

EFFECTS OF INVESTMENT BANKS PARTICIPATION IN INITIAL PUBLIC OFFERING IN NIGERIA

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Abstract

The success of intermediary institutions that make public financing accessible is a key factor in the development of capital markets in emerging economies. Investment banks are essential in Nigeria in the structuring, underwriting, and management of Initial Public Offerings, which are a major way for businesses to raise long-term capital. This study examined the effects of investment banks in initial public offer in Nigeria. A case study research design was adopted with focus on Fidelity Bank's prospectus. Data were collected from secondary sources Fidelity Bank's IPO Prospectus, Annual Reports of Fidelity Bank 2018-2025. The study adopted content analysis as the primary method of data analysis, given its qualitative and case-based approach. Findings of the study revealed that investment banks have substantial effect on the success of Initial Public Offerings (IPOs) in Nigeria. The study recommended that regulatory authorities should establish a performance-based accreditation system for investment banks, establish a dedicated Capital Market Stabilization and Support Fund (CMSSF) to assist investment banks in cushioning macroeconomic shocks during IPO structuring phases and provide subsidies for offer-related costs.

Key words: *Investment banks, Initial Public Offering, Over Subscription, Undersubscription.*

1.0 Introduction

Investment banks play important roles worldwide in the financial architecture of any economy by bridging the gap between capital seekers and providers. Among these core functions is the facilitation of initial public offerings (IPOs) by companies. In the Nigerian Financial system, investment banks play major roles in the primary market segment, where new securities are issued. These institutions act as issuing houses and underwriters in the preparation and execution of public offers, which include initial public offerings (IPOs) and rights issues, thereby transiting companies from private to public ownership and access wider pools of capital. An IPO represents a company's first sale of shares to the public, marking its transition from private to public ownership. This process is crucial for raising capital, expanding business operations, and enhancing visibility in competitive markets. Investment banks, as intermediaries, are instrumental in underwriting these offerings, advising on pricing, and ensuring regulatory compliance. Their expertise often determines the success or failure of an IPO (Levine, 2021).

Historically, investment banking emerged in the 19th century in Europe and North America to support large-scale industrialization. Notable early players like Goldman Sachs and JP Morgan played foundational roles in connecting corporations with investors. Over time, these banks evolved to adapt to technological advancements and regulatory frameworks, especially following global economic shocks such as the 2008 financial crisis, which reshaped their operations and focus (Mishkin, 2023).

The African investment banking scene has witnessed substantial growth, though unevenly distributed. South Africa, Egypt, and Nigeria have led the pack, driven by robust financial markets and a growing middle class. Despite challenges such as

regulatory hurdles and relatively low financial literacy rates, the continent has seen an increase in IPO activities over the past decade. For example, in 2021, MTN Uganda conducted one of East Africa's largest IPOs, showcasing the rising influence of investment banks in orchestrating such events across the region (IMF, 2022).

In Nigeria, the investment banking industry has undergone significant transformation since the Structural Adjustment Program (SAP) of the 1980s, which liberalized the financial sector. The Nigerian Stock Exchange (now NGX Group) has been a focal point for public offerings, with investment banks like Stanbic IBTC Capital, Chapel Hill Denham, and Coronation Merchant Bank playing key roles in facilitating IPOs. These institutions provide essential services, including market research, valuation, and legal advisory, ensuring that companies meet the stringent requirements for listing (CBN, 2023). The IPO landscape in Nigeria has seen both opportunities and challenges. Successful IPOs, such as those of Airtel Africa and MTN Nigeria, demonstrate the potential of investment banks to attract both local and foreign investments. However, macroeconomic instability, currency fluctuations, and low investor confidence have at times hindered growth in the market.

The success of IPOs is intricately linked to the role of investment banks, which function as underwriters, risk managers, and strategic advisors. In the Nigerian capital market, where issues such as information asymmetry, regulatory complexity, and market volatility are pronounced, the role of investment banks becomes even more critical. These institutions guide firms through the IPO process by assisting with pricing strategies, ensuring compliance with Securities and Exchange Commission (SEC) and Nigerian Exchange Group (NGX) regulations, and managing underwriting risks. By leveraging their local market knowledge

and investor networks, Nigerian investment banks help to enhance investor confidence and improve subscription outcomes, thereby optimizing results for both issuers and investors (Ogundele, Adeyemi, & Eze, 2022).

Initial Public Offerings (IPOs) play a critical role in modern financial systems by enabling firms to raise long-term capital, improve corporate visibility thereby contributing to overall economic growth. Central to the IPO process are investment banks, whose functions as underwriters, financial advisors, and risk managers help bridge the gap between issuing firms and investors. investment banks are widely known as major determinant of IPO success and financial market development for their effectiveness in structuring, pricing, and marketing of IPOs.

In emerging economies such as Nigeria, the role of investment banks in the IPO process is particularly significant. Nigeria's rapidly developing economy, expanding private sector, and increasing demand for alternative financing sources make IPOs an important mechanism for capital mobilization. Therefore, investment banks are expected to not only facilitate access to capital but also enhance market confidence and promote sustainable economic development.

Despite their importance, the effectiveness of investment banks in Nigeria's IPO market has been constrained by several structural and macroeconomic challenges. These include Persistent macroeconomic instability such as currency fluctuations, inflationary pressures, and policy uncertainty which has weakened investor confidence and negatively affected IPO outcomes (Adeola & Uche, 2021). This environment often creates a disconnect between firms seeking capital and investors willing to commit funds, resulting in under-subscribed, underperforming, or abandoned IPOs. IPO performance in Nigeria has remained inconsistent, partly due to disparities in the

technical capacity of investment banks. While leading firms such as Stanbic IBTC and Chapel Hill Denham have demonstrated strong competencies in valuation, pricing, and market timing, many others struggle with these critical functions. Inaccurate valuations and inefficient pricing strategies frequently lead to overpricing or underpricing of IPOs, causing investor dissatisfaction and limiting optimal capital raising for issuers (Ogundele, Adeyemi, & Eze, 2022).

In addition, Nigerian investment banks face structural and operational constraints, including limited access to advanced financial technologies and weak integration with global financial markets. These limitations reduce their ability to attract foreign investors, who are often crucial for the success of large-scale IPOs (Madura, 2021). Inadequate digital infrastructure also hampers efficient due diligence, market research, and post-IPO performance monitoring.

Regulatory bottlenecks further complicate the IPO landscape. Delays and inefficiencies in approval processes involving regulatory bodies such as the Nigerian Exchange Group (NGX) and the Securities and Exchange Commission (SEC) increase transaction costs and uncertainty. These challenges discourage potential issuers and investors alike, contributing to declining IPO activities in the Nigerian market (African Development Bank, 2022). It is therefore against these problems that this research seeks to investigate the effects of investment banks in facilitating Initial Public Offerings, how it affects performance of Initial Public Offering and challenges faced by investment banks in the Initial Public Offering market in Nigeria.

In view of the foregoing the following hypotheses are formulated in null form:

HO₁: Investment banks participation has no significant effect on Initial Public Offering in Nigeria

HO₂: Investment banks participation has no significant effect on the performance of Initial Public Offering in Nigeria

HO₃: Investment banks participation do not face challenges in the Initial Public Offering market in Nigeria

2.0 Literature Review

2.1 The Concept of Investment Banks

Investment banking can be defined as financial institutions that focus on activities related to the capital markets, offering a wide range of services including traditional classified services, transaction banking, advisory activities such as mergers and acquisitions, private equity, and structured finance (Egesimba, 2021). Investment banks are financial institutions that engage in activities related to the stock market, including mergers and acquisitions, private equity, loan syndication, and initial public offerings. (Nwakanma, Nnamdi & Omojefe, 2024). Iannotta (2020) categorizes the primary responsibilities of investment banks into three groups: trading and brokerage, asset management, and core or traditional services; advisory and underwriting services. Investment banks act as intermediaries between buyers and sellers of securities and play a vital role in raising capital for deficit units and helping surplus units invest their excess funds. The history of Investment banking dates back to 1792 when the Buttonwood Accord was signed laying the foundation for organized securities trading. In the United States, investment banking became institutionally distinct from commercial banking with the enactment of the Glass-Steagall Act of 1933, which established a legal separation differentiating the two forms of banking. However, this separation was later relaxed with the modification of the Act in 1999, paving the way for the emergence of a universal banking system that allows financial institutions to offer both commercial and investment banking services (Munir, 2021)

2.2 Historical Perspectives of Investment Bank in Nigeria

Investment banking in Nigeria began when two official merchant banks, Nigerian Acceptance and Philip Hills (Nigeria) Ltd, were awarded legal licenses' These two banks merged to become Nigerian Acceptance Limited (NAL) in 1969 due to operational challenges and a lack of financial depth. Several more investment banks formed as the economy flourished and with a big windfall from oil, including IMB, CSL, Abacus, Nationwide, and FBN merchant bank. This occurred during the 1970s and the 1980s. There were fifteen investment banks in Nigeria by 1984 (Idrisu & Lawal, 2017; Oshikoya & Durosinmi-Etti, 2019). By 1990s, Nigeria saw the emergence of a new generation of large and powerful investment banks, such as IBTC, Afri-invest, and FCMB (Liaw, 2016). Following the systemic reforms in Nigeria's banking sector in 2005, several banks grew into larger institutions as a result of the consolidation exercise, which was designed to enhance financial strength and operational agility in response to the evolving financial market. Despite these developments, investment banking continues to face several challenges, including regulatory compliance, technology management, cyber risk exposure, capital constraints, rising cost pressures associated with suboptimal returns on equity, the increasing presence of fintech firms, ring-fencing requirements, and high transaction and contracting costs (Owoeye, 2023)

2.3 The Concept of Initial Public Offering

An Initial Public Offering (IPO) represents a critical milestone in a firm's transition from private to public ownership, enabling access to capital markets through the issuance of shares. Existing literature predominantly identifies capital raising as the primary objective of IPOs, with Huang et al. (2021) emphasizing their role in financing

expansion, debt reduction, and operational growth. This demonstrates the importance of IPOs in linking firm-level financing needs with capital market development in both developed and emerging economies. However, IPOs extend beyond their financing function as they also facilitate ownership restructuring by providing exit opportunities for early investors and enhancing firm liquidity. In addition, public listing serves a signaling function, improving corporate visibility, credibility, and investor confidence through increased disclosure and regulatory compliance. Vismara (2022) advances this perspective by highlighting the growing reputational and branding significance of IPOs, particularly in digital and technology-driven sectors. Thus, IPOs represent complex strategic undertakings rather than purely financial transactions.

2.4 The Initial Public Offering Process

The operational execution of an IPO involves a structured process or stages: selecting underwriters usually investment banks, conducting due diligence, filing regulatory documents such as a prospectus, pricing the shares, and distributing them to investors. The underwriting process, often led by a syndicate of banks, mitigates risk for the issuing firm by guaranteeing the sale of shares, though it comes at the cost of underwriting fees (Brau & Fawcett, 2016). The pricing stage is one of the most important as it determines the initial market reception and long-term performance of the stock (Ibbotson et al, 2024). The two pricing methods are; the fixed-price and book-building methods. The book building method involves soliciting investor demand to set the extensively debated price which may reduce underpricing by better aligning offer prices with market expectations Hanley (2023). A major challenge face by firms post-IPO is that of transitioning to public ownership, which entails compliance with

stringent reporting requirements and managing shareholder expectations.

2.4.1 Determinants of Initial Public Offering Success

The success of an IPO is measured by initial returns, subscription rates, and long-term stock performance, depends on a confluence of firm-specific, market, and macroeconomic factors. Carter et al. (2018) identifies underwriter reputation as a significant determinant, arguing that prestigious investment banks enhance investor confidence and reduce underpricing. Their empirical analysis of U.S. IPOs demonstrates that firms backed by top-tier underwriters achieve higher initial returns and better post-IPO stability. In addition to global evidence, African and Nigerian studies emphasize structural and institutional factors shaping IPO success. Adjasi, Osei, and Fiawoyife (2011) show that IPOs in African markets experience higher underpricing due to information asymmetry, shallow market depth, and weak investor protection. In Nigeria, Ajekwe and Ibiameke (2016) find that firm size, profitability, and offer size significantly influence initial returns, while macroeconomic instability dampens long-term performance. Eneh and Anyanwaokoro (2020) further demonstrate that market timing and underwriter credibility strongly affect subscription rates on the Nigerian Exchange. These studies suggest that while firm-specific and market factors remain critical, regulatory quality, investor sophistication, and macroeconomic volatility play a more pronounced role in determining IPO success in emerging African markets.

2.4.2 The concept of Over-Subscription

Over-subscription is when the demand for a financial instrument, such as shares in an initial public offering (IPO) or a bond issuance, exceeds the available supply. This situation arises when investors show heightened interest in a security,

leading to a greater number of purchase applications than the total shares or bonds issued by a company or government entity (Ritter & Welch, 2022). Over-subscription is generally viewed as a positive indicator, reflecting strong investor confidence, favorable market sentiment, and the perceived growth potential of the issuing entity (Ljungqvist, 2017). This often leads to share allocation rationing, where investors receive fewer shares than they initially applied for due to the limited availability (Hanley, 2013). Companies and their underwriters may use different allocation methods, such as proportional distribution, lottery systems, or preferential allocation to institutional investors, to manage the excess demand (Booth & Chua, 2016). A highly over-subscribed IPO may also result in a significant price surge when the shares begin trading in the secondary market, as unmet demand drives further buying pressure (Loughran & Ritter, 2024). Over-subscription is influenced by factors such as market conditions, company fundamentals, pricing strategy, and investor sentiment. When market conditions are favorable, such as during a bullish phase, investor appetite for new listings tends to be high, leading to frequent over-subscription cases (Benveniste & Spindt, 2019).

2.4.4 The Concept of Under-Subscription

This occurs when the demand for a financial instrument, such as shares in an initial public offering (IPO) or a bond issuance, falls short of the total number of securities available for purchase. This situation indicates weak investor interest, which may be attributed to various factors such as poor market conditions, weak company fundamentals, high offer prices, or lack of confidence in the issuing entity (Ljungqvist, 2017). Under-subscription can be a serious concern for companies and financial institutions, as it may lead to fundraising shortfalls and signal negative investor sentiment (Ritter & Welch, 2022). A major

cause of under-subscription is unfavourable market conditions, pricing strategy and lack of strong track record of financial company instability. Under-subscription leads to failure in raising the targeted capital, forcing firms to reconsider their expansion or operational plans (Booth & Chua, 2016), under-subscribed securities may experience weak post-listing performance and price declines in the secondary market.

Despite extensive literature of investment banking functions and IPO outcomes, the literature lacks Nigeria-focused empirical analysis linking investment banks' underwriting reputation, pricing strategies, and advisory roles to IPO subscription outcomes. Evidence on how structural reforms, fintech competition, and regulatory constraints jointly influence over- or under-subscription in Nigerian IPOs remains limited.

2.5 Theoretical Review

2.5.1 Underpricing Theory

The Underpricing Theory, propounded by Rock (1986), explains why IPOs are often priced below their market value. It is grounded in the concept of information asymmetry between informed and uninformed investors. Informed investors possess superior knowledge of an IPO's true value, whereas uninformed investors face uncertainty and risk purchasing low-quality shares. To mitigate this adverse selection problem, issuing firms and underwriters deliberately underprice IPOs to attract uninformed investors and ensure market participation. The theory assumes that underpricing creates post-listing demand, incentivizing broader investor involvement while signaling quality. Extensions by Beatty and Ritter (1986) highlighted investment banks' role in optimizing underpricing to maintain investor confidence, and Benveniste and Spindt (1989) emphasized book-building as a method to reduce information gaps. In emerging markets like Nigeria, where disclosure standards are weaker, underpricing serves as a strategic tool

for investment banks to secure full subscription, enhance liquidity, and foster trust in future IPOs.

2.5.2 Signaling Theory

Signaling theory, proposed by Spence (1973), explains how informed parties convey their quality or credibility to less informed counterparts under conditions of information asymmetry. Initially developed for labor markets, it suggested that job applicants signal productivity to employers through education credentials. In finance, particularly in Initial Public Offerings (IPOs), firms use strategic actions such as underpricing shares, dividend policies, and retaining ownership stakes to signal quality and future profitability to investors. The theory assumes three key conditions: asymmetric information, costly signaling (so low-quality firms cannot easily imitate signals), and rational investor interpretation. High-quality firms are motivated to differentiate themselves by sending credible, costly signals. Extensions by Leland and Pyle (1977), Allen and Faulhaber (1989), and Welch (1989) applied the theory to IPOs, showing how underpricing and ownership retention signal firm strength. In contexts like Nigeria, investment banks also act as intermediaries, using their reputation to certify IPO quality, reduce perceived risk, and attract investor confidence.

2.6 Empirical Review

Several researches such as Owoeye (2023) examined bank's performance and how such performance might contribute to economic growth notably in Nigeria. Using the Nigerian financial industry, this study assessed the issues of investment banks in a growing nation. A systematic literature review (SLR) was performed, Findings revealed challenges of Investment Banks in an emerging economy. A regulatory compliance, technology management, cyber risk, cost pressure as inferior ROE hits, the development of Fintech businesses, ring-fencing, and so on.

Fabian, Uchechukwu, Okoye and Okeke (2023) ascertained the relationship between corporate outsourcing and investment bank performance in Nigeria. The study adopted a survey research design because it is suitable and ideal for assessing how effective outsourcing strategy affects the corporate performance of investment banks in Nigeria. The population of the study was 280 staff from three investment banks in Nigeria. The study showed that outsourcing has developed into a practical strategy and instrument for corporate organizations, particularly for Nigerian investment banks that are constantly looking to improve their firms' performance in the financial industry.

Salerno (2021) investigated the IPO's impact on the firms' performance after correcting for endogenous selection and by disentangling equity issues effects from other effects. Findings showed that companies that are going public are more profitable than their matched private firms, while they experience a decrease in profitability over the post-IPO period. These findings suggest that in Nigeria, investment banks primarily facilitate IPOs for financially strong firms but may have limited influence on sustaining post-IPO profitability therefore emphasizing the need for Nigerian investment banks to strengthen post-listing advisory, governance, and performance-monitoring roles.

Wei and Marsidi (2019) examined the effect of issue-specific characteristics and company's attributes on the existence of underpricing of IPOs listed in Malaysia Stock Exchange from 2012 to 2015. Market-adjusted abnormal return is used as a proxy of dependent variable in this study, namely degree of IPO underpricing whereas the independent variables are the determinants of IPO. Moreover, the analysis indicates that the relationship between degree of IPO underpricing and company age is insignificant.

3.0 Methodology

This research adopts a qualitative research design using the case analysis approach to examine the effect of investment banks in Initial Public Offerings in Nigeria. Secondary data used were collected from Fidelity Bank's IPO Prospectus, Reports from Security and Exchange Commission (SEC) Nigeria, Nigerian Group Exchange (NGX), Central Bank of Nigeria, Annual Reports of Fidelity Bank and market reports of Fidelity bank for the year in view. The study adopted purposive sampling technique with Fidelity Bank Plc selected as sample for this research following the banks recent share issuance and activities in the Nigerian capital market.

4.0 Results And Discussions

4.1 Data Presentation and Analysis

The following data were collected from Fidelity Bank Plc IPO prospectus and are presented below:

Table 1: Summary of the Offer

1.	Issuer	Fidelity Bank PLC.	
2.	Share Capital	Issued and fully paid	₦16,000,000,000 divided into 32,000,000,000 Ordinary Shares of 50 kobo each.
		Now being offered	10,000,000,000 Ordinary Shares of 50 kobo each at ₦9.75 per share.
3.	Offer Price	₦9.75 per share.	
4.	Gross Proceeds	₦97,500,000,000.00.	
5.	Method of Offer	By way of Offer for Subscription.	
6.	Minimum Subscription	Applications must be for a minimum of 1,000 Ordinary Shares and multiples of 1,000 Ordinary Shares thereafter. The value for which an application is made should be entered in the boxes provided on the Application Form.	
7.	Payment Terms	In full on application.	
8.	Market capitalization at Offer Price (Pre-Offer)	₦312,000,000,000.	
9.	Market capitalization at Offer Price (Post-Offer)	Upon completion of the Offer, the Bank had a market capitalization of ₦409,500,000,000.	

Source: Fidelity Bank IPO Prospectus, 2024.

The above table shows a summary of Fidelity Bank Plc's offer of ordinary shares. The bank appointed Stanbic IBTC Capital Limited as the Lead Issuing House, leveraging its expertise in capital market transactions. Collaborating with Stanbic IBTC were several Joint Issuing Houses, including Iron Global Markets Limited, Cowry Asset Management Limited, Afrinvest Capital Limited, FSL Securities Limited, Futureview Financial Services Limited, Iroko Capital Market Advisory Limited, Kairos Capital Limited, and Planet Capital Limited.

4.1.2 Share Capital and Offer Details

Prior to the offer, Fidelity Bank's issued and fully paid share capital stood at ₦16,000,000,000, divided into 32,000,000,000 ordinary shares of 50 kobo each. The bank proposed offering 10,000,000,000 ordinary shares at ₦9.75 per share. (Prospectus, 2024). This equity structure contextualizes the research on investment banks' participation and performance in IPOs. Fidelity Bank's ₦16 billion pre-offer capital and proposed issuance of 10 billion shares at ₦9.75 emphasizes a complex transaction whose pricing, underwriting, and placement outcomes reflect investment banks' expertise, challenges, and influence on IPO success.

4.1.3 Gross Proceeds and Utilization

The offering was projected to generate gross proceeds of ₦97,500,000,000. After accounting for offer costs amounting to ₦2,450,313,302.76 representing 2.51% of the offer, the net proceeds were estimated at ₦95,049,686,697.24. The allocation of these funds was strategically planned: ₦19 billion (20%) was designated for investment in IT infrastructure over a 48-month period; ₦66.5 billion (70%) was allocated for business and regional expansion, also over 48 months; and ₦9.5 billion (10%) was set aside for investment in product distribution channels, with a completion timeline of 36 months. The structured allocation of

net proceeds reflects investment-bank advisory input in balancing growth, infrastructure, and execution risk. Phased deployment across expansion, IT, and distribution demonstrates adviser-driven capital discipline, cash-flow optimization, and governance, ensuring efficient use of funds while supporting scalable growth and enhancing investor confidence.

4.1.4 Market Capitalization Impact

At the offer price, Fidelity Bank's market capitalization was projected to increase from ₦312,000,000,000 pre-offer to ₦409,500,000,000 post-offer. This suggest that Investment bank participation amplifies credibility, pricing discipline, and distribution efficiency, enhancing post-offer valuation confidence. Strong performance signals underwriting skill and investor appetite, supporting liquidity and secondary-market stability. Challenges include execution risk, regulatory scrutiny, and balancing dilution concerns while sustaining earnings growth to justify Fidelity Bank's expanded capitalization over time horizons.

4.1.5 Share Status and Application Process

The newly issued ordinary shares rank *Pari-passu* in all respects with the existing shares, ensuring equal rights and benefits for all shareholders. Applications for the offer were submitted through completed physical application forms, with allotments made electronically to the Central Securities Clearing System (CSCS) accounts of all allottees post-SEC clearance. No physical share certificates were issued, aligning with modern dematerialization practices and enhancing the efficiency of the share allocation process.

4.1.6 Subscription Rate Analysis

Fidelity Bank conducted a combined ₦127.1 billion capital raise, consisting of: a Rights Issue of ₦29.6 billion and a Public Offering of ₦97.5 billion (Oni, 2025). Investors were required to subscribe to a minimum of 1,000 ordinary shares,

with subsequent subscriptions in multiples of 1,000 shares. Payment terms stipulated full payment upon application, ensuring commitment from subscribers and facilitating efficient capital collection. The success of Fidelity Bank's IPO is evident in its high subscription rates (237.92% and 137.73% oversubscription of our Public Offer and Rights Issue respectively). A total of 108,046 applications for 23,791,687,463 Ordinary Shares totaling ₦231,968,952,764.25 were received on the Public Offer. Out of these, 107,588 applications for 23,768,724,000 Ordinary Shares totaling ₦231,745,059,000.00 were found to be valid based on the terms of the Offer and the CBN's verification. However, 458 invalid applications for 22,765,143 Ordinary Shares totaling ₦221,960,144.25 were rejected, while 548 applications which included odd lots amounting to 198,320 Ordinary Shares (i.e. ₦1,933,620.00) were also rejected. The Public Offer was 237% subscribed and 150% allotted. Rights Issue, 7,559 applications for 4,430,290,237 Ordinary Shares totaling ₦40,980,184,692.25 were received of which 656 applications for 23,037,442 Ordinary Shares totaling ₦213,096,338.50 were invalid based on the terms of the Rights Issue. The Rights Issue was 137.73% subscribed and 100% allotted. Fidelity Bank's 237.92% and 137.73% oversubscription support underpricing theory, suggesting the offer price was set below intrinsic value to attract excess demand. Simultaneously, full payment requirements and strong valid subscriptions signal firm quality and financial strength, consistent with signaling theory.

4.1.7 Pricing Pattern

From an offer price of ₦9.75 per share for the Public Offer and ₦9.25 per share for the Rights Issue in June 2024, the Bank's shares traded at a high of ₦20.25 on May 7, 2025, a growth rate of over 118.9%.

4.2 Financial Performance Post IPO

Table 2
Financial Summary

Indicators	2023FY 'Million ₦'	2024FY 'Million ₦'	% Growth
Gross Earnings	555,830	1,043,401	87.7%
Profit Before Tax	124,260	385,215	210%
Profit After Tax	99,454	278,106	180%
Total Equity	437,307	897,874	105%
Total Assets	6,234,688	8,821,737	41.5%
Earnings Per Share	311	665	113.8%

Source: Fidelity Bank Plc Annual Financial Report 2024.

According to the bank's 2024 annual report available on its website and distributed to shareholders. Gross Earnings increased by 87.7% to ₦1,043.4bn. The bank recorded an impressive 210% growth in Profit Before Tax to ₦385.2 billion, driven by 180% growth in Profit After Tax at ₦278.1. The bank also witnessed an impressive 105% growth in total equity at ₦897.9 as well as over 41.5% growth in total assets at ₦8,821.7. The earning per share increased by 113.8% at ₦665. The figures above substantiate the argument that investment banks are critical enablers of IPO success in emerging markets like Nigeria. This strong post-IPO financial performance suggests a causal link between investment-bank participation and favorable outcomes. Compared with firms lacking reputable underwriters, Fidelity Bank benefited from superior pricing, certification, and market access. Investment banks reduced information asymmetry, enhanced investor confidence, and ensured efficient capital deployment, contributing to rapid earnings, equity, and asset growth. In emerging markets like Nigeria, such intermediation effects are more pronounced, strengthening IPO success.

4.3 Discussion of Findings

From the empirical analysis conducted through content analysis, the study revealed that investment

banks have a substantial effect on the success of Initial Public Offers (IPOs) in Nigeria. This is evidenced by the oversubscription of Fidelity Bank's Public Offer and Rights Issue by 37.92% and 137.73%, respectively. This result is in line with findings of Okpara (2012) and Jegede and Olayemi (2020) who emphasized that the involvement of experienced investment banks in capital market transactions is a key determinant of successful public offerings and that investor trust in the credibility and due diligence of issuing houses plays a critical role in shaping subscription behaviour in Nigerian IPOs. In Fidelity Bank's case, the consortium of established issuing houses likely amplified investor confidence, thereby contributing to the oversubscription.

Furthermore, findings of this study revealed that investment banks have considerable effect on the performance of Initial Public Offers in Nigeria. This is also evidenced by the percentage growth rate of Fidelity bank's financial indicators in 2024 financial year. Also, from an offer price of ₦9.75 per share for the Public Offer and ₦9.25 per share for the Rights Issue in June 2024, the Bank's shares is currently trading at ₦20.25 on May 7, 2025, a growth rate of over 118.9%. This outcome validates the efficiency of the offer design, timing, pricing, and the communication strategy employed by the investment banks.

Findings also revealed that the role of investment banks does not end at raising funds but the strategic advice given influences how well the firm performs post-listing. In this case, it is reflected in strong financial performance and market capitalization growth, further validating the investment bank's impact. This is also as asserted in Williams, Olanrewaju and Ogunyomi (2023) study examining the pre- and post-IPO performance of selected firms. Their study identified factors such as company age, total assets, ownership concentration, and CEO stockholdings as

significant influencers of IPO performance. The findings show the importance of investment banks in guiding firms through the IPO process, ensuring that these variables are optimized to enhance performance.

Finally, despite the performance of the bank's IPOs, investment banks do face challenges in the Initial Public Offer market in Nigeria. This challenges includes structural, regulatory, economic or operational challenges such as; low investor confidence or participation in the Nigerian capital market. Regulatory bottlenecks from the Securities and Exchange Commission poor technology management. The ongoing need to maintain its infrastructure and find qualified suppliers to operate on the investment bank's system without exposing sensitive information is concerning, especially in an emerging economy such as Nigeria. In addition to the foregoing, Cunningham and Moore (2017) stated that the bridge between the old and new systems is costing the investment banks a fortune. This infrastructure repair and upgrade has an effect on the business earnings. This is especially problematic in Nigeria, as third parties to create updates (SEC) or Nigerian Exchange Group (NGX). High cost of structuring and marketing offers, which affects profit margins. Macroeconomic instability such as inflation, currency depreciation that deters investors. Limited market depth or liquidity, making IPOs harder to execute successfully. Arnold (2016) stated that investment banks' capacity to survive in a dynamic industry is hampered by are scarce and investment banks must come in expertise from abroad, which is expensive.

5.0 Conclusion and Recommendations

This research assessed the effect of investment banks participation in Initial Public Offering in Nigeria using Fidelity bank as a study and concluded that involvement of experienced investment banks in capital market transactions is a

key determinant of successful public offerings, strategic advice from investment banks influences how well the firm performs post-listing. These findings confirm existing certification and the position of signaling theories that states reputable investment banks enhance IPO success by reducing information asymmetry and improving post-listing performance. However, they contrast with perfectly efficient market assumptions by highlighting persistent structural, regulatory, and economic constraints in Nigeria, suggesting that intermediary benefits are significant but not sufficient to eliminate market frictions. Based on the findings the following recommendations were made;

1. Regulatory authorities such as the Securities and Exchange Commission (SEC) and the Nigerian Exchange Group (NGX) should establish a performance-based accreditation system for investment banks, wherein lead issuing houses are ranked annually based on key IPO performance indicators such as oversubscription rates, investor retention, speed of execution). This system would promote healthy competition, encourage due diligence, and attract only competent investment banks to the IPO process. Also, issuers should be mandated to publish post-IPO performance audits of their investment banks to ensure transparency and accountability.
2. Investment banks should be required by regulation to develop and submit post-listing investor relations and market support plans as part of the IPO documentation. This would include strategies for ensuring liquidity, sustaining investor engagement, and mitigating volatility. Also, investment banks should be incentivized to offer aftermarket services, such as market-

making and periodic equity research reports, which could guide investor sentiment and price stability.

3. In light of the challenges faced by investment banks, the Central Bank of Nigeria (CBN) and SEC should establish a dedicated Capital Market Stabilization and Support Fund (CMSSF). Empirical references show that market stabilization funds reduce crash risk and support investor confidence by injecting liquidity during downturns, demonstrating how structured public backstops can strengthen markets and mitigate shocks. For instance, stabilization funds have been found to lower stock price crash risk and restore market confidence post-crash, suggesting similar support could help IPO processes in volatile economies like Nigeria.

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