

# Assessment of Market Factors Influencing Investment Performance of Individual Investors in Nairobi Security Exchange

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## Abstract

Investment decisions are usually influenced by various market factors including public and private information factors. The major goal of this research was to look into the market characteristics that influence individual investors' investment performance in the Nairobi Securities Exchange. The investigators hypothesized that **H<sub>01</sub>**: Market factors (public information and expert information) do not have a substantial impact on individual NSE investors' investment results. The investigator used a survey study design to reach the aim of 1,196,995 individual investors on the Nairobi Securities Exchange. The Slovin's method was used to estimate the 400 sample size of a population, while the researcher used the Nairobi Securities Exchange's top limit of 500 individual investors. To acquire primary data, a structured questionnaire was used. The study found that public information has a considerable impact on individual investors' investment success on the NSE, whereas expert knowledge does not. The researcher recommends that the capital market authority should come up with sensitization programme which can be done through the brokerage firms to provide public information. The training for the individual investors may be organized through the media such as the radio and television to promote availability of public information to individual investors in NSE. The policy makers should also introduce training programs for the individual investors of the stock market to enhance the culture of using market information that will reduce the influence investment performance.

**Key Words:** *Performance of Investment, Investors' Behaviour, Market Factors, Investment Information, Public Information, Expert Information.*

## 1.0 Introduction

The market factors are the environment under which the stock investment decisions are undertaken. This factor may include the information about the stocks. Market factors constituted the environment under which the stock market investors' trade. The stock market factors affects the decisions individual investors make with regard to the stocks to buy and the ones to sell. Information flow about financial statements, the reputation of the firm in the industry, and the status of the firm, therefore is critical for investors because of investment decision making (Chandra & Kumar, 2012). Moreover, Khan, Naz, Qureshi, & Ghafoor (2017) noted that investor might be influenced by the information that is available to them. For example, they may be influenced by advertising and investment advisors.

In the actual world, rationality is difficult to define since human behavior is unpredictable, and market inefficiency and instability are caused by behavioral factors (Tuyon & Ahmad, 2016). To understand the behaviour of investors in the financial markets, scientists

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and academics are increasingly focused on the topic of behavioral finance. People's decision-making behaviors are irrational, according to behavioral finance theory (Statman, 2014). Behavioral finance is a combination of psychology, sociology, and economics, and behavioral finance theories are derived from these three fields. These ideas focus on illogical behavior in the financial markets, which influences people's decisions (Singh, 2012). The transaction volume and pricing of assets in stock markets are influenced by investor sentiments (Tan & Tas, 2019). Similarly, in risky and challenging situations, investors make decisions based on mental shortcuts rather than objectively gathering and assessing all available information (Uygur & Tas, 2014).

Some researchers (Masoud, 2013; Srinivasan, 2012), often, argue that economic growth of a nation is directly linked to the stock market developments. The role of the stock market in an economy is to facilitate trading between surplus fund units (investors) and deficit fund units (stock issuers) (Fauzi & Wahyudi, 2016). In today's economy, stock markets are an essential source of cash for carrying out industrial and commercial activity (Nazir et al., 2017). It provides company finance by raising capital through shares from domestic and international individuals and institutions. The flow of money from households to other parts of the economy. It also serves as an investing platform for foreign institutional investors and mutual fund managers.

Investors anticipate future income, gains, and trends in the financial markets based on previous performance and return. A similar piece of data causes investors to overreact. There have been a few studies (Aziz & Khan, 2016; Obara, 2015) that looked at investor behavior in light of representative heuristics in investment, with varied results. The majority of representative heuristics research were conducted in a controlled environment and were experimental in nature. Only a few research have examined the impact of heuristics on investment decisions using real-time stock market data (De Bondt, Muradoglu, Shefrin, & Staikouras, 2015; Jain, Jain, & Jain, 2015; Subash, 2012).

Availability of public information may lead investors to overweight its importance in decision making leading to excessive trading (Hammond, 2015). Expert advice is postulated to be a case of asymmetric information (Valsecchi, 2013). This is because the expert possess the information about the stock markets that is not possessed by the non-experts. Therefore, the non-experts who need advice on investment opportunities seek it from the experts. Since the market factors influence investors' decision-making process, a study of these factors was important. The market factors dimensions in this paper were public information and expert information.

Expert information also influences investment decisions. Expert information is the information that is provided by investment experts on the analysis of the trading of stocks. Some of the information is available to subscribed members only and, therefore, some form of fee is required for accessing the information. Das (2012) found that expert information influences investment decisions. This factor is understudied and hence, the need to include it in the study to determine the influence it has on investment performance. The indicators of expert information included: seeking, reading, and using the expert information to make investment decisions.

Performance measurement is of interest to stakeholders of a firm. That's why stock market investors are interested in the performance of their investment in the stocks. This is because they invest so that they can get higher returns in the future. Traditionally, financial measures have been used to indicate the performance of investments (Wadongo, Odhuno, Kambona, & Othun, 2010). With time, the performance measurement has embraced the non-financial indicators.

The financial indicators of performance used by stock market investors includes: return on investment, earning per share, and price-earnings ratio. The non-financial measures includes: innovation and learning, quality improvement, and customer satisfaction (Bhatti & Awan, 2014). The financial performance indicators are considered short-term while the non-financial are long-term oriented. Therefore, the long-term performance indicators were important in guiding the firms in achieving their strategic objectives. The

financial performance indicators are used by the stock market investors to make investment decisions. However, the stock market performance may be determined by the kind of information available to the market participants and how they use the information in making stock investment decisions.

The efficient market performance may be measured by the kind of information available to the investors in the stock market. The market efficiency forms includes the following: the strong form, semi-strong form, and weak form (Fama, 1998). For rational investors, they will be expected to use the available information provided by the efficient market theory and hence, earn a return that is equivalent to the market performance. Therefore, there will be no earning more than the market return or underperformance.

Individual investors' perceptions of the degree of market efficiencies' impact on investment performance were used to measure stock market investment performance in this study. Because prior knowledge is absorbed into stock prices due to insufficient market efficiency, evaluating past information about a stock for investing decisions may not yield an investor an excess return over market returns (Fama, 1970). In the semi-strong form of market efficiency, stock prices reflect history and all publicly available information. Public information includes a corporation's published financial reports, reported annual earnings, dividends, and stock splits, among other things.

The strong form of market efficiency indicates that the stock prices should incorporate the available public and private information (Fama, 1970). The stock prices will incorporate all information that is yet to be released to the public (insider information), and therefore, no investor has a monopoly of information. In that case, no investor can earn excess return based on the insider information. The sections that follow discuss the antecedents of investment performance. The antecedents discussed was in the following order: behavioural antecedents (herding, prospect, and heuristic) and the market antecedents (public and expert information). The discussion started with the concept, definitions, theories, and indicators. The discussion concluded with the relationship between the antecedent and investment performance.

## 1.2 Statement of the Problem

The investors are expected to be guided by Efficient Market Hypothesis (EMH) in making investment decisions to promote their self-interest to maximize their earnings. It has been noted that efficient market hypothesis guides investment decision making (Vijaya, 2014). In addition, the EMH facilitate investors to make rational investment decisions. Therefore, individual investors should not be guided by their biases while making investment decisions. As such, there should be no abnormal occurrences in the financial market if the investors are guided by the efficient market hypothesis. If that is the case, the individual investors are expected to earn the equivalent of the market performance.

Individual investors' underperformance may be mostly due to factors relating to the public and expert market information available to them. As a result, the purpose of this study was to investigate the market determinants that influence individual investors' investment decisions on the Nairobi Securities Exchange. The study's findings are likely to improve understanding of market dynamics and their impact on investment performance. The hypotheses of the study were; **H<sub>01</sub>**:Market factors (public information and expert information) do not have a significant impact on the NSE's investing performance.

## 2.0 Literature Review

### 2.1 Theoretical Review

#### *Efficient Market Theory*

The study was informed by Efficient Market Theory by Fama (1970) who postulated that an efficient market should incorporate the available information in the stock prices. This gave rise to three forms of market efficiency. The three forms of EMH were distinguished by the kind of information available in the stock market. First, the weak-form fully reflects all the available past information in the stock prices (Fama, 1970). Therefore, no investors will earn an excess return by the evaluation of past information about the stocks.

Second, the semi-strong form fully reflects all available past and public information in the stock prices. Hence, the investors may not earn above the market return from investing based on the evaluation of the past and public information. Third, strong-form fully reflect all the past, public and insider information in the stock prices. In that case, investors would not earn above the market return by investing from information based on the past, public and private information. Therefore, a market will be efficient to the extent of the information available in the market

In the early stages of the EMH, the statement that the stocks fully reflect the available information indicated that the “successive prices changes are independent” of the past stock prices (Fama, 1970, p. 386). In addition, future price changes or returns would be identically distributed. These two conditions explained the concept of random walk. During these early stages of EMH, the evidence supporting it was extensive with limited and contrary evidence. But, in a meta-analysis by Gyamfi, Kyei, and Gill (2017) conducted on African stock markets, EMH could not be validated like in the early years of its inception. The publication bias affected the information market efficiency while the test conducted, the type of data collected, and the location of the study did not affect the information market efficiency conclusions. This study found that EMH of the weak form had a positive but not significant result. With the semi-strong, the study found that markets were considered to be inefficient. This may be due to some investors being privy to public information which other investors are not privy. These findings pointed to the fact that African stock markets may report some form of weak efficiency but semi-strong and strong forms of efficiency are not likely to be found.

The efficient market hypothesis states that financial markets are efficient because securities prices take into account all relevant data. As a result, all investors will have access to the same information, and no investor will have an advantage over the others in terms of information for making investment decisions. Because of the symmetry of information, stock prices in the securities market reflected the underlying values of the stocks. As a result, market efficiency paired with well-informed investors will ensure that there are no stock market bubbles (Abreu & Brunnermeier, 2003). The reasoning was that informed investors would purchase and sell to take advantage of any arbitrage opportunity, thus reducing the stock price gap.

Although stock markets were expected to be efficient with no anomalies expected, studies have shown that anomalies do occur in the stock market (Malkiel, 1989). The financial markets over time have experienced anomalies which could not be supported by the efficient market hypothesis. This has led to the growing interest in behavioural finance going by the research activities in the area. The persistence of anomalies in the financial markets could be due to the existence of investors influenced by behavioural factors (Abreu & Brunnermeier, 2003). The investors' performance is influenced by the efficiency of the stock market. In the absence of efficient markets, behavioural factors become handy in investment decisions making. Konstantinidis, Katarachia, Borovas, and Voutsas( 2012) showed the weaknesses of EMH and proposed that behavioural finance should guide profitable investing. In other words, behavioural finance may be used by investors to maximize their investment performance. Efficient Market Theory was the basis for the analysis of the effect of public and expert information on investment performance of firms listed in Nairobi Securities Exchange.

## 2.2 Empirical Review

Many scholars are interested in how individual investors make investing decisions. As it affects stock returns, investors look for both quantitative and qualitative information (Jagongo & Mutswenje, 2014; Lin et al., 2019; Mak & Ip, 2017). Economic and behavioral factors influence individual investment decisions (Aregbeyen & Mbadiugha, 2011; Kourtidis et al., 2011). Many researchers (Ahmad, 2017, Chen & Lo, 2019; Gunathilaka, 2014; Lin & Chiang, 2015; Obamuyi, 2013; Yang, 2020) argue that individuals are well-informed decision-makers who seek information on a variety of company issues that are classified as accounting, neutral, or advocate information when making investment decisions. Stock performance refers to a stock's ability to reduce or grow an investor's wealth. Performance of a stock is indicated by the price movement. It is one of most important influencing information considered by investors while making investment decisions (Obamuyi, 2013). They spend good amount of time in analysing the past performance of the stock (Mutswenje, 2009) as it decides the expected returns (Baghdadabad et al., 2011). It includes both dividends and capital gains. Past stock performance incorporates effects of tax laws, seasonal changes (Grinblatt & Moskowitz, 2004), fundamentals, and other factors that influence portfolio returns. There is a link between expected returns and past returns (Grinblatt & Moskowitz, 2004). The study of the balance sheet, profit and loss account, and trail balance, among other things, is an element of financial information (Merikas et al., 2011). The statements give structured data in an easy-to-understand format and are a crucial component to consider when investing (Blessing & Onoja, 2015). (Nagy & Obenberger, 1994). A good financial situation always has good assets, reserves, and surplus, as well as profitability, and the opposite is true in a negative financial situation. The longer the investment, the healthier the company, and vice versa. As a result, the investor with a longer time horizon searches for good financial statement conditions.

Kengatharan and Kengatharan (2014) found no significant association between public information and investment performance in a study with a  $r = .087$ ,  $p > .05$ . It was hypothesized that public information and investment performance have a positive association. Investors seek professionals for information that they may utilize to make investment decisions, according to Das (2012). However, just a small minority of respondents (28%) said they had sought advice from professionals before making investing decisions. Investors can obtain expert information via consulting specialists, reading published information in the print media, or browsing the internet. The low percentage of investors that employ expert knowledge is most likely owing to the high expense of getting the information. According to this study, there is a link between expert information and investment performance.

Also, the investors may find it difficult in understanding the technical language involved. This may lead to existence of information asymmetry in the stock market where some investors have more information than others on the investment opportunities. As a result, some investors will be able to use expert information to make investing decisions. As a result, expert information will have an impact on the performance of an individual investor's portfolio. Kramer and Lensink (2012) conducted a study in the Netherlands on 5,661 individual consumers and discovered that professional advice has a significant impact on investment success, with  $p = .022$ ,  $p.01$ . Following a consideration of investment performance antecedents, the next part looks at investment decisions as a control factor.

According to Aamir and Afaf (2016), psychological and economic aspects have a substantial impact on individual investor decision-making. Psychological elements have a greater impact on decision-making behavior than economic factors, according to regression research. The results of the t-test revealed that there is no statistically significant link between gender and investment decision-making. The results of a one-way ANOVA test revealed a substantial association between investors' monthly income levels and their investing decisions. Shagufta et al. (2020) discovered that overconfidence and the representative heuristic had a considerable impact on investor decision-making and stock market trade volume. This study contributes to the growing body of research on the function of

overconfidence as a mediator between representative heuristics and investment decisions in behavioral finance. The research presented in this paper is the first to quantify the function of mediator in the relationship between representative heuristics and investment decisions.

Using stock market monthly return data, De Bondt and Thaler (1985) conducted a study on market overreaction. The overreaction hypothesis was used to demonstrate the presence of representative heuristics in the market and investors' decisions. The findings of their research showed that investors overreacted to market occurrences and violated the Bayesian rule. In the stock market, investors acted irrationally. Onsomu (2014) conducted research on earnings releases and their impact on short-term performance. Investors reacted slowly to the earnings announcement, and their investment decisions were influenced in the short term. People do not assess all the data since they are looking for rapid results. They make decisions based on their previous experiences, current trends, and a few points of reference (Kengatharan & Kengatharan, 2014).

The internet, as a valuable source of information, offers investors with a wealth of company-related information (Rubin & Rubin, 2010). The information about the listed firms that is beneficial to investors is disseminated by the web platforms (Antweiler & Frank, 2006; Zhang et al., 2014). It is a significant tool for obtaining, analyzing, and disseminating data (Zhang et al., 2016) and has ushered in a new era of financial openness for both listed firms and investors (Gajewski & Li, 2015). Individual and institutional investors take this information into account when they digest and react to it by planning their investment decisions (Bae & Dixon, 2018).

Company employees are more knowledgeable about the company's actions and prospects than outsiders. Only a few people have access to this exact information because of their position, which presents excellent trading opportunities (Brochet et al., 2016). According to Tavakoli et al. (2012), insider activities, particularly those of directors, officers, and big shareholders, have a positive predictive potential for future returns. This intimate information has a high predictive value and can help you gain an advantage (Tavakoli et al., 2012).

The projected returns from a little or confidential piece of information to gain positively are forecasted by insider information (Tavakoli et al., 2012). The insider purchase provides positive information, whereas the insider sell does not (Fidrmuc, Goergen, & Renneboog, 2006). The typical investor makes abnormal profits, according on the trading activity of directors and managers. Insiders in the United States halted trading shortly before earnings were disclosed, implying that legal action was imminent (Huddart et al., 2007). According to Brochet et al. (2016), insider trade and earnings disclosures are instructional in India, and these disclosures contribute to the assimilation of earnings news into stock price. Alldredge and Cicero (2015) discovered that investor long strategies are less successful than investor short strategies when it comes to insider trading.

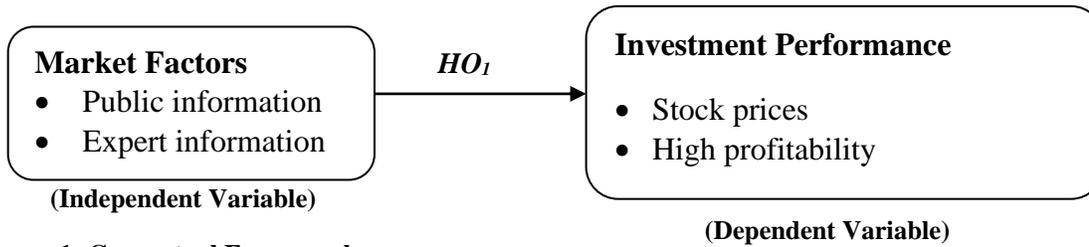
Advisors and analysts are both translators and discoverers of information since they have the inherent ability to collect and process information in a productive manner (Ramnath et al., 2008). Financial analysts add value by using their interpretive skills to fill a gap in the market (Frankel, Kothari, & Weber, 2006). Investors respond well to advice and expect experts to provide positioned suggestions. The response of investors to such advice has resulted in a 4% increase in returns (Barber et al., 2001). Stock prices are influenced significantly by analyst recommendations and adjustments, not only at the time of the announcement but also in the months afterwards. Positive excess (strong) analyst coverage is linked to stock premiums, while negative excess (weak) analyst coverage is linked to stock discounts, according to Doukas et al (2005). Prediction errors, quarter-ahead prediction adjustments, and year-ahead projection revisions all have significant pricing effects, indicating that each one adds new information and that the fourth quarter is distinct from the previous three (Beaver et al., 2008).

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### 2.3 Conceptual Framework



**Figure 1: Conceptual Framework**

The relationships between the variables are depicted in Figure 1. The market factors were the independent variables. The performance of individual investors was the dependent variable.

### 3.0 Methodology

The study used a survey research design to reach out to 1,196, 995 individual investors on the Nairobi Securities Exchange. The Slovin's formula was used to calculate the sample size for a representative population (Kalima, Shukla, & Mbabazize, 2016). The formula is given as follows:

$$n = \frac{N}{1 + Ne^2}$$

Where: n = Sample size

N = Total population

e = Error margin (0.05)

$$n = \frac{1,196,995}{1 + 1,196,995(0.05)^2}$$

$$n = \frac{1,196,995}{2993.4875}$$

$$n = 399.87$$

$$n = 399.87$$

As a result, the sample size was 400, while the researcher had hoped for 500. The brokerage businesses were identified using a stratified sampling procedure. The brokerage firms that were listed on the NSE were used to stratify the data. This sample size was evenly divided across the chosen brokerage firms. The 500 respondents from the designated brokerage firms were chosen using convenient sampling. The investigator collected primary data from individual stock exchange investors using a standardized questionnaire with closed-ended questions.

Pearson Correlation, Simple Linear Regression, and Hierarchical Linear Regression Analysis were used to examine the data. To test the hypotheses, the following model was utilized..

$$IP = \alpha + \beta_1 MF + \varepsilon$$

Where:

IP = Investment Performance

$\alpha$  = Intercept

$\beta$  = Regression coefficients

MF = Market Factor

$\varepsilon$  = Error term

$\beta_1$  Represents coefficients

## 4.0 Results

### 4.1 Descriptive Statistics of Market Factor and Investment Performance

#### *Descriptive Statistics of Market Factors*

The goal of the study was to determine the market factor levels of individual NSE investors. The means and standard deviations were used to depict the amounts of market elements. This section contains descriptive statistics about market behavior (public and expert information) that affect individual investors' investing decisions on the NSE. The amount of market factors among individual NSE investors is seen in Table 21. The levels were modest, with means and standard deviations of (M = 2.06, SD = 1.193) and (M = 2.15, SD = 1.023) for public and expert information, respectively. Individual investors in the NSE used little public and professional information to make investment decisions, according to the research.

Table 1

#### *Descriptive Statistics of Market Behavior*

Variable	N	M	SD
Public Information	498	2.06	1.193
Expert Information	498	2.15	1.023

#### *Descriptive Statistics of Investment Performance*

The goal of the study was to figure out how much market inefficiencies affect investment success. Means and standard deviations were used to represent the levels. This demonstrated the extent to which individual investors agreed on the impact of market efficiencies (weak form, semi-strong form, and strong form). The goal of the study was to figure out how much market inefficiencies affect investment success.

Means and standard deviations were used to represent the levels. This demonstrated how much individual investors agreed about the impact of market efficiency (weak, semi-strong, and strong) on investment success. The degree of investment performance as determined by individual investors is shown in Table 23. With a mean and standard deviation of (M = 3.98, SD = .677), the level was high. This can be inferred to mean that the individual investors agreed that the market efficiencies has an impact on their investment performance.

Table 2

#### *Descriptive Statistics of Investment Performance*

Variable	N	M	SD
Investment Performance	498	3.98	.677

### 4.2 Influence of Market Factors on Investment Performance

The hypothesis H01: The NSE's investment performance is unaffected by market fluctuations was tested in this part (public information and expert information). The SPSS was used to test this hypothesis using multiple regression analysis.

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The results of the multiple regression (see Table 3) reveal that the combination of public and expert knowledge predicts investment performance by (R2 = 77.8%) with all values being p.05. With a p value of .247, expert information was not a substantial contributor to the prediction model. The model proved statistically significant (F [6, 491] = 287.587, p = .000), making it a good predictor of investment performance (see Table 3).

Table 3

Model Summary of Investment Performance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.882 <sup>a</sup>	.778	.776	.32035

The regression equation was derived from the unstandardized beta coefficients (see Table 4).

$$IP = 3.102 + (.129 \times OV) + (-.282 \times PI)$$

Where IP = Investment Performance

EI = Expert Information

PI = Public Information

Investment Performance Predictive Model

$$IP = \alpha + \beta_4 EI + \beta_5 PI + \varepsilon$$

Table 4

ANOVA Regression Results

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	177.076	6	29.513	287.587	.000 <sup>b</sup>
	Residual	50.387	491	.103		
	Total	227.463	497			

a. Dependent Variable: Investment performance

b. Predictors: (Constant), Expert information, Public inform

Table 5

*Coefficients of Market Efficiencies Impact on Investment Performance Model*

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	3.102	.223		13.914	.000
1					
Public_inform	-.282	.068	-.497	-4.155	.000
Expert_inform	.076	.066	.116	1.160	.247

The association that was discovered between public information and private information as predictors of investment performance is depicted in the diagram above (Figure 3). The factors explained 77.8% of the variance in investment success, according to the model. This means that when investors utilize the predictors to make investing decisions, their performance will vary by 77.8%.

According to the model, public information has a negative correlation with investment performance. This association was the polar opposite of the presumption of a positive link between investment performance and income. People are more likely to make better decisions when they have more information, according to the information theory (Morris & Shin, 2002; Satti et al., 2013). Financial statements, according to another study (Patrick, Tavershima, & Eje, 2017), reflect the projected returns if a firm is invested in. As a result, if the financial accounts show losses, investors would correlate the public information with poor investment results. Furthermore, public information indicates about the company's future potential, according to the signaling theory of information content (Patrick, Tavershima, & Eje, 2017). Individual investors might project their investment performance in stock investments using this combination of information contained in publicly available financial statements.

The use of expert advice had no discernible effect on investment performance. When comparing expert and public information, expert information is more expensive to obtain. As a result, individual investors on the NSE may rely on public data more than expert data. This is due to the fact that public information is extremely inexpensive to obtain. As a result, public information was kept in the model, despite the fact that it had a negative impact on investment performance.

## 5.0 Conclusions, Recommendations and Limitations

### 5.1 Conclusions

The public information was found to have a substantial negative connection (= -.282, p.05) with individual NSE investors' investment performance. According to the data, when public information increases, investment performance decreases. Individual investors gain access to and read the financial statements of the companies in which they have invested. Individual NSE investors seeing financial data that revealed the companies were losing money could be the reason for this negative association. Individual investors will

therefore interpret the information as having a negative impact on their investment. The data for this study was gathered during Kenya's fiercely fought post-election period, when commercial activity was relatively low, hurting the profitability of many businesses.

Both market elements (public and expert information) are used infrequently. This means that individual investors at the NSE are not looking for and utilising market data to make investment decisions. This should raise important questions about the quality of individual investors' decisions. Individual investors should be educated on how to use information accessible in the market for investment reasons by the NSE management, investment advisors, and the capital market regulator.

## 5.2 Recommendations

1. Trainings and workshops for NSE investors should be organized by the NSE management, investment advisors, and the capital market regulator. The focus of these trainings and workshops should be on the impact of behavioural factors on decision-making and investment performance. The goal will be to reduce stock market noise and, as a result, improve individual investors' investing performance.
2. Individual investors should be made aware of the importance of market forces in their investing decisions by policymakers. This should be accomplished more specifically with the programs listed below:
3. *The capital market authority sensitization programme*; which can be done through the brokerage firms. The brokerage firms can be encouraged to organize seminars from time to time for their registered members so as they are trained on investment analysis and making investment decisions that are less affected by behavioural factors. The training for the individual investors may be organized through the media such as the radio and television.
4. *Programs to Promote Investor Education*; The policy makers should introduce training programs for the individual investors of the stock market to enhance the culture of using market information that will reduce the influence of behavioural factors in decision making. The investment culture should be introduced in the early years of education programs so that the young people will grow appreciating the importance and mechanism of investing from an informed position. The training for the individual investors may be organized through the media such as the radio and television.

## 5.3 Limitation of the Study

This study was limited to analysis of behavioral market factors influencing investment performance of individual investors in Nairobi Security Exchange. Investment in any stock market is highly clustered for example in Nairobi Securities Exchange stock market is clustered into various segments. Researchers would be interested in understanding which market segment is influenced more by the market factors. A further study that assesses market factors influencing investment performance based on investment segment would further narrow this gap of which the current study did not analyze.

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