INVESTOR BEHAVIOR AND COMMON STOCK INVESTMENT DECISIONS AMONG INDIVIDUAL INVESTORS AT NAIROBI SECURITIES EXCHANGE, KENYA

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ABSTRACT

The traditional theory of finance assumes that investors act rationally on the quest of wealth maximization, and that they follow the basic tenets of risk and return in determining which ventures to spend money on. However, various authors who have examined investors' behaviour avow that heuristic driven biases and emotions cloud the investors' judgment, and often negate the rules of rational economic decision making. According to these studies, investors are in fact irrational, and are largely influenced by behavioural factors that introduce biases in their decisions. Behavioural finance is the phenomena where psychology and economics are combined in explaining the irrational decision making processes of economic agents. Psychology explores various facets of human behaviour, and explains how human behaviour deviates from traditional economic assumptions about human behaviour. Proponents of the behavioural finance ideology state that investment decisions are characterized by emotional factors such as endowment, loss aversion, regret aversion and mental accounting, herding behaviour and cognitive factors including overconfidence, gamblers fallacy, hindsight biases and over confidence. This study aimed to determine the investor behavior and investment decision among individual investors at the NSE, which was also the overriding objective of the study. The following theories were employed in the study, Modern Portfolio, Heuristic and Prospect theory. Descriptive research design was used to provide insight on the research problem by describing the behavioural factors that influence individual investment decisions. The target population for this study was the 1,000 individuals' investor who trade at the NSE and had permanent residential address in Nairobi. Primary data was obtained through closed and open-ended questionnaires that were self-administered. Some questionnaires were emailed to the respondents, depending on the agreed media with the respondent. The investors were reached through judgmental sampling technique. Multiple regression analysis method of data analysis was adopted. Descriptive statistical measures such as the mean, mode and standard deviation were calculated using SPSS. It was presented in form of frequencies, percentages, tables, pie charts and bar graphs. Qualitative data was analyzed by means of content analysis. The study findings from model summary revealed that R squared was 0.802 which implies that 80.2% of changes on individual investors at NSE, Kenya are explained by the independent variables of the study. The findings revealed that there is a significant relationship between the investor behavior and investment decision since the P-value is less than 0.05. According to the regression equation established, taking all factors (Herding effects, Risk aversion, Anchoring effect and Loss aversion) constant at zero, the investment decisions will be 4.212. The study provided a P-Value of 0.003 which is lower than the significance level of 0.05, thus investor behaviour significant influence investment decisions among individual investors at the NSE, Kenya. The study concluded that investors' behaviour influence individual investors on investment decision making of individual investors at NSE, Kenya. The study recommended that Nairobi Stock Securities should continuously share information which is geared towards

positively influencing investment decision. Through this information investor will be in a position to make wise investment decisions.

INTRODUCTION

Behavioral Finance is the application of psychology to financial behavior; i.e. it is the behavior of practitioners. According to BF, investors are rational, but not in the linear and mathematical sense based on the mean and variance of returns. Instead, investors respond to natural psychological factors such as fear, hope, optimism and pessimism. As a result, asset values may deviate from their fundamental value and as such the theory of market efficiency suffers (Mayo 2009). Olsen (2001) asserts that behavioural finance seeks to understand and predict systematic financial market implications of psychological decision process. Behavioural finance, as a part of behavioural economics, is that branch of finance that, with the help of theories from other behavioural sciences, particularly psychology and sociology, tries to discover and explain phenomena inconsistent with the paradigm of expected utility of wealth and narrowly defined rational behavior.

Individual investments behaviour is concerned with choices about purchases of small amounts of securities for his or her own account (Nofsinger and Richard, 2007). No matter how much an investor is well informed, has done research, studied deeply about the stock before investing, he also behaves irrationally with the fear of loss in the future. This different behavior in the individual investors is caused by various factors which compromise the investor rationality. An individual investor is one who purchases generally small amounts of securities for his or her own account.

Individual investors differ from institutional investors in terms of their investment profiles, investment horizons and the amount of money expended on an investment venture. An individual investor is one person acting on his own accord as a private entity; while institutional investors are mostly companies. They include entities such as hedge funds, insurance companies, pension funds, commercial banks, mutual funds and endowment funds. Institutional investors have an edge over the private individuals because their investments are managed by professionals, have a large capital base and have access to a wide array of securities to invest in (NSE, 2016). Different investment alternatives differ in their risk and return profiles, and depending on the risk appetite of the investor, one can invest in shares, bonds, marketable securities or other securities traded at the NSE (Thaler & Shefrin, 1981).

STATEMENT OF THE PROBLEM

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, 2016). The figures show inconsistency

in the volumes traded in NSE over the years. The field of behavioral finance attempts to investigate the psychological and sociological issues that influence investment decision making process of individuals and institutions (Subrahmanyam, 2007). The Kenyan market has recently witnessed tremendous rise in the number of companies applying to be listed on the Nairobi Securities Exchange. Investors on the other hand have responded positively as it is evidenced through repeated oversubscriptions of shares. Researchers have however proved that due to the market inefficiencies, the standard finance models employed by market practitioners have failed to account for the market anomalies. One can therefore presume that individuals are rational and therefore strictly observe and follow the standard finance models in decision making. It is emerging from the literature Thaler and Shefrin, (1981). Researchers have however proved that due to the market inefficiencies, the standard finance models employed by market practitioners have failed to account for the market anomalies. One can therefore presume that individuals are rational and therefore strictly observe and follow the standard finance models in decision making. It is emerging from the literature that individual investors have embraced heuristics or rule of thumb in their investment decision making (Sobel, 2000). Local studies have not adequately addressed the effects of behavioral aspects of investment decisions at the NSE. Investors need to make rational decisions for maximizing their returns based on the information available by taking judgments that are free from emotions (Brabazon, 2000). Investor behavior is characterized by overexcitement and overreaction in both rising and falling security markets and various factors influences their decision making processes. According to Kimani (2011) there were five behavioral factors that were at play. These were: herding, market, prospect, overconfidence and anchoring bias. However, it was not clear whether these behavioral biases affected individual investor decisions concerning IPOs. Additionally, a recent study related to IPOs conducted by Kipngetich et.al (2011) modeled investor sentiments in their equation of determinants of IPO pricing in Kenya using secondary data obtained from the NSE. However, their study did not explore the behavioral biases that underpin individual investor behavior during IPOs. This means that most of the studies on investor behavior that have been reported were carried out in mature markets. There is a gap in relevant literature in developing markets particularly Kenya which is an emerging security market. This study addressed the research question of how investor behaviour among individual investors influences investment decisions at the Nairobi Securities Exchange, Kenya.

RESEARCH OBJECTIVES

1. To establish the effect of herding on common stock investment decisions by individual investors at the Nairobi Securities Exchange, Kenya.
2. To determine the effect of risk aversion on common stock investment decisions by individual investors on the Nairobi Securities Exchange, Kenya.
3. To evaluate the effect of anchoring on common stock investment decisions by individual investors on the Nairobi Securities Exchange, Kenya.
4. To evaluate the effect of loss aversion on common stock investment decision by individual investors at Nairobi Securities Exchange, Kenya.

THEORETICAL REVIEW

Prospect Theory

This theory was developed by Kahneman and Tversky (1979). The theory focuses on subjective decision-making influencing investors' value system (Filbeck & Horvath, 2005). 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). 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).

Heuristic Theory

Heuristics are defined as the rules of thumb, which makes decision making easier, especially in complex and uncertain environments (Ritter, 2003) by reducing the complexity of assessing probabilities and predicting values to simpler judgments. The reality, the investors decision making process are not strictly rational one. Though the investors have collected the relevant information and objectively evaluated, in which the mental and emotional factors are involved. Kim and Nofsinger (2008) were ones of the first writers studying the factors belonging to heuristics when introducing three factors namely representativeness, availability bias, and anchoring. Representativeness refers to the degree of similarity that an event has with its parent population or the degree to which an event resembles its population. In addition, when people subject to status quo bias, they tend to select suboptimal alternative simply because it was chosen previously (Kempfa & Ruenzi, 2006). Anchoring is a phenomena used in the situation when people use some initial values to make estimation, which are biased toward the initial ones as different starting points yield different estimates (Kim & Nofsinger, 2008). 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. Heuristics reduce the mental effort required to make choices and decisions.

Modern Portfolio Theory

It is one of the most important and influential economic theories dealing with finance and investment, MPT was developed by Harry Markowitz in the year 1958 and published under the title "Portfolio Selection". It is the creation of economists who try to understand the market as a

whole, rather than business analysts who look for what makes each investment opportunity unique. Investments are described statistically in terms of their expected long-term return rate and their expected short-term volatility. Behavioural finance uses this body of knowledge, rather than taking the arrogant approach that it should be ignored. Limits to arbitrage refer to predicting in what circumstances arbitrage forces will be effective and when they would not be (Lintner, 1998). Behavioural finance uses models in which some agents are not fully rational, either because of preferences or because of mistaken beliefs. MPT is relevant to this study in that it guides the way an individual investor or financial planner allocates money and other capital assets within an investing portfolio.

EMPIRICAL REVIEW

Herding Effect and Investment Decisions

Subash (2012) studied the role of behavioural finance in portfolio investment decisions using evidence from India. Subash (2012) found out that, with the exception of Cognitive Dissonance Bias, investors suffered from all biases in a significant manner. Weighted Scoring Analysis revealed that Regret Aversion, Gamblers' Fallacy and Hindsight bias were seen to be affecting the younger investors only. Anchoring, Gamblers' Fallacy and Hindsight were the three biases, which were seen to affect the younger investor lot in the most significant manner, compared to experienced investors, as suggested by results from Chi-squared tests. Tests had shown that all the investors were affected by the various biases while making investment decisions but it could not be established that one investor group had suffered more losses under the influence of these biases. Results from discriminant analysis suggested that, even though investors were equally prone to committing erroneous decisions owing to being biased, the degree to which each of the biases were affecting them were different in a significant manner to an extent that younger and experienced investors could be separated as two different groups of human beings exhibiting a different behavioural pattern. 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.

Risk Aversion and Investment Decisions

Kahneman and Tversky (1979) stated that an individual tends to be "risk averse in choices involving sure gains and to be risk seeking in choices involving sure losses". Similarly, other studies illustrated that individual behavior related to risk aversion or risk seeking is inconsistent across various circumstances due to different factors (Sitkin & Weingart, 1995). Sitkin and Weingart (1995) found empirical evidence for "the value of retaining the risk propensity construct in theories and empirical research". They found that risk averse decision makers tend to overvalue

the probability of loss relative to the probability of gain, and therefore avoid making riskier decisions. However, risk aversion negatively and highly significantly affects stock holdings, and significance is consistent across time (Shum & Faig, 2006). Pennings & Smidts (2000) demonstrated that more risk averse individuals "express stronger intentions to reduce the fluctuations in net income". Hence, they are less expected to acquire riskier investments and are even more eager to pay expert advice when high degree of uncertainty is involved (Lee & Cho, 2005).

Anchoring and Investment Decisions

Pompian (2006) in a study on Behavioural Finance and Wealth Management in USA found that investors exhibiting anchoring bias are likely to be influenced by these anchors while answering key questions like „Is this a good time to buy or sell the stock? "or" is the stock fairly priced? The concept of Anchoring can thus be explained by the tendency of investors to "anchor" their thoughts to a logically irrelevant reference point while making an investment decision. Andersen (2010) shows the involvement of Anchoring in decision making of market participants by using an existing trading algorithm. The algorithm was applied to real market data of the Dow Jones Industrial average and CAC40 stock index to look for arbitrage possibilities. The model returned out-of-sample profit even while considering transaction costs on the CAC40 and thus provide evidence that Anchoring had a role to play in the weekly price fixing of the Dow and CAC40. Kibuthu (2005) did a study on capital market on emerging economies with reference to Nairobi Stock Exchange. He established that most of the investors in the developing states have less information than those in developed countries thus making survival of that stock market at a low pace. Odundo (2004) did a study on the overview and evolution of investment instruments in Sub-Saharan Africa with special reference to Kenya. He established that need to invest and financial constrains were the major factors that led to Evolution of Investment. Wagacha and Mbui (2001) also carried out a survey of Enterprise Attitudes on Kenyan capital market. As observed various studies have not yet described the factors that exert a significant influence on investment decision in stock market.

Loss Aversion and Investment Decisions

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. In their study, Kadiyala and Rau (2004) revealed that investors usually react to corporate accounting information event announcements. They concluded that accounting information such as financial statements, expected corporate earnings and past performance of stock found to be greatly affecting investor decision to invest in

stock market. Investors appeared to not investing in stock market if accounting information was not available to them.

RESEARCH METHODOLOGY

Research design

This research used a descriptive research design. According to Cooper and Schindler (2003), a descriptive study is concerned with finding out the what, where and how of a phenomenon.

Target Population

The target population comprised of 1,000 individual investors who trade through the investment banks and stock brokerage firms and have permanent residential address in Nairobi.

Sampling Design

Out of the investors trading at the Nairobi Securities Exchange, a sample of 100 individual investors were chosen using judgmental sampling technique to represent all the individual investors' in Nairobi this is according to Mugenda Mugenda (2003). The sample was selected from each of the twenty registered stock brokerage and investment banks with five investors selected from each.

Data Collection Instrument

The study employed questionnaire to collect primary data. The questionnaire comprised of both open and close-ended questions. Franker, (2006) stated that a questionnaire is useful in obtaining objective data because participants are not manipulated in any way by the researcher. According to Franker, (2006) questionnaires have the added advantage of being less costly and using less time as instruments of data collection.

Data Analysis and Presentation

The raw data collected was collated, coded and analyzed. The data was analysed using both quantitative and qualitative data analysis techniques. The quantitative data was descriptively analysed using the Statistical Package for Social Sciences (SPSS) and presented in form of frequencies, percentages, tables, pie charts and bar graphs. Qualitative data was analysed by means of content analysis. The research analyst conducted a multiple regression analysis to determine the strength of the relationship amongst the variables.

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

Where: Y = Investment decision; X_1 = Herding effect; X_2 = Anchoring; X_3 = Risk aversion; X_4 = Loss aversion; β_1, β_2, β_3, β_4 = Coefficients; ε = Error term

RESEARCH RESULTS

Herding Effect and Investment Decision

The first objective of the study was to establish the effect of herding on common stock investment decisions by investors at the Nairobi Securities Exchange, Kenya. As such the respondents were required to indicate their opinion on whether the herding affects investors' behaviours and investment decision. The respondents were to rate the parameters of effects of herding on a scale of 1 to 5 where 1 (strongly disagree), 2 (disagree), 3 (undecided), 4 (agree), 5 (strongly agree). The means and standard deviations were developed. From the findings the respondents agreed that investors' decisions of choosing stock types have impact on my investment decisions, investors' decisions of the stock volume have impact on my investment decisions and investors' decisions of buying and selling stocks have impact on my investment decisions with mean of 3.36, 3.33 and 3.25 respectively. The findings show that several elements impacts herding behaviour of an investor in reaching their investment decision such as overconfidence, volume of investment, and so on. The results show that the more confident the investors are. In this case, investors seem to be less interested in herding behaviours. When the investors put a large amount of capital into their investment, they tend to follow the others' actions to reduce the risks, at least in the way they feel. This finding agreed with Waweru (2008) findings which revealed that herding can drive stock trading and create the momentum for stock trading.

Risk Aversion and Investment Decision

The objective two was to impact of risk aversion on common stock investment decisions by investors on the Nairobi Securities Exchange, Kenya. The respondents were to rate the parameters of impact of risk aversion on a scale of 1 to 5 where 1 (strongly disagree), 2 (disagree), 3 (undecided), 4 (agree), 5 (strongly agree). The means and standard deviations were developed. The means and standard deviations were developed. The results revealed that majority of the respondents agreed that investors regard the benefit that the investment will add to their investment values (mean = 4.27), investors have confidence as they are guaranteed of interest rate by NSE (mean = 3.98), Investors are postponing their stock market due to fear of non-assurance return (mean = 3.94) and past positive returns boosts the selling trend and capital investment of the investors (mean = 3.92). According to Barberis and Huang (2001) a risk-averse investor might choose to put his or her money into a bank account with a low but guaranteed interest rate, rather than into a stock that may have high returns, but also involves a chance of losing value. The findings collaborate with Shum and Faig (2006) noted that risk aversion negatively and highly significantly affects stock holdings, and significance is consistent across time.

Anchoring Effects and Investment Decision

The objective three was to assess the extent to which anchoring affects common stock investment decisions by investors on the Nairobi Securities Exchange, Kenya. The respondents were to rate

the parameters of anchoring effects on a scale of 1 to 5 where 1 (strongly disagree), 2 (disagree), 3 (undecided), 4 (agree), 5 (strongly agree). The means and standard deviations were developed. From findings the respondents agreed that; they prefer to buy local stocks than international stocks because the information of local stocks is more available and they forecast the changes in stock prices in the future based on the recent stock prices with mean of 3.29 and 3.25 respectively. Trading volume is high and market falls. The investors tend to be slow to change or the value scale is fixed or anchored by recent observations (Del Missier, 2007). They are expecting the trend of earning is to remain with historical trend, which may lead to possible under reactions to trend changes. The study findings collaborate with Odundo (2004) revealed that need to invest and financial constrains were the major factors that led to Evolution of Investment.

Loss aversion and investment decision

The objective four was to evaluate the effect of loss aversion on common stock investment decision by investors at NSE, Kenya. The respondents were to rate the parameters of effects of loss aversion on a scale of 1 to 5 where 1 (strongly disagree), 2 (disagree), 3 (undecided), 4 (agree), 5 (strongly agree). The means and standard deviations were developed. The means and standard deviations were developed. From the findings majority of the respondents agreed that investors lose hope of investing in stock market if they experienced loss during their initial (mean = 3.76), investors have regretted investing in stock market due to past mistakes (mean =3.54), investors are used to selling their shares once they note they are not profit earning at early stage (mean = 3.53). However, only few respondents agreed that investors who have incurred loss after gain persists to invest again as they assume the loss occurred due to economic situation of the country (mean = 3.12). The investors tend to under-weigh probable outcomes compared with certain ones and people response differently to the similar situations depending on the context of losses or gains in which they are presented. Waweru et al, (2004) describes that states of mind affecting an individual's decision-making processes including regret aversion and loss aversion. The findings collaborate with Kadiyala and Rau (2004) revealed that investors usually react to corporate accounting information event announcements.

INFERENTIAL STATISTICS

The researcher conducted multiple regression analysis to examine relationship between investor behaviour and investment decisions on individual investors at NSE, Kenya.

Table 1: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.896	0.802	0.822	0.124

Table 1 indicates the model summary. From the findings, R was 0.896, adjusted R square was 0.822 and R squared was 0.802. An R square of 0.802 implies that 80.2% of changes on individual

investors at NSE, Kenya are explained by the independent variables of the study. However, there are other factors that influence investor behaviour on investment decisions among individual investors that are not included in the model which account for 19.8%. An R of 0.896 on the other hand signifies strong positive correlation between the variables of the study.

Table 2: ANOVA

Model	SS	df	MS	F	Significance
Regression	361.24	4	474.4	5.16	0.003
Residual	155.65	81	0.952		
Total	516.89	85			

From the ANOVA Table 2, the study was done at 5% significance level which is 0.05. The study provided a P-Value of 0.003 which is lower than the significance level of 0.05, thus investor behaviour significant influence investment decisions among individual investors at the NSE, Kenya. The overall regression model was significant and therefore a reliable indicator of the study findings. In terms of p values, the study indicated 0.003 which is less than 0.05 and therefore statistically significant.

Table 3: Regression Coefficients

Variables	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	4.212	0.214		6.924	.003
Herding effects	0.556	0.0174	0.155	1.852	.005
Risk aversion	0.421	0.0214	0.0223	2.533	.007
Anchoring effect	0.391	0.0462	0.0324	2.655	.007
Loss aversion	0.363	0.0242	0.0484	3.105	.008

In addition, the researcher conducted a multiple regression analysis so as to determine the relationship behaviour and investment decisions on individual investors and four variables. As per the SPSS generated table, the equation ($Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$) becomes:

$$Y = 4.212 + 0.556 X_1 + 0.421 X_2 + 0.391 X_3 + 0.363 \beta_4 X_4$$

Where: Y = investment decisions; X_1 = Herding effects; X_2 = Risk aversion; X_3 = Anchoring effect; X_4 = Loss aversion

From the Table 3 show that Herding effects had a positive significant coefficient ($\beta=0.556$, P-value = 0.005) which mean that herding effects contribute positive to the investment decisions. Risk aversion had a positive significant coefficient ($\beta=0.421$, P-value = 0.007) which mean that herding effects contribute positive to the investment decisions. Anchoring effect had a positive significant coefficient ($\beta=0.391$, P-value = 0.007) which mean that herding effects contribute positive to the investment decisions. Lastly, loss aversion had a positive significant coefficient

(β=0.363, P-value = 0.008) which mean that herding effects contribute positive to the investment decisions. These findings concur with Caparrelli (2004) who revealed that several elements impacts herding behaviour of an investor in reaching their investment decision. These include; overconfidence, volume of investment, and so on. The more confident the investors are, the more they rely on their private information for the investment decisions. In this case, investors seem to be less interested in herding behaviours. Also, risk aversion influences investment decision of the individual in stock market. Risk aversion influences investment decision of the individual in stock market to a moderate extent.

CONCLUSIONS

The study concluded that herding effect has an influence on the investment decision making of individual investors at NSE, Kenya. It is also clear from the study results that investors choose on which stock types to invest with, investors have right to buy or sell the stocks at their willing time. The findings show that several elements impacts herding behaviour of an investor in reaching their investment decision such as overconfidence, volume of investment, and so on. The research deduces that risk aversion affects investment decision of the individual investors at NSE. The investors in the organizations base their investment on gain they expect from the investment. Anchoring effects has an impact on the investment decision on individual investors at NSE. The findings revealed that the investors in stock market rely on some information as they make decision on investment. The investors tend to be slow to change or the value scale is fixed or anchored by recent observations. Additionally, the study concludes that loss aversion has impact on investment decision. The investors invest on NSE stock market with specific gain thereafter. The investors are used to selling their shares once they note they are not profit earning at early stage, some of the investors have regretted investing in stock market due to past mistakes, more investors' lose hope of investing in stock market if they experienced loss during their initial investment. Investors usually react to corporate accounting information event announcements.

RECOMMENDATIONS

NSE stock banks should continuously share information which is geared towards positively influencing investment decision. Through this information investor will be in a position to make wise investment decisions.

Investors should be continuously trained on investment evaluation procedure as such to improve their mental accounting skills. Also, 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.

Also, 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 shares.

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