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Abstract As International portfolio investors are fleeing mature markets of Europe and America for emerging markets to harness the rising returns in these virgin climes, Nigeria has the potential of being one of the preferred destinations. This development is likely to boost activities and share prices in the local market, creating opportunities for investors who enter now that the bears are mounting the saddles. These investors go through decision-making processes before investing lump sums. This paper focuses on how investment risk is perceived and assessed by investors. The idea is to explore the role played by risk perceptions and risk propensity in investment decisions. Sitkinand Weingart’s risk models is used as a research framework. Risk propensity and risk perception are found to be negatively correlated, however, shares of the banking and petroleum sectors were selected for this study, and the banking sector showed low risk. Risk perceptions and expected return were positively correlated for shares of both banking and petroleum sector. Research findings suggest that outcome history is a predictor variable with a positive outcome history leading to higher risk propensity. The levels of risk which investors are assuming in the Nigerian stock market show a significantly increasing trend.

KEYWORDS: Decision making, risk perceptions, stock, investor, market, risk propensity.