders enjoy the benefit of single professional management in the process of buying and selling securities; and

vi).To stimulate the development of the Nigeria Capital Market through mobilization of idle funds and channeling such funds into the market through viable investment outlets.

1.3 PROBLEM STATEMENT

The Unit Trust Scheme constitutes an essential frame-work for promoting savings and capital appreciation vis-a-vis earning the unit holders some income. While some investors welcome the scheme as essential in establishing the needed financial prudence to facilitate savings for the benefits of the unit holders, others see it as having too stringent conditions to be met before being a unit holder. Hence, they consider that it is not meant for the general public. The latter group further argues that the scheme is but a wholesome adoption of the British system that is not congenial to our environment. This study aims at addressing such issues. In the light of this, the study attempts also to address the following questions such as:

i). Is the scheme open to all categories of investors?

ii). How is the pooled fund of investors utilised to achieve the laudable objectives of the scheme?

iii) What are the risks and uncertainties of this form of investment?

1.4 OBJECTIVES OF THE STUDY

The broad objective of the study is to examine the operational activities of Unit Trust and the benefits that accrue to unit holders from this form of investment. The specific objectives are:

i). To educate the public on Unit Trust Scheme in Nigeria.

ii). To assess the impact of this Scheme on investors, and

iii) To make recommendations based on the findings of the research.

1.5 SCOPE OF THE STUDY

The study's focus is on the evaluation of Unit Trusts in Nigeria. Selected schemes will be examined (these will include the major ones: Abacus, Icon., Rims and Gloria Unit Trusts). The objectives and their impact on the target operators, investors and management will be critically examined. The operations of the scheme as an investment option will be analysed to see whether it is a viable investment option obtainable in Nigeria.

The work constitutes a period of five (5) years i.e 1990 to 1994, but references will be drawn from other years before 1990.

However, a critical analysis of the different schemes will be done in the study to see whether they offer the same benefits and satisfy the various needs of investors.

1.6 JUSTIFICATION FOR THE STUDY

The Unit Trust Scheme is a relatively new form of managed fund investment in Nigeria. As a result, very little is known about the scheme. Also, very little research work currently exists on the scheme. Research work on the scheme in Nigeria such as those of Eke (1990); Ezike (1991); Momoh (1991); Uko-Inyang (1992); Adewumi (1992); Oluwole (1993); have all been written in the form of articles which fall short of detailed information. Also, such works have treated Unit Trust Scheme in general without a particular study. This study attempts to face such challenges.

It will further ascertain the future role of Trust fund in Nigeria within the frame work of SAP and how best it contributes towards economic transformation of the country.

Furthermore, it will go a long way towards determining whether or not the scheme is servicing all classes of investors as it claimed to do.

v). It will aid the organisation's (Unit Trust's) management to make a cost benefit analysis of their investments. This will in turn, assist management in deciding either to expand or contract the level of activities of the scheme.

vi). It will aid managers and trustees, investors, unit holders and those interested in the scheme to take rational decisions.

vii). The study will give the reader a good knowledge of what the scheme is all about. This will help in creating awareness in the general public about the existence of the scheme.

viii). Further, it will help management of Banks and Finance Houses to understand that the scheme is acting as a medium of generating and utilising idle funds which may lead to formation of capital within the context of the Nigerian Money and Capital Markets.

ix) Also, the study will assist potential and real investors to appreciate the viability and future prospects of the scheme before making sound investment decisions therein.

x). Finally, the study will serve as a modest contribution to the financial system and a guide to further research in this area.

1.8 HYPOTHESIS

The following are the main hypotheses which are tested in the study.

HYPOTHESIS 1 (H_1)

The Unit Trust Scheme has a positive impact on unit holders' income per unit holdings.

ALTERNATE HYPOTHESIS 1 (H_{1o})

The Unit Trust Scheme does not have a positive impact on unit holders' income per unit holdings.

HYPOTHESIS 2 (H_2)

The Unit Trust Scheme is an ideal channel of attracting and mobilising idle funds and channelling such funds into the market through viable investment outlets.

ALTERNATE HYPOTHESIS 2 (H_{2o})

The Unit Trust Scheme is not an ideal channel of attracting and mobilising idle funds and channeling such funds into the market through viable investment outlets.

These two hypotheses will form the basis of the study and will ultimately assist in judging the validity of the Unit Trust Scheme.

Hypotheses are guides for the researcher in the whole process of research endeavour, they keep the investigator along the main path of his study. As advanced by Osuala

(1987:46), a hypothesis can be regarded as a tentative generalisation whose tenability is to be tested on the basis of the capability of its implications with empirical evidence and with previous knowledge.

A well formulated hypothesis has the following benefits.

a). It provides direction for investigation in the sense that the relationship expressed in it guides the investigator on what to do.

b). It helps in pin-pointing the research problem for investigation.

c). It assists the researcher in determining what and how much information is required for testing the hypothesis properly. In this way, it also assists in establishing, the relevancy of facts, as they relate to the issue the researcher wants to investigate.

d). It further assists the researcher in determining how the required data can be obtained and statistical tools and methods are required for a thorough investigation of the research problems.

e). It provides the researcher with a useful and efficient instrument for exploring and explaining the nature of relationships between or amongst variables which may constitute the problem that is being investigated.

f). Good hypotheses are perceived as providing the frame work for meaningful conclusions and interpretations of research findings.

g). Finally, a good hypothesis assists in pointing the way to and stimulating further research.

1.8 PRESENTATION OF DISSERTATION

The study is divided into five chapters. Chapter 1 deals with introduction. Under this, the Unit Trust Scheme in general is briefly presented. The reasons for undertaking this study and the objectives of the study are outlined.

Chapter 2 reviews related literature to the Unit Trust Scheme. Focus is on the operations, the benefits and problems of the Unit Trust Scheme.

Chapter 3 is basically on the methodology of the study. Emphasis here is on how data will be collected from the field, treated and analysed to achieve the stated objectives.

Chapter 4 presents, analyses and interprets the collected data.

Chapter 5 then presents the summary of the write-up and conclusions drawn from the research findings. Recommendations based on the findings are made. Finally, suggestions for the improvement on the work are advanced given that there were some limitations of the study.

CHAPTER 2

LITERATURE REVIEW

2.1 DEVELOPMENT OF UNIT TRUST SCHEME

The modern concept of Unit Trust began in the United States of America around (1865) after the American civil war. This later on spread to the United Kingdom (UK) in the early 1930s during the trade depression. The frame-work for the establishment and operation of Unit Trust in the UK was formalised with the enactment of the Prevention of Fraud (Investments) Act of 1958. This Act lays down certain regulataion for the operation of authorised Units Trust.Therust Managers was formed in 1959, in which nearly all the major Unit Trust Management Companies were represented. Its objectives are to act as a consulting body, to standardise Unit Trust practice, to represent the management companies as a body and to co-operate with other interested groups with regard to investment protection.

2.1.1 Development of Unit Trust Scheme in Nigeria

In the past, financial institutions in Nigeria concentrated their operations on the provision of traditional services in the capital and money markets. This period was characterised by what is known or referred to as "arm chair" banking by observers.

With the advent of SAP in 1986 in the Nigerian economy, Nigerian businessmen started developing new ideas to create new investment opportunities. The prevailing high rate of inflation coupled with these new opportunities saw every investor trying to utilise even the slightest investment opportunity with the "best" proper resource allocation. The seasonal investor buys or invests only in business ventures which he thinks are marketable within the shortest possible time. The full time investor uses his discretion in comparing and contrasting investment opportunities which are open to him before making any investment decision. The aim of the two groups of investors in making their analysis was to avoid investment decisions which would result in waste of time and scarce resources.

The deregulation that resulted from SAP, has brought about product innovations amongst providers of financial services. The recent addition into the simmering pot of investment services is the Unit Trust Scheme as advanced by Ezike (1991:10). This scheme involves pooling together the capital resources of small savers and investors into a common fund which is established by trust deeds and run by professional Fund Managers. Since 1990, when the Securities and Exchange Commission (SEC) gave the `raison d'etre' for the operation of Unit Trust Scheme in Nigeria, many banks and finance houses have gone to the market with their own brands of the scheme. The pioneer of the scheme in Nigeria

is the Abacus Merchant Bank.

2.1.2 Traditional Forms of Unit Trust in Nigeria

Before the advent of the Modern Unit Trust Scheme in Nigeria, there had long existed a variety of traditional Unit Trust Schemes. The major ones of which were:

The "Esusu", (contribution clubs). These were rotating credit associations which help its members.

The "Alajo" or "Gagya" and Adaashe". They took the form of age-grades, friendship associations and Mutual Labour Exchange groups. In the Hausa land for instance, the "Uwar Adashi" plays the role of a fund manager in a restricted sense. Periodic contributions are made to the Uwar Adashi who then makes payment in turn to the contributors. She acted only as a custodian to the fund, and did not put the fund into any profitable venture, Iliya (1991:10).

The Esusu Society is based on the principle of self imposed but group influenced mandatory savings. The voluntary aspect is that each member determines the actual amount of regular savings to be made. They are group influenced because the group determines the minimum periodic contribution of savings.

As advanced by Eke (1990:11), the idea of Unit Trust Scheme could be linked to a more refined and result-oriented form of Esusu where many people contribute money together and give a lump sum to a single participant. Unlike the

Esusu or Adashi, Unit Trust provides an avenue for many small investors to pool their fund together and to enjoy the benefit accruing from investing positively thereby enhancing the returns and safety of their investment. The common concept to both the old and modern Unit Trust schemes is "Trust". The difference is that while the old version keeps the contribution and pays out the total sum to members in turn, the new version puts the fund into profitable investments which in turn yield income. These items of income in turn are shared to members as profits.

2.1.3 Modern Forms of Unit Trust in Nigeria

In Nigeria, the modern concept of Unit Trust was introduced first with the inception of the structural Adjustment programme (SAP) in the mid-80s. The operation of the scheme was approved in 1990 by Securities and Exchange Commission (SEC) which is the only body empowered to do so. Basically, in Nigeria, most legislations governing Unit Trust operations are the same as those applicable in UK. But the framework for its existence and operations in Nigeria is provided in the Companies and Allied Matters Decree (CAMD), 1990 as amended.

2.1.4 Definition of Unit Trust

As stated on page 3, Section 575 of the Companies and Allied Matters Decree (1990) defined Unit Trust scheme as

'any arrangement made for the purpose, or having the effect of providing facilities for the participation of the public as beneficiaries under a trust in profits or income arising from acquisition, holding, management or disposal of securities or any other property whatsoever'. Ezike (1991:10) also, looked at Unit Trust scheme as a means of investment which makes it possible for people to participate in some money market products without commiting too much time, money and expertise to it. A Unit Trust is a method of investment whereby money subscribed by many people is pooled in a common fund, the investment and management of which is subject to the legal provisions of the trust deed. The fund is invested in securities on behalf of subscribers by the management company. The investments so acquired are held by a trustee usually a well known bank or an insurance company.

2.2 BASIC STRUCTURE OF THE SCHEME

The basic structure of the Unit Trust scheme is made of the Manager, the Trustee and the Unit Holders. The management company and the trustee must be quite independent of each other.

They are parties to the Trust Deed which defines their collective responsibilities towards the subscribers to the trust fund and set out the rules for the operation of the trust.

2.2.1 The Managers (Fund Managers)

The manager is usually a stock-broker or a firm of professional investment company licensed to manage the trust under the overall supervision of the trustee. The management company is the promoter of the scheme and hopes to make profit from the operation through fees which it charges to existing and new unit holders for his services.

The day-to-day running of the trust is the responsibility of the manager whose function is to invest in a wide variety of shares and to buy and sell shares when it seems to him appropriate.

According to Perry (1984:180), the responsibilities of the manager are as follows:

(i) the administration of the trust;

(ii) the calculation of the Unit offered and its prices;

(iii) the preparation of income distributions;

(iv) the management of the investment portfolio of the trust fund and;

(v) the maintenance of a market in the unit of the trust.

The CAMD (1990), has added the duties of the manager to include:

(vi) he shall with the consent of the trustee appoint an auditor who shall audit the accounts which shall be sent to SEC and also be published in national newspapers (S.585).

(vii) he shall with the consent of the trustee call an annual general meeting of unit holders to consider the accounts and other matters affecting the scheme [S.585 (3)].

(viii) he shall also furnish the commission periodically with any required information related to the scheme.

The manager is obliged to ensure that proper books of accounts are prepared, reflecting a true and fair view of the affairs of the scheme. Thus he is responsible for the day-to-day management of the fund.

2.2.2 The Trustee

A Trustee is a person or company to whom property or investment is entrusted so that he may deal with it in accordance with the directions given by the creator of the trust. Under the Trust Law, a Trustee is the legal owner of the trust's assets and hold them on trust for the unit holders. Section 575 of CAMD, (1990) defines the Trustee as "the person in whom the property for the time being subject to any trust created in pursuance of the scheme is or may be rested in accordance with the terms of the trust". This is supported by S. 575 (c) of the Decree which provides that the Trustee under the scheme should be a body corporate such as a bank or an insurance company licensed under the relevant statute having a minimum paid-up capital of

N600,000. The Trustee does not have to interfere in the day-to-day running of the scheme unless the action of the manager conflicts with the interest of the unit holders. He is not allowed to make profit out of the trust.

Apart from the duties jointly carried out by the manager and the Trustee, the Trustee specifically performs other duties such as:

(i) he has a general supervisory role over the manager since he is the legal owner of the property subject to the trust.

(ii) he controls the creation of new units and makes payments of periodic distribution of income to unit holders.

(iii) to act as custodian of capital and income of the trust.

(iv) to hold in its own name the securities in which money subscribed by the public to the trust fund has been invested by the manager.

(v) to take responsibility for the registration of sub-unit holders.

2.2.3 The Unit Holder(s)

The subscribers in the Unit Trust are known as the unit holders. In short, a unit holder is any person or firm who invests in a Unit Trust scheme. The ownership of number of Units held by a unit holder is evidenced by a unit

certificate issued to him.

2.3 CREATION OF A UNIT TRUST SCHEME

A Unit Trust is constituted by a trust deed made between managers who are responsible for the selection within limits prescribed by the trust deed of the portfolio of securities comprised in the trust fund and Trustees who are responsible for the safe custody of those securities and the collection and distribution of income from them.

2.3.1 Authorisation

Once the Unit Trust is constituted by the trust deed, the next step would be for the manager to apply to the SEC for authorisation. The Decree provides that "no person shall establish or operate a Unit Trust Scheme or carry on the business of dealing in Units of a Unit Trust Scheme unless such a scheme is authorised by the SEC and registered in the register maintained by the commission". S. 575 CAMD, (1990).

2.3.2 Requirements for Authorisation

The power to authorise a Unit Trust is discretionary. This is clear from S. 576 (3) CAMD (1990) which provides that the SEC shall authorise and register a scheme if it is satisfied as to the followings:

(a) the competence of the manager and trustee in matters related to the operation of unit trust and,

(b) the probity of the manager and trustee so as to render them suitable to act as manager and trustee.

The interest of the investor and the integrity of the financial system would be prime matters for consideration in deciding whether or not a scheme would be authorised.

The manager shall be a corporate body incorporated with a minimum paid-up capital of N250,000. The trustee shall be a body corporate such as insurance company or bank licensed under the relevant statute and having a minimum paid-up share capital of N600,000 as provided by the CAMD, 1990.

Both provisions are aimed at excluding from the operations, persons of limited resources and questionable pedigree who may expose investors to financial ruin. The practice would be that companies which act as trustee would have an equity base far in excess of the minimum required.

The manager and the trustee should be persons who are independent of each other. The two companies must not be related in the sense of being under a common ownership or control or being associated companies.

The trust deed must be in compliance with the provisions of the decree and the prescribed rules and regulations. The trust deed cannot, for example, give the manager wider investment powers than contained in S. 587 of CAMD, 1990. The name of the scheme must not in the opinion

of the commission be undesirable (S. 567 [3]). The chosen name should not confuse investors either in respect of the managers of the scheme or its investment objectives.

2.3.3 Registration of Units

The Units so created by the trust must be registered. It is unlawful for any person to deal in units of a trust scheme unless such units have been duly registered with the commission as contained in S. 576 (4) of CAMD, 1990.

Any unit may be registered by the issuer filling an application with SEC in accordance with S. 577 (2) of CAMD 1990. Any application for registration of unit duly filled shall become effective 60 days after filling or such earlier date as the commission may determine depending on adequacy of information contained in the application. Such a registration shall, in respect of the units specified, be as proposed to be offered.

2.4 REMUNERATION OF MANAGERS/TRUSTEES

The manager and the trustees are paid for their services. The amount paid, when it is paid, and how it is paid, are contained in the provisions dealing with the subject.

2.5 THE NATURE OF OPERATION OF THE UNIT TRUST SCHEME

According to Momoh (1991:24), the Unit Trust scheme is a highly profitable investment opportunity for corporate bodies, individuals, including low income earners or skilled labourers, students, petty traders, commercial drivers, carpenters and so on residing either in rural or urban areas. This means that Unit Trust scheme is open to all categories of people wishing to invest and who want to reap profits from their investments with minimum effort. Hence, Unit Trust aims to produce a balance of risks and opportunities that many individual investors could not achieve on their own.

2.5.1 Investment

In ensuring that investment objectives are met, different investment strategies are utilised. For example, in the UK, some funds adopt a low risk investment strategy, while other take considerable risks. Some simply aim for growth without income while others provide their investors with regular incomes. Investment is done in either small companies or large and also Overseas Companies. However, where investment takes place, it is a result of some factors. In Nigeria which is our focus, investment is a function of the interplay of:

(i) the Companies and Allied Matters Decree 1990 as the primary legal instrument.

(ii) the Securities and Exchange Commission (SEC) Decree of 1988, and

(iii) the Common Law of Trusts.

Each of these legal instruments/bodies has its own specific role to play. They are, however, not independent of each other but rather they complement each other.

Having considered the environment under which Unit Trusts operate in Nigeria, we shall then look at investment from the managers' perspective. According to CAMD, 1990, every manager of an authorised Unit Trust scheme shall invest only in:

(i) securities specified under the Government and other securities (Local Trustees Powers) Act and the Trustees Investment Act 1962, as amended from time to time, and

ii) Such other investments as the Commission may from time to time approve.

According to S.1 (1) of the Trustees Investment Act (1962), trustees can invest in debentures and fully paid up shares of certain companies incorporated in Nigeria. However, private limited liability companies are not included in the list of allowable investment, S.1(2). This means then that, such investments are limited to companies whose shares are quoted on the stock exchange. Thus, there are limited avenues for investments open to the manager. This is so since the manager is charged with many other responsibilities.

2.5.2 Issue of Units

The issue of Units is done on a regular basis in accordance with the demand for them. According to Osaze (1991:106), the Scheme offers an unlimited number of units since units are issued on demand by unit holders on a continuous basis to avoid the risk of over-subscription. This is facilitated by the fact that all applications so forwarded are within the terms of the Trust Deed. It has already been cited above that the prospectus is the medium by which units for subscription are offered. Nevertheless, more units can also be created and issued where the demand is more than the units issued, for subscription or where fresh demands are made.

2.5.3 Pricing of Units

The price of units of unit trust scheme is calculated in accordance with a formula being provided by the SEC. However, the procedures for buying and selling of units could be quickly outlined.

Firstly, the purchase of a unit is made via an application written by the investor to either the manager directly or their agents (usually, stock brokers, banks or finance houses). Buying from an agent is always more expensive because of the agency commission, Uduck (1991:22). The agency commission here arises because of the cost of administration so-called; front -end-loading.

As more applications are made to purchase units on a continuous basis, so too are units sold on a continuous basis. Sales of units is usually done directly to the public by means of prospectus and distributors. But, the initial minimum investment is usually fixed, and subsequent ones are then made in multiples to be determined by the management company. According to Winfield (1991:146), the Manager issues a contract note showing the number of Units an investor has purchased, the price and the total amount payable. He further states that, in the contract, a name ticket is usually included which must be completed and returned. A certificate is then issued in due course showing the details on the same ticket.

Secondly, the sales of units can be done by either of the two methods - the unit holder can sell his unit on the stock market assuming the Trust is quoted or he applies to the fund manager who virtually buys them. There is usually variation in market value of unit prices. This variation arises from the value of the shares and or other securities which make up the unit portfolio.

Arrangement for the sale of units is made at the ruling price of the day. As a rule of thumb, the manager quotes two prices - the offered price and the bid price. The former price is that which is the maximum price at which units are sold by the managers to the general public, while the latter is the minimum price at which the managers will repurchase

units from the public.

Usually, the certificates to be redeemed must be properly endorsed and accompanied by written instrument. Holders of securities must then sign exactly as their names appear on the face of the certificate with the signature guaranteed by an officer of a bank or stock broker in a firm which is a member of the Nigerian stock exchange. By so doing, the investor is giving up his rights of ownership of the Units after which the manager sends a cheque for the the proceeds to the investor, Attama (1994:61).

After units have been purchased and resold by the managers, certificates are not issued to the new unit holders until the manager has endorsed certificates from others, i.e ex-holders to an equivalent number of units.

2.5.4 Redemption of Unit Holdings

Unit holders are entitled to redeem their holdings by lodging their Trust Certificates and redemption forms with the manager of the scheme and such redemption shall be concluded within three working days of the lodgement of the redemption documents.

2.5.5 Investor Protection/Prohibited Transactions

It is only an honest Unit Trust Scheme, which has met the statutory requirements and properly enforced them that will be authorised and protected.

Certain transactions and profits thereof by managers

under Unit Trust Scheme are prohibited. The Department of Trade and Industries (DTI) consultative documents (1986:18) clearly states that a company that is managed under Unit Trust Scheme or is a subsidiary or a holder company of the manager or director or a person engaged in the managament of such a company is prohibited from carrying out transactions for itself or himself, or making a profit for itself, or himself from transactions in any assets held under the scheme S.583(1). This provision clearly avoids any conflicts of interest which may arise in the course of the manager's duties.

The DTI's documents further state the prohibited transactions of the manager of a Unit Trust Scheme as follows:

i) The manager cannot borrow money on behalf of the Scheme for the purpose of acquiring securities or other property of the scheme.

ii) The manager cannot trade with the scheme or make a profit for itself from transactions in any assets held under the scheme.

iii) The manager cannot lend money that is subject to the trust of the Scheme to a person to enable him purchae units of the scheme.

iv) The manager cannot engage in any transactions that are not in the interest of the Unit holders and of the scheme.

v) Additionally, the assets of the scheme cannot be charged, mortgaged or encumbered by the manager.

Section 585 of the DTI document further states the penalty for violating the above mentioned provision to a fine equal to the amount of profits from any of the prohibited transactions or N5,000 whichever is the higher.

2.6 REGULATION OF UNIT TRUST SCHEME

All matters in the CAMD 1990 relating to the capital market shall be administered by SEC. S.541 which provides that part XVII of the Companies and Allied Matters Decree 1990 shall be administered by the Securities and Exchange Commission (SEC) established by the SEC Decree 1988. The commission may, therefore, from time to time with the approval of the Minister of Finance, make regulations generally for the purpose of giving effect to the provisions of this part of the Decree and may make regulations, inter alia: prescribing the form for returns and other information required under the decree, the procedure and criteria for approval of unit trust scheme; the formula for the calculation of price of securities; fees payable and the information to be contained in any prospectus or trust deed filled in respect of company securities and unit Trusts.

To the best of the researhcer's knowledge, no regulations in respect of unit trust have been made pursuant to this power. It must be noted, however, that the approach taken has been to include in the Decree, matters which could better be dealt with by "delegated legislation" as is in the case with collective investment scheme under the Financial Services Act 1986 of the UK.

2.6.1 Prospectus

The prospectus and other documents prepared by the manager offering units of unit trust scheme to the public have to be approved first by the trustee and then by the commission before publication. Furthermore, a manager may incur civil liabilities in respect of a misleading prospectus which either contains an untrue statement of a material fact or fails to state a material fact and units are sold or offered for sale by such medium.

2.6.2 Meetings

As earlier stated, the manager is obliged to call an annual general meeting to consider the account and other matters affecting the unit trust. An extraordinary general meeting of the unit holders may be convened by the manager with the consent of the trustee; or at the request of the trustee; or at the instance of 25% of the unit holders; or by a court at the request of a member where the court is

satisfied that it is just and equitable to do so. The provision of the Decree in respect of general meetings of companies shall apply with necessary modifications.

2.6.3 Sanctions

Any authorisation granted by the SEC to a unit trust scheme may be revoked in the event of a contravention of the Decree relating to unit trusts or rule of regulation made under S. 542 (1). Where the provisions of S. 576 (3) are no longer complied with or the interest of the unit holders created under the scheme so require, the authorisation granted may be revoked.

The SEC shall before such a revocation notify the manager and trustee and they may make a written representation to the commission in respect of the proposed revocation. It is only after consideration by the commission of the representation made that it may reach a decision.

The current regime of unit trusts introduced by the Decree is very similar to the old system in the UK under the Prevention of Fraud (Investments) Act 1958. The definition of unit trust in both regulations is quite similar. The UK position has now change with the enactment by parliament of the Financial Services Act of 1986. As the title of the statute suggests, the approach taken in has been geared towards the establishment of a comprehensive regulatory framework to govern the provision of financial services in

the UK.

The Act aims at regulating investment business by the requirement of authorisation for the carrying on of investment business, dealing in investment, managing investment, managing assets belonging to another person of those assets which consist of investment advice etc. This would include establishment of collective investment scheme, including acting as trustee or manager of a unit trust scheme. A "collective investment scheme" means 'any arrangements with respect to property of any description including money, the purpose or effect of which is to enable persons taking part in the arrangements whether by becoming owners of the property or any part of it or receive profits or income arising from the acquisition, holding, management or dispose of the property or sums paid out of such profit or income'.

This appears to be broader than the definition of the unit trust as set out in the Prevention of Fraud (Investments) Act 1958 and the Companies and Allied matters Decree 1990. Investment companies may come within the scope of the current UK legislation in line with the broad sweep of the Financial Services Act referred to earlier.

The public interest is the primary point of focus. While inordinate legal regulation of business activity is to be deplored, the public interest would not be properly served if variants of the unit trust in whatever shape or

form manages to avoid regulation. The Nigerian financial environment is becoming more complex and the regulatory mechanisms must be put in place in order to protect the integrity of the capital market.

2.7 BENEFITS OF THE UNIT TRUST SCHEME

The benefits of the Unit Trust scheme can be seen from:

(1) Attractive products in terms of target yield offered by the scheme.

(2) Advantages that accrue to the unit holder and,

(3) Advantages to the economy as a whole.

2.7.1 Attractive Products Offered By The Scheme

Unit Trust offers its Unit holders one or more of the following products:

(i) Life Assurance Cover

According to Osaze (1991:105), a unit holder can elect for any of these two types of insurance covers. The bonus assurance cover and the extra term assurance cover. The bonus assurance cover is a premium free to the unit holders. It also entitles them to an additional one percent of the value of units held at death. The extra assurance cover entitles unit holders to an additional one percent at the time of death and a non-commercial premium of 1.243% of the units held payable on this cover.

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(ii) **Saving Facility**

Saving is foregone consumption. A Unit Trust accepts savings of money by the unit holders. This saving could be used to purchase additional unit when the total savings reach up to the value of a unit.

(iii) **Share Exchange Facility**

This is the situation where by an existing shareholder of shares which are quoted daily on the stock exchange can decide to surrender the holding at a prevailing market price for units in the fund, Attama (1994:84).

(iv) **Conversion of Accumulated Units into Income**

This is the case in which a holder of units of either type can inform the managers of the scheme to convert the whole or part of such units into units of another type. This is usually done by the unit holder officially informing the manager through writing. This transaction is obtainable in ICON Unit Trust scheme.

(v) **Re-Investment of Income**

As the name implies, unit holders have the option of either:

(a) automatically re-investing their annual income, and this is accomplished by the issue of new units or,

(b) receiving annual cash income without further purchase

of any units.

Similarly too, an investor can also decide in what kind of units to invest depending on his investment needs.

2.7.3 Advantages that Accrue to Unit Holders

Apart from the attractive products offered by the scheme to investors, the investor no doubt receives some enormous benefits from the scheme too. These benefits could either be in the form of diversifying risks of investments, capital appreciation, liquidity of investment, and expert management. As noted by Akamiokhor (1990:8), the unit trust provides the opportunity for small investors to participate in the capital market with minimum funds while enjoying the benefits of risk diversification, professional management, liquidity, capital appreciation and earning through dividend payment. These points are explained below:

(i) Diversification of Investment Risks

The portfolio of selected Unit Trust include securities issued by different companies which may be under one or different sectors of the economy. Hence, a poor performance of one company can be counter-balanced by a good performance in another company in the same or different sector of the economy.

(ii) **Capital Appreciation**

According to Ezike (1991:10), in addition to yearly income paid to unit holders, the amount of money invested by the unit holder could go up in value (appreciate) depending on the company in which the trust fund has been invested. For example, shareholders' funds with the manager, doubled from N24.6 million in 1990 to N49.9 million in 1991, while earnings per share rose from 73.7k in 1990 to N1.41 in 1991. Returns on equity equally improved significantly from 36% recorded in 1990 to 50.8% in 1991. Furthermore, the manager declared stock dividend of N18 million, translating to one bonus share for every share held as against N6 million out of 1990 profit which gave one bonus share for every two held, Financial post, (1992:20).

(iii) **Liquidity of Investment**

Units can be redeemed at the instance of the unit holder within a redemption period specified by Securities and Exchange Commission (SEC) currently given as three working days, Osaze (1991:105). This simply means that unit trust investment can easily be converted to cash. In investment parlance, the unit holder can redeem his unit certificate over the counter. This is in contrast with direct share holding, where the investor has to look for a stock broker to dispose of his shares.

(iv) **Expert Management of Investment**

The transactions of Unit Trust are handled by managers who are experienced and experts in the field. As such, investors, both small and big tend to benefit from their (managers') skills since less rigour and inconvenience in administration will be encountered.

(v) **Protection of an Independent Trustee**

Unit holders usually have the protection of independent and reputable Trustees viz UBA Trustees Limited for Abacus Unit Trust Scheme; NICON Trustee Limited for Rims Unit Trust fund and; Royal Exchange Assurance (Nigeria) Plc for the ICON Unit Trust fund.

2.7.3 **Advantages to the Economy**

The savings generated from investors, both small and big, are channelled to economic sectors considered essential for growth and development. Unit Trust Schemes have also helped the development of the financial markets by boosting their activities leading to an increase in demand for securities in the long-run which will subsequently push up their prices. This point has been re-emphasised by the Financial post, (1992:17). It clearly states that, the introduction of the Unit Trust has been identified as one of the measures which can be applied to stimulate the Nigerian markets which in comparison with matured markets elsewhere

have low level of demand and supply of securities, poor liquidity, low trading and market capitalisation, Low market Automation, Professionalism, Financial Intermediation and Low Market Avenues.

The paper further reiterates the fact that many of these Nigerian markets lack easy, timely and up-to-date information flow as well as having few traded instruments. The introduction of Unit Trust can therefore ameliorate some of these problems while stimulating economic growth and development of the country.

2.8 PROBLEMS OF UNIT TRUST SCHEME

Even though the Unit Trust scheme offers a lot of benefits to the operators, investors and the economy as a whole, it also has some obstacles which hinder its operations. Some of these obstacles are as follows:

(a) There is lack of adequate communication and information system. Most of the activities of the scheme are done in secrecy. With such situation, the volume of its activities is bound to be low.

(b) Some critics have expressed fears that small investors are placed too much at the mercy of fund managers who have no specific obligation to declare dividends. It is further argued that the scheme is open to abuse, moreso, in a developing economy such as ours, there is fear that unit holders may not realise their investment

reams in the hand of fraudulent fund managers.

(c) The level of subscription in Unit Trust is low. This problem is attributed to the prevailing economic situation and the concentration of the scheme within Lagos area and few big cities.

(d) There is also lack of awareness of the public about the existence of the scheme. This is due to poor publicity and education of the public about the scheme.

(e) The funds pooled under the scheme are re-invested into equities and other instruments issued by major companies. Already, companies such as UAC, PZ and Nigerian Breweries have benefitted from the scheme, Business Concord, (1993:20). This is a setback since these companies will exert much influence on the scheme.

(f) Also, inadequacy of experts and professionals in the field of trusteeship and fund-management in the country is a great hinderance to the scheme. This is because the success of the scheme is a function of experts, management capability and sincerity of managers.

(g) Taxation is another important obstacle which retards the activities of the scheme. The taxation of the scheme, which translates into double taxation of unit holders who are mostly in the low segment of the society. They may consequently withdraw their holding and render the objectives of the scheme unattainable.

CHAPTER 3:

RESEARCH METHODOLOGY

3.1 INTRODUCTION.

The aim of this research is to evaluate the operation of the unit Trust Scheme in Nigeria. This will throw light on issues that concern businessmen, operators, investors, academicians and the general public about the Unit Trust scheme. Due to the benefits that could be derived from proper evaluation of the operations of the scheme, the research aims at improving the scheme's activities and creating awareness in the general public. To do this, the investigator examines the current work available about the selected Unit Trusts as well as had discussions with officers in those Unit Trusts.

This chapter attempts to outline the procedures that will be followed in carrying out the study. The sources of data for this work are limited to those which are directly related to it viz: documents, secondary and primary data.

3.2 AREA OF STUDY.

The work, will be limited to the Nigerian Business environment. This will include the major cities in which the money and capital markets operate. This is because most of the Unit Trusts and their branches are found in such areas. The major areas are Lagos, Ibadan, Kano, Kaduna,

which the researcher selects and studies samples chosen from the population to discover the relative incidence, distribution and inter-relationships of sociological and psychological values. This agrees with the view of Mailumo (1980:16) who explained a survey design as a representative sample of small or large populations which is studied in order to determine the character of the whole population which may be of interest to the researcher. A sample design as seen by this study, is a study of representative sample. From the sample, a generalisation on the whole population could be inferred as it will be costly for the investigator to study the whole population.

It is necessary at this juncture to comment on the benefits of research design:

(a) The design dictates the boundaries of research activities to a specific direction.

(b) The research design forms the plan that shows how data should be collected and analysed.

(c) It aids the investigator to form a plan, draw a sketch and have an aim.

(d) It further provides a blue-print for studying social and scientific questions.

People can therefore learn a great deal about the operation of Unit Trust scheme in Nigeria without necessarily contacting all Unit Trusts.

3.4 SAMPLING PROCEDURE

A total number of fifty (50) investors will be chosen from the scheme. The simple random sampling technique will be used so as to give equal chances to all investors to be selected. Ten (10) operators (personnel) each will also be selected. The purposive random sampling technique will be used to select the operators. This technique will be used so as to capture the operators who are directly involved with the operational activities of the scheme.

3.5 DATA COLLECTION

Data collected for the study will be done by the use of structured questionnaires and interviewing.

Two sets of the structured questionnaires will be administered. The first set will be directed to the investors and will be done by the researcher himself for rightful interpretation of the questions. The second set of questionnaires will be directed to the operators of the scheme.

Both the primary and secondary data will be used in the study. Primary data will be collected from both the investors and the operators via the use of structured questionnaires and oral interview. Secondary data will be sought from journals, magazines and from the records of the Trustees obtainable from the Scheme.

3.6 VARIABLES ON WHICH DATA WERE COLLECTED

To achieve the various objectives of the study, data will be collected on the following Macro variables:

(a) Socio - economic variables

(b) Financial Variables

(c) Investment Variables.

3.6.1 Socio - Economic Variables

These shall include the following and shall be applicable to both investors and operators.

(i) Age

(ii) Sex

(iii) Education

(iv) Family Size.

3.6.2 Financial Variables

Data collected on financial variables shall be applicable to both investors and operators.

Financial data from investors shall be on:

(a) Number of "Units" Purchased,

(b) Purpose for purchasing the "Units",

(c) Use to which profit is put into etc.

Financial data from operator shall be on:

(a) Interest rate charged on units

(b) Number of applications received by the scheme per annum for investment.

(c) Number of applications approved.

(d) Amount of units sold per application.

(e) Problems faced in selling Units.

The investors and the operators shall then be asked to identify any financial problems faced and how these problems could be alleviated.

3.6.3 Investment Variables

Data on investment shall also be solicited from both investors and operators. Investment data from investors shall be on:

(a) Procedure for registration with the scheme

(b) Process involved in acquiring (buying) new units

(c) Reasons for investing in the scheme

(d) Difficulties involved in buying 'units',

Investment data from operators shall be on:

(i) Management structure of the scheme.

(ii) The responsibilities of each unit of the management cadre.

(iii) Processes in selling 'units'.

(iv) Advertisement

(v) Volume of 'units' sold per annum.

(vi) Nature of supervision.

(vii) Taxation of the scheme etc.

The investors and operators shall then be asked to identify the investment problems they face and how they think these problems could be mitigated.

3.7 ANALYTICAL TOOLS.

These are tools which will be used to analyse and describe the data and information collected. These will include descriptive statistics and analytical techniques.

3.7.1 Descriptive Statistics

This shall include, mean, percentages and frequency distribution.

These tools shall be used to group respondents accordingly with a view towards achieving objective one and part of objectives two and three (see 1.4 on page 7).

3.7.2 Analytical Techniques.

The chi - square Test (X^2) distribution will be used as the analytical technique for this study. The chi - square distribution denoted by the Greek letter X^2 will be used in testing the formulated hypotheses. As put forward by Harper (1971:53), X^2 distribution is a statistical distribution that can be used to test if an observed series of values differs significantly from what was expected: hence the formulae below:

(a) $X^2 = \Sigma \frac{(fo - fe)^2}{fe}$

where fo = observed frequency

fe = expected or theoretical frequency.

Σ = Summation notation

Small values of chi - square indicate agreement between the two set of frequencies and vice versa.

(b) $Fe = \frac{(n\ c)\ (n\ r)}{n}$

where: r = number of rows

c = number of columns

n = number of respondents.

nc= column summation.

nr= row summation.

(c) **Degree of freedom (DF)**

Df = (c - 1) (r - 1)

The degree of freedom refers to the number of scores that are free to vary. In the table of categories for a chi-square test, the Df is the number of cells in which the frequencies are free to vary once the row totals and the columns totals are known.

(d) **Levels of significance (α):**

These are set standards which the researcher chose for convenience to reject or retain the null hypothesis (Ho). The level of significance for this work is α .05 or 5 %.

(e) Decision Rule:

It is the rule that will be observed before arriving at a decision. The rule states that the null hypothesis is to be accepted if calculated value of X^2 is less than conventional table value of X^2: otherwise, accept the null hypothesis. Calculated X^2 value is the value worked out from the raw data while table value of (X^2) is a value obtained from a conventional chi-square table.

3.8 CONCLUSION

In this chapter, an attempt has been made to bring out clearly the research design, area of study and sampling procedure. The methods and variables on which data would be collected were also advanced. Also, the instruments and analytical tools of conducting the research were highlighted. Finally, the way in which data would be presented and interpreted was shown.

In the next chapter, the researcher will use all the instruments and analytical tools advanced here to present and analyse the data respectively.

CHAPTER 4

DATA PRESENTATION, ANALYSIS & INTERPRETATION

4.1 INTRODUCTION

This chapter deals with the presentation, analysis and interpretation of the data. The study intends to ascertain the impact of the Unit Trust scheme in the Nigerian Economy. In order to accomplish this, two hypotheses were formulated which formed the basis of the study.

The analysis and interpretation are based on the socio-economic and investment varisbles of the operators and investors. Questionnaires were thus designed and data collected from the operators and investors. The tools used for the analysis of the data are percentages and chi-square (X^2).

As already stated on p. 50, decisions of the findings are based on the Decision Rule which states that the Alternative hypothesis is to be rejected if computed X^2 value is less than the tabular value. Otherwise, accept the Alternative hypothesis.

4.2 SOCIO-ECONOMIC CHARACTERISTICS OF INVESTORS

The socio-economic characteristics of investors are linked in one way or the other to the operational activities of the scheme and influence the latter. The socio-economic

variables of the relevance of the 50 investors were: Age, Educational Level and Family Size, as earlier stated.

4.2.1 Age Group Distribution of Investors

The table 4.1a below shows that 70% of the investors interviewed were of the age group 25 - 34 years. While 26% were of the age group 35 - 44 years and 4% above the age of 45 years. None was below the age of 25 years. This shows that most of the investors are dynamic and enterprising.

Table 4.1a: Age Group Distribution of Investors

Age group Years	Number of Investors	Relative Frequency (%)
15 - 24	0	0
25 - 34	35	70
35 - 44	13	26
≥ 45	2	4
Total	50	100

Source: Field Survey, see Appendix I question 2.

Note: The investor must be of 18 years of age (see p.60).

4.2.2 Sex

It was found out from the study that 92% of the respondents were males while 8% were females.

Table 4.1b below illustrates this.

Table 4.1b: Distribution of Investors According to Sex

Sex	Number of Investors	Relative Frequency (%)
Male	46	92
Female	4	8
Total	50	100

Source: Field Survey, see Appendix I question 1.

4.2.3 Educational Level

It is necessary to analyse the educational level of investors because it helps to influence the understanding of the operational activities of the scheme and the advantages that may arise from investing in the scheme. Table 4. 1c below shows the educational level and type.

Table 4.1c: Educational Level and Type

Level of School Education	Number of Investors	Relative Frequency (%)
Primary School Education	0	0
Secondary Education	20	40
Diploma Education	10	20
Degree Education	20	40
Total	50	100

Source: Field Survey, see Appendix I question 3.

Table 4.1c above shows that all investors had attained

at least secondary school education and so could be well informed on the activities of the scheme.

4.3 INVESTMENT AND FINANCIAL VARIABLES OF INVESTORS

4.3.1 SCHEME PATRONAGE

According to the study, two main schemes are patronised by investors. These are the Rims Unit Trust scheme and the ICON Unit Trust scheme. Table 4.2a shows that 70% of the investors interviewed patronised Rims's Unit Trust scheme while 30% patronised ICON's Unit Trust scheme. The disparity in the patronage was based on the fact that the former was more prompt and consistent in the payment of its dividends. And the investors in this scheme were also always informed on the activities of the scheme.

Table 4.2a: Scheme Patronage

Scheme	Number of Investors	Relative Frequency (%)
Icon	15	30
Rims	35	70
Total	50	100

Source: Field Survey, see Appendix I question 5.

4.3.2 Regularity of Purchase of Units

For all the 50 investors interviewed, 88% purchased units from the scheme regularly while 12% were not regular. On the duration of purchase, all respondents reported to have been purchasing units annually. And the units were purchased from both the Rimo stock brokers and the ICON stock brokers. Additionally, units were always available for purchase. Hence for purpose of re-investment and yearly dividends, the number of units bought increased annually.

4.3.3 Level of Satisfaction With Dividend

On whether investors were satisfied with dividend received from the scheme, 90% of the respondents answered 'yes' while 10% answered 'no'. Besides the normal dividends received, the respondents also reported receiving other incentives from the scheme.

Table 4. 2b: Level of Satisfaction With Dividend

Options	Number of Investors	Relative Frequency (%)
Yes	45	90
No	5	10
Total	50	100

Source: Field Survey, see Appendix I question 16.

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The 10% that answered 'No' also complained of irregularity in the payment of their dividends. It was equally found out that the 10% of investors were those who did not have other substantive business they invested in. Additionally, this group of investors also had a large family. This meant that the dividend they received from the scheme could not sustain their family. This is in sharp contrast to the 90% of respondents who were satisfied with the dividends they received, they had small family size and invested in other businesses.

4.3.4 Profitability Level of the Scheme to Other Businesses

On the profitability level of the scheme compared to other businesses, 90% of the respondents said it was fair while 8% said it was good and 2% neutral.

Table 4. 2c: Profitability Level of the Scheme to Other Businesses

Alternative	Number of Investors	Relative Frequency (%)
Good	4	8
Fair	45	90
Same	1	2
Poor	0	0
Total	50	100

Source: Field Survey, see Appendix I question 21.

4.3.5 Duration of Patronage

On the length of the period of being a client to the scheme, 76% reported patronising the scheme for 2 - 3 years while 20% for 1 - 2 years, and 4% for 3 - 4 years. Table 4.2d shows this representation.

Table 4.2d: Duration of Patronage

Years	Number of Investors	Relative Frequency (%)
1	0	0
1 - 2	10	20
2 - 3	38	76
3 - 4	2	4
4	0	0
Total	50	100

Source: Field Survey, see Appendix I question 17.

4.4 PROBLEMS FACED BY INVESTORS WITH THE SCHEME

Investors complained of a lot of problems they face with the scheme. These problems ranged from financial reports and dividend warrants.

4.4.1 Problems Faced by Investors in Buying Units

As it is enunciated in the responses on the questionnaire, as presented in Table 4.3 below, the problems faced by investors in buying units are outlined below in order of decreasing importance.

Table 4.3: **Problems faced by Investors in buying Units**

		Respondents	Percentages%
(a)	Lack of adequate information	40	80
(b)	Low disposable income	45	90
(c)	High administrative charges and stamp duties	48	96

Source: Field survey - see Appendix 1 question 10.

The above are further explained below:

(a) Lack of adequate information: Investors complained that the type of advertisement carried out was too sophisticated them to be informed of the activities of the scheme. This is so since adverts are through TV, Radios and Newspapers, they could neither afford the money to buy them nor the oppurtunity to have access to them.

(b) Low disposable income: Investors complained of low income and as such could not afford to make regular purchase of units.

(c) Investors also complained of high administrative charges and stamp duties. This leads to discourage many potential investors both those already in the business and those intending to purchase units.

4.4.2 Other Problems Faced by Investors

The respondents reported that apart from the above problems involved in buying units, other problems (see Appendix I question 23) they encountered with the scheme in order of decreasing importance include:

- high withholding tax on them by the scheme;
- low level of dividend and;
- inadequate publicity and patronage of the scheme.

4.5 INVESTMENT AND FINANCIAL DATA OF OPERATORS

4.5.1 Conditions of Sale of Units

The operators were questioned on whether units were being sold to all those who apply. The general response was yes. Table 4.4a below illustrated this.

Table 4.4a: Do Operators Sell Units to All Those Who Apply?

Alternative	Number of Investors	Relative Frequency (%)
Yes	10	100
No	0	0
Total	10	100

Source: Field Survey, see Appendix II question 6.

According to Table 4.4a above, 100% of the investors were offered the units they applied. The units were sold on the basis that the following conditions were being met:

(a) Signature of the investor must be regular.

(b) The investor must be atleast 18 years of age.

(c) Subscription paid in full and;

(d) The general compliance with the stipulated guidelines.

4.5.2 Investment of Pooled Funds

On whether the scheme invested the pooled funds of investors in the securities of companies, money and capital market instruments, the general response was 'yes'.

4.5.3 Volume of Units Sold Per Year

The findings of the research showed that 90% of the operators sold between one and two million units. Table 4.4b below shows this.

Table 4.4b: Volume of Units Sold per Year

Volume of Units Sold	Number of Investors	Relative Frequency (%)
Below 1 million	0	0
1 - 2 million	9	90
Above 2 million	1	10
Total	10	100

Source: Field Survey, see Appendix II question 8.

The operators attributed the sales of this large volume of units sold per year to the intensive advertisement campaign carried out by the scheme. The advertisement they

carried was mostly over radio, television and newspapers.

4.5.4 Effects of Taxation on the Scheme

On the effects of taxing the profit of the scheme, as revealed by the responses to question 19 (see Table 4.4 c), the operators said the tax was high and consequently, acted to the detriment of the scheme. Some of the effects of taxing the scheme's profit as reported by the operators included: discouragement of potential investors and savings; reduction in the level of participation and double taxation.

Table 4.4c: Effect of Taxation on the Scheme

		Respondents	Percentages%
(a)	Reduces the level of participation	10	100
(b)	Discourages potential investors/savings	8	80
(c)	Double taxation	9	90
(d)	Generates revenue for the State	10	100

Source: Field survey - see Appendix II question 19.

The Unit holders pay indirect taxes through tax on capital gain on the Scheme and also pay income tax on the income they received from the Scheme. Hence the double taxation of the investors.

Besides the negative effects of taxing the scheme, such tax helps the government to generate revenue for the State.

On taxation, the operators reported that of company tax structure and withholding tax structure (see p.59).

4.5.5 Change in Interest Rate on Units

On whether interest rates on units have increased or decreased over the past years, the general trend as seen from the responses to question 19 Appendix II had been towards the former. The operators also reported that although the general trend had been on the increase, the rise or fall in interest rate largely depends on the prevailing economic and political conditions.

4.5.6 Problems Involved in Selling Units

On the problems involved in selling units as reflected in Table 4.3d, the operators outlined the following as paramount:

Table 4.4d: Problems Involved in Selling Units

	Respondents	Percentages%
(a) Low level of Nigerian capital market	9	90
(b) Poor communication system	10	100
(c) Operational problems especially from the regulatory bodies	8	80

Source: Field survey - see Appendix II question 12.

(a) **Low level of Nigerian capital market.**

Low level of Nigerian capital market and its consequent instability to fully utilise the benefits that accrue from the scheme and also its inept inability to solve the problems of the scheme and to make profound solutions.

(b) **Lack of awareness by investing public**

Lack of awareness by investing public due to a large extent, of the costly communication network.

(c) **The incapacitation of regulatory bodies**

The incapacitation of regulatory bodies to tackle effectively the operational problems of the scheme.

4.6 MAJOR PROBLEMS CONFRONTING THE SCHEME

Some of the major problems confronting the operational activities of the schemes as reported by the operators in responses to question 23 as shown in Table 4.5 are as follows:

Table 4.5: Major Problems Confronting the Scheme

	Respondents	Percentages%
(a) Too much documentation and bureaucracy	10	100
(b) Lack of continuity on the part of high level staff	7	70
(c) Poor postal services	10	100
(d) Liquidity problems	10	100

Source: Field survey - see Appendix II question 23.

(a) Too Much Documentation and Bureaucracy

This is one of the problems confronting the workability of the scheme. Documents have to pass through many bureaucratic stages before approval. As a result, the delay due to such bureaucracy, retards the scheme's activities.

(b) Lack of Continuity on the Part of High Level (Well Trained) Staff

Well qualified staff in the field of fund managers are not easy to come across. When such staff members leave, their replacement is difficult. As such, there will be a breakdown in the operational process.

(c) Poor Postal Service

Due to the poor nature of the Nigerian postal system, mails do not reach their destination in time. This delay had a serious impact on the scheme's activities.

(d) High Administrative Costs

As a result of the inflationary situation in the country, the administrative and running costs have increased tremendously. Such a situation has led to the contraction in the level of activities of some Unit Trusts, while others had to leave the system due to their inability to pay their way.

(e) Liquidity Problems

The liquidity problem pricking the economy, has not left out the Unit Trust Scheme. This is a major obstacle to

the scheme's progress as the unit holdings are supposed to be redeemed when needed. If a unit holder demands the redemption of his holdings and it is not met, this will result in loss of confidence in the scheme.

4.7 TEST OF HYPOTHESES

The hypotheses which were earlier stated in chapter 1 would be tested using the chi-square (X^2) test. These hypotheses are tested to assist in giving an effective analysis using field survey interviews through the use of statistical tools. This would aid in examining the distribution of the respondents and their effects on the total response of both the operators and investors in the operation of the Unit Trust Scheme as an idle fund mobilising channel.

4.7.1 Test of Hypothesis 1

Hypothesis 1 (H_1)

The Unit Trust scheme has a positive impact on unit holders' income per unit holdings.

Alternative Hypothesis 1 (H_{1o})

The Unit Trust scheme does not have a positive impact on unit holders' income per unit holdings.

Responses to the questions 14, 15, 16, 19 and 22 from the questionnaire (see Appendix I) administered to investors

provide information for the test of this hypothesis. These questions are restated below.

Q14 Do the operators of Unit Trust pay your dividend regularly? Yes..... No.....

Q15 Is the profit you received from the Units enough to sustain you and your family? Yes..... No.....

Q16 Are you satisfied with the dividend you have received so far per Unit? Yes..... No.....

Q19 Apart from the dividend, do you get any other incentives from the scheme? Yes..... No.....

Q22 Do you get regular reports as regards the activities of the scheme in which you have invested? Yes.....No.....

These questions were chosen for the test of Hypothesis 1 because they were relevant to it. For the purpose of testing the Hypothesis, the chi-square (X^2) is computed as shown below:

Table 5.1a **Observed Frequencies (Fo) I**

Question Number	Responses Yes	No	Total
14	46	4	50
15	46	2	48
16	39	11	50
19	40	5	45
22	38	4	42
Total	209	26	235

Source: Field Survey, see Appendix I.

Calculation of Expected Frequencies (Fe)

This is done using the following formulae:

$$Fe = \frac{(nc)(nr)}{N}$$

Where Fe = expected Frequencies

nc = summation of column

nr = summation of row.

N = grand total

Table 5.1b: **Expected Frequencies (Fe) I**

Question Numbers	Expected Respondents		Total
	Yes	No	
14	$\frac{209 \times 50}{235} = 44.5$	$\frac{26 \times 50}{235} = 5.5$	50
15	$\frac{209 \times 48}{235} = 42.7$	$\frac{26 \times 45}{235} = 5.0$	48
16	$\frac{209 \times 50}{235} = 44.5$	$\frac{26 \times 50}{235} = 5.5$	50
19	$\frac{209 \times 45}{235} = 40.0$	$\frac{26 \times 45}{235} = 5.0$	45
22	$\frac{209 \times 42}{235} = 37.4$	$\frac{26 \times 42}{235} = 4.6$	42
Total	209	26	235

Source: Field Survey, see Appendix I & table 5.1a.

Table 5.1c: Contingency Table I

S/No.	Fo	Fe	Fo - Fe	(Fo - Fe)²	$\frac{(Fo-Fe)^2}{Fe}$
1	46	44.5	1.5	2.25	0.05056
2	4	5.5	- 1.5	2.25	0.40909
3	46	42.7	3.5	12.25	0.28689
4	2	5.3	- 3.5	12.25	2.31132
5	39	44.5	- 5.5	30.25	0.67978
6	11	5.5	5.5	30.25	5.50000
7	40	40.0	0.0	00.00	0.00000
8	5	5.00	0.0	00.00	0.00000
9	38	37.40	0.6	0.36	0.00963
10	4	4.60	- 0.6	0.36	0.07826
			TOTAL		$X^2 = 9.32553$

Source: Tables 5.1a and 5.1b.

Calculated value of X^2

The calculated value of X^2 is arrived at as shown in table 5.2c i.e $X^2 = E \frac{(fo - fe)^2}{fe} = 9.326$

The Conventional Table Value of X^2

The above is obtained as shown below:

Degree of freedom (df) = $(c - 1)(r - 1)$

$= (5 - 1)(2 - 1) = 4$

Level of significance (α) = 0.05 or 5%.

Thus at 4 df and α.05, the conventional table value of X^2 can be ascertained (see Appendix IV), i.e $X^2 = 9.488$.

From the above computation, the calculated X^2 value is 9.326 which is less than the X^2 conventional table value of 9.488 at 0.05 level of significance with a corresponding degree of freedom (df) of 4. Since the computed X^2 is less than the expected conventional table value of X^2, the Decision Rule (see Chapter 3 page 50) is to reject the Alternative Hypothesis 1 (H_10) and accept Hypothesis 1 (H_1).

The Result of Test of Hypothesis 1.

Accept Hypothesis 1 (H_1) i.e the Unit 'Trust scheme' has a positive impact on unit holders' income per unit holdings.

Reject Alternative Hypothesis 1 (H_10) ie the Unit Trust Scheme does not have a positive impact on unit holders' income per unit holdings.

In otherwords, it can be conclusively stated that Unit Trust Scheme has a positive impact on unit holders' income per unit holdings (as judged from the two values of X^2).

This decision is substantiated by the fact that there are many types of mutual funds which offer different incentives to unit holders. Further, the unit holders through the services rendered to them by the scheme, gain a wide portfolio of investment, risk diversification, access to expert management of funds and capital appreciation in addition to yearly income if the company performs well.

Also, Unit holders can easily convert to cash their

unit holdings when the need arises unlike direct share-holdings in companies where the stock holders have to look for a stock broker to dispose of the shares through the stock exchange.

Furthermore, the independent trustees in the Unit Trust Scheme guarantees the securities of the investors since they monitor the activities of the scheme.

4.7.2 Test of Hypothesis 2

Hypothesis 2 (H_2)

The Unit Trust scheme is an ideal channel of attracting and mobilising idle funds and channelling such funds into the market through viable investment outlets.

Alternative Hypothesis 2 (H_{2o})

The Unit Trust scheme is not an ideal channel of attracting and mobilising idle funds and channelling such funds into the market through viable investment outlets.

Responses to four questions i.e 7, 14, 15, and 16 from the questionnaire administered to operators (see Appendix II) are used for testing this hypothesis. They are listed below:

Q7 Does your scheme invest the pooled Funds of investors in the securities of companies, money and capital

market instruments? Yes..... No.....

Q14 Is the mobilisation of savings by Unit Trust Scheme likely to bring or affect the economic development of Nigeria? Yes..... No.....

Q15 Do you think the existence of your organisation has enhanced (contributed to) the savings of customers and Nigerians in general? Yes..... No.....

Q16 Are there any arrangements for the re-investment of dividend by Unit holders for more Units? Yes..... No.....

These questions are chosen for use in testing Hypothesis II because of their relevance. This is done by computing the value of X^2 as shown below.

Table 5.2a Observed Frequencies (Fo) II

Question Number	Responses		Total
	Yes	No	
7	8	2	10
14	6	2	8
15	7	3	10
16	8	0	8
Total	29	7	36

Source: Field Survey, see Appendix II.

Table 5.2b: Expected Frequencies (Fe) II

Question Numbers	Expected Respondents Yes	No	Total
7	$\frac{29 \times 10}{36} = 8.06$	$\frac{7 \times 10}{36} = 1.94$	10
14	$\frac{29 \times 8}{36} = 6.44$	$\frac{7 \times 8}{36} = 1.56$	8
15	$\frac{29 \times 10}{36} = 8.06$	$\frac{7 \times 10}{36} = 1.94$	10
16	$\frac{29 \times 8}{36} = 6.44$	$\frac{7 \times 8}{36} = 1.56$	8
Total	29	7	36

Source: Field Survey, see Appendix II & table 5.2a.

Table 5.2c: Contingency Table II

S/No.	Fo	Fe	Fo - Fe	$(Fo - Fe)^2$	$\frac{(Fo - Fe)^2}{Fe}$
1	8	8.06	- 0.06	0.0036	0.00045
2	2	1.94	0.06	0.0036	0.00019
3	6	6.44	- 0.44	0.1936	0.03006
4	2	1.56	0.44	0.1936	0.12410
5	7	8.06	- 1.06	1.1236	0.13941
6	3	1.94	1.06	1.1236	0.57918
7	8	6.44	1.56	2.4336	0.37789
8	0	1.56	- 1.56	2.4336	1.56000
			TOTAL		$= X^2 = 2.81126$

Source: Table 5.2a and 5.2b.

Calculated value of X^2

The calculated value of X2 is arrived at as shown in table 5.2c i.e $X^2 = E \frac{(fo - fe)^2}{fe} = 2.811$

The Conventional Table Value of X^2

The above is obtained as shown below:

Degree of freedom (df) = (c - 1)(r - 1)

= (4 - 1)(2 - 1) = 3

Level of significance (α) = 0.05 or 5%.

Thus at 3 df and α.05, the conventional table value of X^2 can be ascertained (see Appendix IV), i.e $X^2 = \underline{7.815}$.

The above computed X^2 value is 2.811 which is less than the conventional table value of 7.815 at α 0.05 level of significance with a corresponding degree of freedom (df) of 3. Based on the Decision Rule stated earlier (see p.50), the Alternative Hypothesis 2 (H_{2o}) is to be rejected while Hypothesis 2 (H_2) is to be accepted.

The Result of Test of Hypothesis 2.

Accept Hypothesis 2 (H_2) i.e the Unit Trust Scheme is an ideal channel of attracting and mobilising idle funds and channeling such funds' into the market through viable investment outlets.

Reject Alternative Hypothesis 2 (H_{2o}) i.e the Unit Trust Scheme is not an ideal channel of attracting and mobilising idle funds and channeling such funds' into the market through viable investment outlets.

It can therefore be concluded from the findings that the Unit Trust scheme is an ideal channel of attracting and mobilising idle funds and subsequently channelling such funds into the market through visble investment outlets.

This is further complemented by the fact that it encourages savings of individuals and the economy at large. It also provides another channel for continued trading in the money and capital market instruments and securities of companies.

4.8 CONCLUSION

In this chapter, making use of the methods described in Chapter 3, the researcher has been able to analyse the operational activities of Unit Trust Scheme in Nigeria. From the findings, benefits and problems associated with the scheme's activities were identified. Also, it was shown that the scheme had a positive impact on unit holders' income per unit holdings. Further, it acts as an ideal channel for attracting and mobilising idle funds and channeling such funds into the market through visble investments outlets. Moreso, it encourages savings of individuals and the economy as a whole.

The results of the study further underscores the importance of the scheme as a means of boosting capital formation and accumulation within the context of the financial markets.

CHAPTER 5

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 SUMMARY

The purpose of this study was to evaluate the Unit Trust scheme in Nigeria. The study attempted to find out the impact of Unit Trust scheme in the financial system and the Nigerian Economy. This was done with particular reference to selected Unit Trusts based on the socio-economic variables and investment variables of investors and operators.

As a guide to the study, some research questions and hypotheses were formulated and tested. From the data computed and analysed, the following findings were obtained.

It was found out that the investors were dynamic and enterprising and have had at least secondary education. This shows that most of them could appreciate the scheme's activities. The patronage of the scheme was good and the regularity in the purchase of units also commendable.

It was also found out that the scheme has a positive impact on the investors and they were satisfied with the scheme's activities as their dividends over the years had been on the increase. They also receive other incentives from it.

Some conditions were necessary before sale of units as reported by the operators. These conditions include: signature of clients: full paid subscription and compliance

with the stipulated guidelines. Also revealed in the study was the fact that, the pooled funds of investors were invested in the financial market instruments. From the viewpoint of operators, the volume of sale of units has been good due to wide publicity.

The test of the formulated hypotheses revealed the following:

i) that the Unit Trust scheme has a positive impact on unit holders' income per unit holdings. This was tested using Hypothesis 1. This is supported by the fact that the dividend of unit holdings had increased over the years.

ii) that Unit Trust scheme is an ideal channel for mobilising and attracting idle funds into the financial system through viable investment outlets. This was tested using Hypothesis 2. This can be qualified by the fact that it is meant for all classes of investors.

5.2 LIMITATIONS OF THE STUDY

Anything involving human behaviour has limitations. The limitations of this study should be identified in relation to its findings. The following are the obvious limitations of the work.

(a) The researcher had a serious problem of laying hands on related study already conducted in this area. As a relatively new form of investment option in Nigeria,

very little is known and written about the scheme. As a result, very little research work currently exists on it. Research works on the scheme in Nigeria have all been in the form of articles which fall short of detailed information.

(b) Cost and time had a great influence on the study since no adequate means were available and time under consideration was short.

(c) Some of the respondents did not react to all questions raised and this created a vacuum. Thus, an element of bias or self-selection (i.e the respondents in some cases selected the questions they wanted to answer) was also a limitation of the study.

(d) In a few cases, the manager of the schemes directed the researcher to specific operators of the schemes for sourcing of information. This was not an ideal situation. But the researcher had to accept the data/information so made available and develop it for the purpose of the study.

(e) Finally, the areas of study are far away from the researcher's place of study (Zaria). This coupled with the time and cost considerations could not make it possible for the researcher to make a more detailed study. However, for the purpose and level of the study, it is the researcher's opinion that the areas covered have been sufficient enough to draw valid conclusions.

5.3 CONCLUSION

As explained earlier, the objective of this work was to evaluate the activities of Unit Trust scheme in Nigeria. From the findings, the following conclusions are drawn.

The scheme was designed to serve all classes of investors. It constitutes an essential frame-work for promoting savings and capital appreciation vis-a-vis earning the unit holders some income. Thus, the scheme will no doubt act as a channel of mobilising idle funds which will contribute towards the formation of capital in the financial markets. This will foster the development of the market vis-a-vis the financial system.

The success of the scheme depends on the maturity, competence, dedication and honesty of the operators. As such, before venturing into this investment option, they should be well trained and informed as regards its operation since the fate of the scheme depends on them. Also, before undertaking this investment, a cost-benefit analysis should be made so as to decide whether it is worth-while.

The activities of the scheme are limited only to a few big cities (see p.41). If the objectives of the scheme are to be fully met, the activities should be extended to other areas especially the rural areas where we have a large segment of low income earners. This will help to increase its sphere of influence, and hence the scheme's capital base.

While a number of benefits may accrue from this form of investment, the disadvantages (see p.40) are obvious: It is worthwhile to note that the investors' investment in the scheme is foregone consumption (savings). As such, precaution should be taken in managing the scheme's activities. This will go a long way towards enhancing efficiency and hence productivity and profitability. The scheme is a welcome initiative in the country's economy. If well managed, it will contribute its quota to the financial markets and the development of the financial system and the nation in general.

5.4 RECOMMENDATIONS

On the basis of the findings of this study, the researcher finds it necessary to state the following recommendations:

1) In a bid to establish and maintain a strong financial market, there is a need for the existence of many businesses requiring capital availability of investors to provide capital and the formulation of laws designed to protect investors against fraudulent practices and even maintain investors' and issuers' confidence (see p.64).

2) The portfolio of investment should be steadily refocused to take advantage of opportunities arising from holdings and trading of equities and other

profitable innovative instruments that may arise so as to ensure that unit holders have a good return on their investments (see p.55).

3) The operators (Managers and Trustees) of the Unit Trust scheme should jointly design means of advertisement that will boost publicity and the level of awareness of the public about the scheme's activities. By so doing, it will enlighten the public about the scheme and the benefits accruing from being unit holders of the scheme (see p.58).

4) Unit Trust scheme should constitute an advisory committee, which should include members of the Board of Directors of the scheme, some reputable professionals and investment advisers from outside the scheme to review its investment portfolio from time to time for the benefit of the unit holders (see p.59).

5) The fund managers of Unit Trust without quotations, should consider seeking memorandum quotation on the stock exchange to enable unit holders keep a tab on the value of their investments which is not possible currently because they maintain only few offices in the country (see p.62).

6) The Securities and Exchange Commission (SEC) should institute adequate regulatory measures to deter excesses of the trust holders. Such measures will complement the efforts of SEC in protecting the

interest of the unit holders. The participation of institutional investors will also become a stabilising factor as well as a check on the abuse by managers of the Unit Trust Scheme (see p.63).

7) The government with the help of its agencies such as SEC, and Corporate Affairs Commission, should design guidelines that will encourage existing and potential Unit Trusts and stimulate the creation of additional Unit Trusts (see p.63).

5.5 SUGGESTIONS FOR FURTHER STUDY

As a new discipline on the investment map of Nigeria, Unit Trusts hold a great potential for theoretical and empirical research. Unfortunately, little has been done so far by way of research in this field of study. It is therefore suggested that a more elaborate and detailed study be carried out on the following:

a) Unit Trusts as an investment option in the money and capital markets.

b) The role of Unit Trusts Scheme in Rural Development.

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APPENDIX I

QUESTIONNAIRE ADMINISTERED TO INVESTORS

TOPIC: AN EVALUATION OF UNIT TRUST SCHEMES IN NIGERIA: A STUDY OF SELECTED SCHEMES.

INTRODUCTION:

This questionnaire is meant to source for some information that will be useful for a research work on "AN EVALUATION OF UNIT TRUST SCHEMES IN NIGERIA: A Study of selected schemes".

It is purely for academic use and all information provided shall be treated in strict confidence.

The researcher is a Postgraduate (PG) Student in the Department of Accounting Ahmadu Bello University, Zaria.

A SOCIO-ECONOMIC VARIABLES

Tick (/)the most appropriate answer

1. Male ( ), Female ( ).
2. Age [Years]: 15-24 ( ), 25-34 ( ), 35-44 ( ), 45> ( ).
3. Educational type/Level.
   Primary ( ), Secondary ( ), Diploma or Equivalent ( ), Quranic ( ) and Degree ( ), Others (if any) please state.....4.4.
   What is your family size ? Small: 1-4 ( ), Medium: 5-8 ( ), Large: 9> ( ).

B. INVESTMENT/FINANCIAL VARIABLES

5. Which unit Trust Scheme do you patronise? Please State.
   .....
6. Do you purchase units from the scheme regularly ?
   Yes ( ), No ( ).
7. If answer to B6 is yes what is the duration ?
   Daily ( ), Weekly ( ), Monthly ( ), Others: Please Specify.....
8. Do you purchase unit directly from the manager ?
   Yes ( ), No ( ).

9. If answer to Q8 is NO where do you purchase these units from ? (please state).....

10. What problems do you encounter in buying units ?
(i) Low Subscription ( ),
(ii) Lack of adequate information ( ),
(iii)Low disposable income ( ),
(iv) Administrative charges and Stamp duties ( ),
(v) Others (if any) please State.....

11. Are the number of units you want to buy always available ? Yes ( ), No ( ).

12. Over time, has the number of units you buy increased or decreased ? Increased ( ), Decreased ( ).

13 What are your reasons in Q12 above ? Please state:
(i).....
(ii).....
(iii).....
(iv).....

14. Do the operators of Unit Trust pay your dividend regularly ? Yes ( ), No ( ).

15. Is the profit you receive from the Units enough to sustain you and your family ? Yes ( ), No ( ).

16. Are you satisfied with the dividend you have so far received per unit ? Yes ( ), No ( ).

17. For how long have you been a client to this scheme ?
< 1 year ( ), 1-2years ( ), 2-3years ( ),
3-4years ( ), 4> years ( ).

18. How do you rate the Scheme ? Good ( ) Fair ( ) Poor ( )

19. Apart from the dividend do you get any other incentives from the Scheme ? Yes ( ), No ( ).

20. Apart from the Unit Trust Scheme do you invest in any other business ? Yes ( ), No ( ).

21. Compare the profitsbility level of the Unit Trust Scheme to other business.
Good ( ), Fair ( ), The same ( ), Poor ( ).

22. Do you get regular reports as regards the activities of the scheme in which you have invested? Yes ( ), No ( ).

23. Apart from the problems in Q10 what major problems do you face with the Scheme?

(i) Fraudulent activities of some managers ( ),
(ii) High withholding tax on investors ( ),
(iii)Low level of dividend ( ),
(iv) Inadequate publicity and promotion of the Scheme ( ),
(v) Other (if any) please state.....
.....

24. Give the ways in which you think these problems could be solved.

(i) Checking of fraudulent activities of some fund-managers ( ),
(ii) Withholding tax should be reduced ( ),
(iii)Dividend declared should reflect profitability ( ),
(iv) Publicity and promotion should be intensified ( ).

25. Please state (very briefly) any other views you have on the topic and issues discussed.....
.....
.....

APPENDIX II

QUESTIONNAIRE ADMINISTERED TO OPERATORS

TOPIC: AN EVALUATION OF UNIT TRUST SCHEMES IN NIGERIA: A STUDY OF SELECTED SCHEMES.

INTRODUCTION:

This questionnaire is meant to source for some information that will be useful for a research work on "AN EVALUATION OF UNIT TRUST SCHEMES IN NIGERIA: A study of selected schemes". It is purely for academic use and all information provided shall be treated in strict confidence.

The researcher is a Postgraduate (PG) Student in the Department of Accounting Ahmadu Bello University, Zaria.

A. SOCIO- ECONOMIC VARIABLES

Tick (✓) the most appropriate answer

1. Male ( ), Female ( ).
2. Age [Years]: 15-24 ( ), 25-34 ( ), 35-44 ( ), 45> ( ).
3. Educational Level/type: Primary ( ), Secondary ( ), Quranic ( ), Diploma or Equivalent ( ), Degree ( ).
   Others(if any) please specify.....

B INVESTMENT/FINANCIAL VARIABLES

Tick (✓) the right answer where appropriate and fill the blank spaces where necessary.

4. How is the patronage of your scheme ? Good Fair
5. Name four conditions necessary for a Unit to be sold:

(i).....

(ii).....

(iii).....

(iv).....

6. Do you sell units to all those who apply ? Yes ( ), No ( ).
7. Does your schemes invest the pooled funds of investors in the security of companies, money and capital market instruments ? Yes ( ), No ( ).

8. What is the likely volume (state figure) of units sold per year? Please State.....

9. Do you advertise your scheme ? Yes ( ), No ( ).

10. What is the medium of advertisement ?

(i) Radio and television ( ), (ii) Newspapers ( ).

(iii) Journals/Magazines ( ), (iv) Seminars/Workshops ( )

(v) Others (if any) please state.....

11. Do managers and trustees have any common share holding interest ? Yes ( ), No ( ).

12. Name four problems if any encountered in selling units.

(i).....

(ii).....

(iii).....

(iv).....

13. Name four ways in resolving the problems encountered in (Q12) above.

(i).....

(ii).....

(iii).....

(iv).....

14. Is the mobilisation of savings by unit Trust scheme likely to bring or affect the economic development of Nigeria. Yes ( ), No ( ).

15. Do you think the existence of your organisation has enhanced (contributed to) the savings of customers and Nigerians in general ? Yes ( ), No ( ).

16. Are there any arrangements for re-investment of dividend and interest by unit holders for more units ? Yes ( ), No ( ).

17. How are taxes charged by government on your scheme ? Please State.....

18. In your opinion, are the taxes charged (see 17 above) justifiable? Yes ( ), No ( ).

19. Name four effects of taxing the profits of the scheme.

(i).....

(ii).....

(iii).....

(iv).....

20. Over time has the interest rate on units increased or decreased ? Increased ( ) Decreased ( ).

21. State the reasons to your answer in (Q20) above.

(i) Demand and Supply of the shares underling them (units) ( ).

(ii) Political instability ( ).

(iii)Inflation and fluctuation of the value of the Naira.

(iv) Religious crisis ( ).

(v) Others (if any) please state.....

22. What measures are taken to prevent large scale investors from hijacking the scheme from small investors?

(i).....

(ii).....

(iii).....

(iv).....

23. As an operator apart from the problems in Q12, what major problems confront the operational activities of the schemes ?

(i).....

(ii).....

(iii).....

(iv).....

24. How can these problems in (23) above be mitigated ?

(i).....

(ii).....

(iii).....

(iv).....

25. In what ways do you think the scheme has contributed to the overall development of the Financial System ?

(i) Mobilisation of idle funds into the system ( ).

(ii) Formation of capital for money and capital market ( ).

(iii)Boosting Financial activities by increasing demand and supply for securities ( ).

(iv) Stimulating economic growth within the system.

(v) Others (if any) please state.....

26. Kindly state your additional comments(if any) on the issues involved in this topic .....

.....

APPENDIX III

RESEARCH COVERING LETTER FROM THE DEPARTMENT OF ACCOUNTING, INSTITUTE OF ADMINISTRATION, AHMADU BELLO UNIVERSITY ZARIA, P.M.B 1013, ZARIA, NIGERIA.

LETTER OF INTRODUCTION TO WHOM IT MAY CONCERN:

This is to introduce FONDA, SOLOMON AGWARA who is a student on the M.Sc (Acctg. & Fin.) programme of this University, for the 1993/94 Session.

As one of the requirements for the award of the degree, FONDA, SOLOMON AGWARA is expected to submit a Dissertation. The title of the Dissertation approved for him/~~her~~ is "AN EVALUATION OF UNIT TRUST SCHEME IN NIGERIA: A STUDY OF SELECTED UNIT TRUSTS.

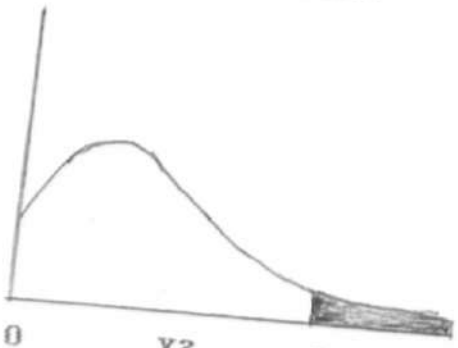
For the above purpose, he/~~she~~ would need to collect necessary data and information from appropriate organisation/establishments/individuals. The Department has given instructions to the students that data and information so obtained should be kept in strict confidence and should be used only for the purposes of research.

We would very much appreciate your co-operation on this matter.

A. SILVA
SUPERVISOR
For: Head of Department.

APPENDIX IV

THE X^2 DISTRIBUTION



Degress of Freedom	LEVEL OF SIGNIFICANCE 5%	1%
df = 1	3,841	6,635
2	5,991	9,210
3	7,815	11,345
4	9,488	13,277
5	11,070	15,086
6	12,592	16,812
7	14,067	18,475
8	15,507	20,090
9	16,919	21,666
10	18,307	23,209
11	19,675	24,725
12	21,026	26,217
13	22,362	27,688
14	23,685	29,141
15	24,996	30,578
16	26,296	31,999
17	27,587	33,409
18	28,869	34,805
19	30,144	36,191
20	31,410	37,566
21	32,671	38,932
22	33,924	40,289
23	35,172	41,638
24	36,415	42,979
25	37,652	44,314

Source: Lucey, T. (1988).: Quantitative Techniques.