



**BEHAVIOURAL FACTORS INFLUENCING INVESTMENT DECISIONS AMONG INDIVIDUAL INVESTORS IN NAIROBI
SECURITIES EXCHANGE**

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ABSTRACT

Investment decision making is influenced by either modern or traditional finance. In traditional finance the investor has to determine the intrinsic value of a security to establish whether it's overvalued, correctly or undervalued. The tradition of traditional finance demands use of mathematical formulae which some investors may have limited knowledge. In the modern finance theory commonly denoted as behavioural finance applies psychological knowledge to evaluate the investment decision at investors' disposal. The study sought to examine the behavioural factors influencing individual's investment decision in Nairobi Securities Exchange. Specifically, the research sought to examine the relationship between prospect factors, heuristic factors, herding factors, rationality and investment decision. The research was guided by prospect, herding, heuristic and Expected Utility theories of behavioural finance. The research population was individual investors who had invested in both equity and bonds in the Nairobi Securities Exchange as at the end of third quarter of 2015. The study came up with a sample size of 80 respondents. Simple random sampling technique was used to determine the respondents of the study. Primary data was collected through the use of closed ended questionnaires, pick and drop procedure was used to collect data through the use of registered offices of stock brokers. Descriptive statistics such as mean and standard deviation was used in data analysis. Inferential statistics which included correlation analysis and regression analysis was also used in interpreting the results of the study. Tables and graphs were used to present the data collected for ease of understanding. The results of the study shows that investment decisions in the Nairobi Securities Exchange are positively influenced by behavioural factors including prospect, herding, heuristic and rationality.

Key words: Prospect, Heuristic, Herding, Rationality and Investment Decision

INTRODUCTION

Over the years, behavioural finance has been explored despite being a new area. It considers the human behaviour in finance. Behavioural finance is defined as “a rapidly growing area that deals with the influence of psychology on the behaviour of financial practitioners” (Shefrin, 2002, p. 18). The choice about purchases of small amounts of securities from an individual’s account is what informs individual decision making (Nofsinger & Richard, 2002).

When it comes to investment most people are seen to make their decisions based on emotions, feeling, fantasy, mood and sentiments which end up affecting investment decisions (Statman, Fisher & Anginer, 2008). And as Jordan and Miller (2008) discovered, most investors tend to have a personal and emotional attachment to the asset they hold. This in a way explains why some investors continue to hold assets even when the prices are declining. In the absence of perfect information investors are likely to make wrong decisions.

Since investment involves making future benefits of the current commitment of money or other resources (Bodie & Marcus, 2008), investors are therefore required to make investment decisions that incorporate an acceptable level of risk consistent with the anticipated benefits (Winchester, Huston & Finke, 2011). However, due to lack of financial sophistication, short sightedness and self-regulation, most investors end up having difficulties in arriving at long term financial decisions thus relying on financial biases (Winchester et al., 2011). As such, in such a dynamic market such as NSE, investors ought to employ a full time team of investment professionals who study the market, market trends and individual stocks under the direction of a portfolio or fund manager (Fischer & Jordan, 1995). It is an obligation of every

security market to ensure that there is sufficient regulation, development and adherence to the operational rules with the aim of ensuring high investor satisfaction during trading and public confidence. According to Rose (2003) the companies listed in NSE are expected to be financially healthy so as to ensure economic growth of a country.

Financial theorists have argued that investors don’t always act rationally, but rely on psychological biases (Barberis & Thaler, 2003; Ritter, 2003; Waweru, Munyoki & Uliana, 2008). These psychological biases are well explained in a study on behavioural finance. Behavioural factors demonstrate how the actual behaviour of individuals in financial settings differs from rational behaviour (Nofsinger, 2001). It provides an explanation as to why investors make decisions which appear to be irrational by combining behavioural and cognitive psychology with traditional finance (Ackert & Deaves, 2009). Over the years, behavioural economists have stipulated that, behavioural factors which include heuristic, prospective, herding and rationality factors make decision making easier, especially in complex, uncertain environments and particularly when time is limited (Ritter, 2003).

Problem Statement

There has been an upward and downward trend in NSE 20 share index for example in 2012 the average annual index was Ksh 173.6 billion which was an increment of 11% from the annual average index in 2011. In 2013 the NSE share index declined by 8% to Kshs 159.7 billion. In the year 2014 there was an improvement from the previous year since the volume traded increased by 17% to Kshs 186.7 billion (Nairobi Securities Exchange, 2014).The

figures show inconsistency in the volumes traded in NSE over the years.

Prior to investment decision making investors can use either traditional or behavioural finance to guide them. Traditional finance involves use of mathematical approach to guide in decision making for example in fundamental analysis an investor ought to be informed about future outcomes of a particular investment as such to make an optimal decision. In mean variance analysis an investor ought to evaluate investment using mathematical approaches which some may have limited knowledge (Lowies, Hall & Cloete, 2013). In contrast, behavioural finance approach involves use of psychological factors to make a decision (Gitau, 2011). This may call for use of herding behaviour, use of heuristics and prospective approach which are non-mathematical thus can influence decision positively or negatively.

Focus has mainly been on a single behavioural factor like herd behaviour (Kahuthu, 2011), prospects factors (Thaler, 2008; Lowies, Hall, & Cloete, 2013) and heuristic factor (Osmond, Adebayo, Adesiyun, & Moronke, 2013; Lowies, Hall, & Cloete, 2015) with few studies investigating all the four broad behavioural factors. Investment is subjective to time and economic conditions of a nation hence studies conducted in the past are not able to capture today's cognitive illusions hence need for further studies as time progresses.

In the light of the issues raised by (Kahuthu, 2011; Gitau, 2011; Lowies, Hall, & Cloete, 2013), it is evident that further studies ought to be conducted in the investor's behaviours due to the contribution they play towards economic growth of the country. The study attempted to identify whether the behavioural factors identified in the previous studies conducted in the various sectors in the Kenyan economy mirrored themselves amongst

individual investors based on the fact that investors operating in the same economy more than often experience similar economic challenges. Therefore, this study sought to examine the behavioural factors influencing investment decision among individual investors in Nairobi Securities Exchange.

Objectives of the Study

The study sought to examine the behavioural factors influencing investment decision among individual investors in the Nairobi Securities Exchange. The specific objectives were:

- To determine the influence of heuristic factors on investment decisions among investors in the Nairobi Securities Exchange.
- To establish the influence of prospect factors on investment decisions among investors in the Nairobi Securities Exchange.
- To find out the influence of herding factors on investment decisions among investors in the Nairobi Securities Exchange.
- To determine the influence of rationality on investment decisions among investors in the Nairobi Securities Exchange.

LITERATURE REVIEW

Theoretical Framework

Heuristic Theory

"Heuristics are simple, efficient rules of thumb which have been proposed to explain how people make decisions, come to judgement and solve problems, typically when facing complex problems or incomplete information. These rules work well under most circumstances, but in certain cases lead to systematic cognitive biases" (Parikh, 2011, p. 16). Heuristics are defined as the rule of thumb, which makes decision making easier, especially in complex

and uncertain environment (Ritter, 2003). Waweru et al., (2008) explains that in general heuristics are quite useful, particularly when time is limited. Shah and Oppenheimer (2008) suggest that although current theories of heuristic processing do suggest that people simplify how they make judgements and decisions these theories rarely explain how these processes reduce the amount of effort required.

Existing models are successful in pointing out what people do when they face difficult tasks and limited resources. And, to some degree, the models address when people use heuristics. Yet only a small subset of researchers has discussed how people reduce the effort associated with decision processes (Todd, 2000). Because the field has largely ignored effort-reduction, it has become susceptible to several confusions and redundancies. The theory is appropriate for the study so as to explain the influence of heuristic factors such as overconfidence bias, anchoring bias and availability bias on investment decision in Nairobi securities exchange. Although, the theory is appropriate for the study its applicability may be inhibited if the investment decision is influenced by other factors apart from the heuristic.

Prospect Theory

This theory can be attributed to Kahneman et al., (1979). The theory represents a major paradigm in the field of decision making under uncertainty. Drawing from an assumption of bounded rationality, prospect theory suggests that individuals will exhibit variable risk preferences in differing contexts, and may be either risk averse or risk seeking, depending on how they frame decision problems (Holmes, Bromiley, Dervers, Holcomb, & McGuire, 2011). While prospect theory originally emerged from laboratory experiments on individual

decision making under un-certainty (Holmes et al., 2011), management research extended to the theory's proposition from individual to organizations, to explain managerial risk preferences at the top (Miller & Chen, 2004).

The central and most influential innovation role of prospect theory is reference dependence. Reference dependence means that people do not evaluate the final outcome, but instead they base decisions on gains and losses relative to a reference point (Wakker, 2010). In prospect theory reference dependence is observed through three major manifestations: sign dependence, that is, the attitudes towards risk/uncertainty captured by the decision weights dependent on the sign of outcomes; diminishing sensitivity for outcomes, that is, people are more sensitive to outcome changes near the reference point than to changes remote from it, and utility reveals this as convexity for losses and concavity for gains; and loss aversion, that is, a negative deviation from reference point has a higher impact than a positive deviation of equal size (Schmidt & Zank, 2012).

Prospect theory argues that people exhibit loss aversion, which means that they are more sensitive to losses than to gains when having to make decisions under risk (Kobberling & Wakker, 2005). It argues that loss aversion reflects a value function that is concave for gains, but convex for losses and is deeper for losses than gains (Schmidt, Starmer, & Sugden, 2008).

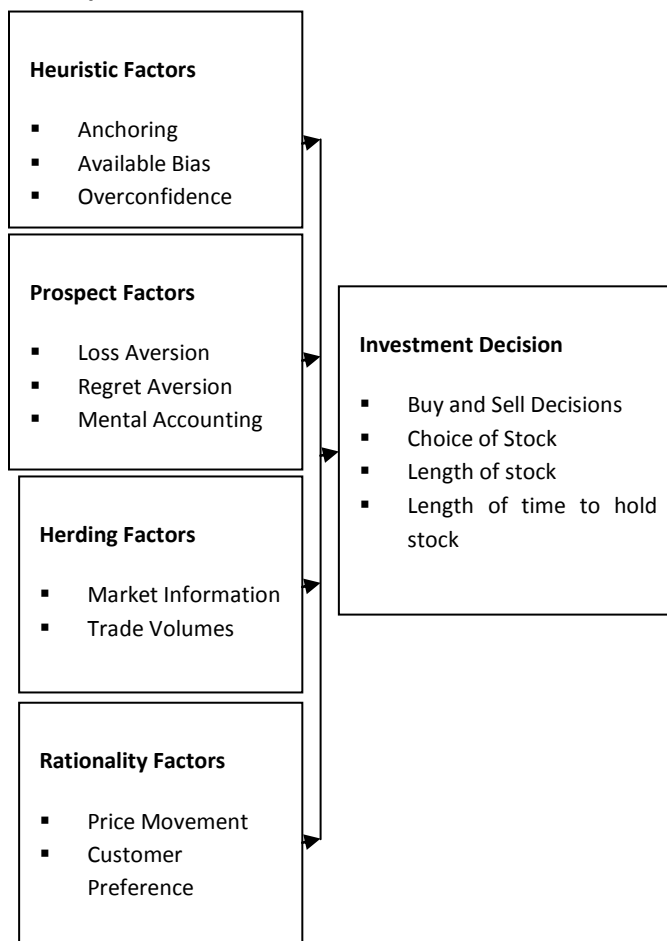
Herding Effect

Investor herding is the concerted movement of a large group of investors into and out of stock or industry group at the same point in time. When things go wrong and the investor loses money, there is comfort in knowing that others are in the same predicament (Hirschey & Nofsinger, 2008).

Academic researchers pay attention to herding because its impact on stock price changes can influence the attributes of risk and return models and thus have an impact on the view point of asset pricing models (Mason & Nelling, 2008). Across situations and cultures, psychologists have found that humans employ social comparisons to inform their beliefs even if it contradicts facts or their better judgment (Gounaris & Prout, 2009). They further argue that human beings are deeply social dependent on each other when they make decisions especially when they are engulfed with the feeling of uncertainty or threat. This will cause them in most cases to imitate the actions of others. Herding in most cases causes inefficiency in the financial market which is usually described as speculative bubbles. Caparrelli, Arcangelis and Cassuto (2004) suggests that herd investors act the same way as prehistoric men who had little knowledge and information of the surrounding and environment and gathered in groups to support each other and get safety.

If the perspectives of behavioural finance are correct, it is believed that investors may have over- or under- reaction to price changes or news; extrapolation of past trends into future; a lack of attention to fundamentals underlying a stock; the focus on popular stocks and seasonal price cycles (Kengatharan, 2014). Waweru et al., (2008) identifies the factors information, past trends of stocks, customer preference, over reaction to price changes and fundamentals of underlying stocks. Market efficiency in the sense that market prices reflect fundamental market characteristic and that excess returns on the average are levelled out in the long run have been challenged by behavioural finance (Luu, 2012).

Conceptual Framework



Independent Variables Dependent Variable

Figure 2.1 Conceptual Framework

Empirical Review of Literature

Heuristic Factors and Investment Decision

Kengatharan and Kengatharan (2014) examined the influence of behavioural factors on investment decision and performance in Colombo securities exchange. The study hypothesized that heuristic factors, prospect factors, market factors and herding factors has significant influence on investment decisions in Colombo. Cross sectional data was collected through the use of questionnaires. The study adopted descriptive

survey and correlational design. Data was analysed through use of descriptive statistics, exploratory factor analysis and regression analysis. Results of the study showed that heuristic factors such as an individual believe in their skills and knowledge of stock can help in outperforming market, dependence on previous experience and forecast on the stock price changes in future all had high impact on investment decision. Regression analysis showed an inverse significant relationship between overconfidence and investment decision while anchoring had a positive significant relationship with investment decision. The choice of EFA was appropriate since the responses were in Likert scale and it was necessary to reduce the variables and consequently generate the regression variables.

Graham, Harvey and Huang (2009) argued that highly educated and rich individuals always perceive themselves as overconfident owing to their competence levels. In contrast, Ekholm and Pasternack (2007) found that investors with low investment portfolio have low chances of overconfidence. Masomi and Ghayekhloo (2011) examined the influence of behavioural factors in investment decision making at the Tehran Stock Exchange. They surveyed the fund managers of individual investors to establish their decision making process. The target population of the study included all the 40 institutional investors operating at the TSE as at 5th August 2010. The behaviour of over 76% of the respondents could be explained by heuristic theory. Anchoring featured prominently at 80% while benchmarking against the purchase price. Overconfidence was exhibited by 69% of the respondents. Ho1: Heuristic factors has no significant influence on investment decision among investors in NSE.

Prospect Factors and Investment Decision

Prospect factors show how individuals attempt to manage risk and uncertainty while making decisions. These factors are; loss aversion, regret aversion and mental accounting. Zona (2012) examined innovation investment during major economic downturn of 2008-2009. The sample frame of the study consisted of the 1000 largest Italian firms ranked by sales extracted from Dun & Bradstreet. The CEOs of all 1000 firms received questionnaires and 108 firms successfully responded during the spring of 2009. Drawing from prospect theory, it was concluded that increasing level of slack resources enhanced innovation investment during crisis: slack resources also moderated the impact of historical performance on investment.

Kansal and Singh (2015) conducted a study on behavioural biases amongst investors in the Indian Stock Exchange. A structured questionnaire was administered among 196 investors who were engineering graduates through convenience sampling technique. Multi criteria technique of analytic hierarchy process was used to define the relative contribution of each behavioural bias in shaping the investors behaviour. It was established that most investors over rated their loss aversion tendency and they generally had a fear of loss.

Breuer, Rieger and Soypak (2012) conducted a study whose main objective was to highlight the relevance behavioural preference patterns for corporate dividend policy. An empirical study was carried out in 32 countries with a sample of 5750 firms used. The study incorporated a model that determines the relationship between dividend payout policies based on the ideas of mental accounting. The model predicted a positive influence of the investor's loss aversion and

investors amount of time discounting on the dividend payout ratio. The study established that loss aversion was the main determinant for corporate dividend policy from the sample used for the study. Ho2: Prospect factors has no significant influence on investment decision among investors in NSE.

Herding Factors and Investment Decision

Herding behaviour is a form of heuristics where individuals conform to majority of individuals present in the decision making environment, by replicating their decisions. Individuals are more than often pressurised by their environment and are obligated to conform to it. Gounaris and Prout (2009) argue that humans are deeply social beings dependent on each other for survival. While making their decisions they are often unsure and this necessitates the tendency to imitate each other.

Walter and Weber (2006) sought to investigate whether German mutual fund managers were engaged in herding behaviour. Moreover the study sought to establish the impact of herd-like behaviour on stock prices. A sample of 60 mutual firms specialising in the German stocks over the period from 31st December 1997 to 31st December 2007 were used for the study. The results provided evidence of herding by German fund managers. A significant portion of herding detected in the German market was associated with spurious herding as a consequence of changes in benchmark index composition.

Agarwal, Chiu, Liu and Rhee (2011) investigated herding behaviour of domestic and foreign investors in brokerage firms in Indonesia. The study relied on complete order and transaction records on the Jakarta Stock Exchange for the period of May 1995 to May 2003. The results established that foreign investors exhibited a greater propensity to

herd in comparison with local investors. They further concluded that a strong brokerage effect on herding was likely driven by common information.

Ndiege (2012) investigated factors influencing investment decision in equity stocks at the NSE among teachers at the Kisumu municipality. The study adopted a descriptive survey design with a sample of 253 teachers from a target population of 2530 teachers used for the research. Data was collected using questionnaires and subsequently analysed using factor analysis and descriptive statistics techniques. The results indicated that decisions to invest in equity stocks were influenced by economic and behavioural factors. Among behavioural factors was herd behaviour depicted by decision to invest based on popular opinion or shares in high demand based on recommendation from friends and co-workers. Ho3: Herding factors has no significant influence on investment decision among investors in NSE.

Rationality and Investment Decision

As asserted by Aktinoye (2006), rational decision making is generally a process by which individuals respond to opportunities and threats that confront them by analysing the options and making decisions about specific goals and course of action. Rationality in economics means that an individual chooses (one of) the most advantageous options given his preferences in their perceived opportunity set such that all perceived costs and benefits are taken into account in particular information, decision making and transaction costs (Anderson & Eriksson, 2013).

Kurian and John (2014) conducted a study on investment decision rationality of retail equity investors in capital markets in India. The study incorporated both primary and secondary data. Primary data was collected from retail equity

investors in form of close ended questionnaires while secondary data was collected from various books, journals, newspapers, websites and other published sources. The sample area of the study was Kottayam district in which 70 respondents were selected for the investigation. The results of the study revealed that investors take investment decisions rationally by evaluating various factors such as fundamental analysis, technical analysis, news, return and risk before making investment decisions in capital market.

Mathuraswamy and Rajendaran (2015) conducted a study on the essence of rational investment in equity market in Chennai, India. The study adopted primary data in which questionnaires were administered to 114 respondents who were chosen using convenient sampling technique. Regression analysis and ANOVA were used to interpret the data. The factors influencing investor rationality in Chennai were demographic variables such as family composition and biological make up of individual investors. Ho4: Rationality factors has no significant influence on investment decision among NSE investors in NSE.

CHAPTER THREE: RESEARCH METHODOLOGY

The study adopted a descriptive research design. According to Oso and Onen (2009) prior to carrying out the study there is need to determine the respondents, the data collection procedures, tools and instruments which would aid in data collection. The study target population was constituted of all individual traders trading in Nairobi Securities Exchange. As at the end of the third quarter of 2015 there were 1,234,432 equity investors constituted of 94.6% and 3,918 accounting for 5.4% who were trading on bonds.

Simple random sampling technique was used to determine the number of respondents to be

considered in the study. The main tool for data collection in this study was a questionnaire. The questionnaire was closed ended. The questions were formed based on Likert scale which enabled the respondents to express their opinion on the study variables.

The study adopted a drop-and-pick approach of administration of the research instrument to the sampled respondents. Drop and pick method of administration of the research instrument was preferred in this case since it was deemed more appropriate to ensure high rate of return of the instruments (Kothari, 2011). The study dropped questionnaires, an average of 4 questionnaires in the top 20 stock brokerage firms licensed and actively offering financial services in 2015. After a period of two weeks the researcher picked the questionnaires from the stock brokerage firms.

The data collected was analysed and interpretations drawn based on the analysis. Descriptive statistics was used in the analysis of quantitative data. Predictive analytic software (PASW) version 21 computer program was used to analyse data whereby the questionnaires would be coded and frequency distributions and percentages run.

FINDINGS

Influence of Heuristic Factors on Investment Decision

The first objective of the study sought to determine the influence of heuristic factors on investment decision making. To achieve this, the respondents were required to rate how often their investment decision was influenced by heuristic factors on a five point Likert scale. Majority 56.9% of the investor's often scrutinized investment past performance as an indicator of future performance so as to make investment decision. Secondly, most

(43.1%) of the investors always used trend analysis to make investment decision followed by 37.5% who often carried out trend analysis.

Thirdly, majority (40.3%) reported that they often use predictive skills to time and outperform the market. 63.9% of the respondents always have securities returns expectation which is beyond the market returns. 65.3% argued that they always set the securities prices based on the selling or buying prices while 66.7% use the securities purchase price as its benchmark. On overall majority of the respondents investment decision is mostly influenced by heuristic factors hence the study agrees with a Pakistan study which showed that heuristic factors had significant influence on equity investors (Farooq & Sajid, 2015). In contrast, Ekholm and Pasternack (2007) study found that investors with low investment portfolio have low chances of overconfidence.

Influence of Prospect Factors on Investment Decision

The second objective of the study sought to establish the influence of prospect factors on investment decision. A five point Likert scale was used to rate the influence of prospect factors on investment decision. Descriptive statistics was used to summarize the data. On average most of the investors always invested when they had a sure gain. Secondly, most investors (mean =3.5) often invest when they are faced with a sure loss, they were followed by 27.8% who are sometimes risk averse.

Thirdly, most investors 37.5% reported that they were often willing to dispose there securities when there are signs of losses they were followed by 31.9% who are sometimes willing to dispose the security. On average (mean 3.3) of the investors were sometimes willing to dispose securities which

have decreased in value. 59.7% of the respondents were often willing to sell securities which have increased in values faster on the other hand 37.5% were often willing to dispose there loss making securities. On average (mean = 4.0) of the investors often tend to treat and account for every individual investment rather than a portfolio of securities. On average investors decision was sometimes influenced by prospect factors (mean 3.7).

Influence of Herding Factors on Investment Decision

The third objective of the study sought to find out the influence of herding factors on investment decision. To achieve this, the respondents were requested to indicate how herding factors influences there investment decision making. Descriptive statistics was used to summarize.

There was wide consultations among investor prior to making investment decision, 38.9% often consider suggestion from others before making an investment decision. Secondly, 44.4% of the respondents reported that sometimes they made investment decision which was directly opposite to other investors. 38.9% reported that they sometimes make investment decisions based on their peer's investment decision. 40.3% reported that they rarely consider investors to have superior forecasting capability on the share and bonds returns and 52.8% often consider the volume of shares traded by others so as to make investment decisions. On average investment decision was influenced by herding factors (mean =3.5). This agrees with a study by Weber and Weber (2006) where the results provided an evidence of herding by German fund managers. It however disagrees with Shikuku (2012) who concluded that herd behaviour was not common among unit trust

managers as most of them preferred making their own decisions.

Influence of Rationality on Investment Decision

The fourth objective of the study sought to determine the influence of rationality on investment decision. To achieve this, the respondents were required to indicate the influence of rationality on a five point likert scale. 51.4% reported that their investment decision is always influenced by the historic price movement. Secondly, 38.9% reported that their investment decision is influenced by the availability of information in the public. 48.6% of the respondents reported that they always over reacted to security prices. On average the preference of certain securities by different customers influences every investor investment decision. The study agrees with the findings of Jains and Dashora (2010) who conducted a study on the impact of decision factors which are influenced by price movements, customer preferences, perceptions adopted in the Indian Stock Market. The study showed that most of the decisions were rational and influenced by various information available in the market and that investors prefer the wait and watch policy for taking their investment decision.

Investment Decision

The investment decision was operationalized to be attributed buying, selling, and choice of stock and length of holding a stock. Majority of the investments 36.6% of respondents reported that buying is always a crucial investment decision. 51.4% reported that the choice of trade influences their investment decision and 51.4% argued that the length of time to hold investment influences their decision.

CHAPTER FIVE: CONCLUSIONS AND RECOMMENDATIONS

Conclusion

Based on the study findings it can be concluded that variation in investment decision among individual investors in NSE was influenced jointly by heuristics factors, prospect factors, herding factors and rationality factors jointly while the remaining percentage can be influenced by other factors excluded from the model. As demonstrated by past studies investment decision was adhered to several factors though some may have either positive or negative influence on investment decision.

They had a positive influence on investment decision among individual investors in NSE. There is need to hold accounting and financial seminars which are geared towards improve accounting skills. This will improve the evaluation skills prior to acquisition and purchase of securities. Because investment decision was influenced by group there is need for sensitization session in investment decision to be carried out among all investors. More so they should be grouped according to the level of risk appetite which will enhance the portfolio selection process.

They have a positive significant relationship with investment decision among individual investors. There is need for inclusion of risk management and evaluation procedures. Since the prospect factors is influenced by the level of risk appetite investors should be sensitized on the concept of risk return trade off so as to ensure they maximize the returns from every investment opportunity. Moreover investors should be encouraged to invest in portfolios so as to maximize the return on tradeoff between the available investment opportunities.

Having a positive and significant relationship with investment decision, individual investors should be

encouraged to forge investment groups since majority revealed that their investment decision is influenced by other investor's investment choice. Since the herding factors can be shared through Bayesian procedures, there is need to elaborate how past patterns of investment returns can influence future decisions.

Finally, there is need to examine how to improve investors investment decision because it has positive and significant influence on investment among individual investors in NSE. There is need to sensitize individual investors on how to form investment portfolio or how to assist each other in making investment decisions. Because investors in NSE are rational various sensitization workshops ought to be carried out with the primary purpose of improving the investment decision among investors in NSE and ultimately maximize their return.

Recommendation

Based on the study findings the researcher recommends that listed companies should continuously share information which is geared towards positively influencing investment decision. Through this information investors will be in a position to make wise investment decisions.

Heuristic factors have a positive influence of investment decision among individual investors. The study recommends that investors should be continuously trained on investment evaluation procedure as such to improve their mental accounting skills.

Prospect factors influenced investment decision positively. There is need to train investors on risk management and evaluation procedures so as to

ensure they will attain maximum benefits from a specific risk.

Since herding factors influence investment decisions positively, there is need to evaluate the influences of prior events in relation to the specific counter under investigation. More so the effect of the learning process should be clearly evaluated to ensure that there is maximum benefit for all parties involved in selling and buying of a security.

Between rationality and investment decision there was a positive and significant influence hence there is need to examine the role of investor's skills acquisition in relation to a particular counter. In addition, emotional management session ought to be continuously carried out as such to eliminate the chances of market overreaction since investors often overreact depending on the investment opportunity and information available.

Suggestion for Further Studies

The current examined the causal effect of the behavioural factors on investment decision among individual investors. There is need for a comparative study which will examine the influence of both traditional and behavioural finance on investment decision making. The current study was limited to the use of primary data there is need to use secondary data and examine the portfolio selection criteria among behavioural investors. Thirdly, there is need to use structural equation modelling rather than regression analysis to examine the influence of behavioural factors on investment decision making.

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