

**FACTORS INFLUENCING INVESTMENT DECISIONS IN EQUITY STOCK
AMONG BCOM 4TH YEAR STRATHMORE STUDENTS**

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DECLARATION

I declare that this work has not been previously submitted and approved for the award of a degree by this or any other university. To the best of my knowledge and belief, the thesis contains no material previously published or written by another person except where due reference is made in the thesis itself.

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ABSTRACT

Investment decisions need to be analyzed based on a number of factors given the prevailing situations. This study sought to examine factors that influence investment decisions in equity stock among 4th year BCOM Strathmore students and had four specific objectives. The first objective sought to determine the effect of stocks' affordability on investment decisions in equity among 4th year BCOM Strathmore students. The second objective assessed the effect of information on investment decisions while the third was regarding the effect of third parties' opinion on investment decisions. The fourth objective sought to determine the effect of herding behavior on investment decisions in equity among 4th year BCOM Strathmore students. To achieve the objectives of the study, correlational research design was adopted where secondary data was mainly used. The research target population was 4th year Strathmore students. Data was collected using questionnaires. Quantitative data was presented using pies and tables. Sample size for the project was 60 students. The four objectives had a positive relationship with investment decisions in equity stock. The study concludes that the investment decisions are greatly affected by the prices of cross listed stocks and the general dividend pay out. The study also concludes that the opinions from friends and relatives greatly influence the investment decisions. These factors are important during the decision making on which stock and in which sector to invest in among the students.

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DEDICATION

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ABBREVIATIONS AND ACRONYMS

GAAP: Generally accepted accounting standards

IFRS: International financial reporting standards

IAS: International accounting standards

MPT: Modern portfolio theory

NPV: Net present value

ROA: Return on assets

CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND OF THE STUDY

Decisions on investment are usually supported by methods for decision making. It is assumed that data systems and market factors systematically influence both personal investment decisions and market outcomes. (Mehta & Chaudhari, 2016). As noted in the context, there is evidence that students are affected by many factors, including business, macro climate and psychological factors for investors. However, (Phansatan, Tanthanongsakkun, & Treepongkaruna, 2012) reported conflicting findings when the study found that retail traders were generally found to have weak trading performance while institutional investors were found to have knowledge advantages over other categories of investors, thereby improving their trade results and performance. Nevertheless, (Li, Wang, & Dong, 2016) proposed that individual investors pick stocks successfully.

Over the past three decades, there has been an unprecedented increase in the investment market, both in terms of volume and number of investors, due to globalization of financial sectors worldwide. For instance, in India, (Bennet, Selvam, & Indhumathi, 2011) observed a rapid emergence of diverse investment products offering numerous options to attract investors. The number of regional stock exchanges in India had increased significantly and (Husain, 2016) observed that equity shares as an investment opportunity has advanced from times it was preferred due to higher dividend expectations to present day where capital gains a key consideration. The discovery of prices through book building had provided a tremendous boost to initial public offers and other public offers. The dynamic regulatory frameworks, the development payment guarantees by the depositories, proactive government involvement, robust intermediaries and up to date technologically advanced exchanges have instilled and nurtured confidence in the markets.

In developing countries including Kenya, (Obamuyi, 2013) considered the expected corporate earnings, rapid mind set, marketability of stock, corporate past performance, government holdings and the establishment of structured financial markets. (Jagongo & Mutswenje, 2014) found that individual investors relied in their investment decisions more on press and market noise, whereas professional investors relied on technical and fundamental analysis than direct portfolio analysis. (Kisaka, 2015) showed market participants' vulnerability to a relentless flow of information ranging from quantitative financial data to pressing financial news. Variables

that were heavily loaded included financial reporting, web-based data, recent stock index returns, latest economic indicators and investment advisor suggestions.

(Kannadhasan, 2015) has noted that investment decisions are based on a number of variables, such as key market dynamics and individual risk profiles and reported accounting data. (Wyatt & Frick, 2010) noted that sunk cost considerations and asymmetric gain or loss risk preferences are a key consideration, regardless of the accounting data released. Further, (Sultana & Pardhasaradhi, 2012) indicated that the criteria for optimizing benefits are essential for investors, even though investors use a variety of criteria for selecting stocks. Contemporary issues, such as records of environmental monitoring, local or global activities and the ethical stance of the company, seem to be given only marginal consideration. Most retail investors discount the benefits of valuation models when assessing stocks. (Arrow & Lind, 2014).

(Ahmed & Wang, 2011) When researching capital structure determinants in Pakistan, it was found that dividends, growth and skilled investment management were key factors in the choice of equity investments. According to (Kadiyala & Rau, 2004) Determined that past returns may also have an important impact on investor decisions. (Al-Tamimi, 2006) identified factors affecting the actions of investors in the United Arab Emirates; the main factors are earnings, high-speed income and volatility of the stock. Minimizing risk, opinions of friends or family members are not real investor concerns. Further, however, past studies, for example, indicate the immediate consumption needs of investors, for instance, (Yosef, 2015) determined that investors' motivation to obtain extra-ordinary gains as quickly as possible is one of the major determining force in equity selections in Ethiopia.

(Bennet, Selvam, & Indhumathi, 2011) acknowledged five factors that had an impact on the disposition of students to invest in equity stock markets. The study found that five factors including risk tolerance of investors, media attention on the stock market, economic strength, political stability and government business policies were very influential on the attitude of students towards investing in certain equity stocks (Srinivas, 2013) claimed that there was a certain amount of correlation between comportmentary financial theory variables and previous empirical evidence which had an impact on average equity investors and the behaviour of individual investors.

(Geetha & Ramesh, 2011) concluded that there was medium awareness on varied investment choices available but there was little awareness about the stock market, equity, bond and debentures. The study showed that all age groups gave more import to investing in insurance

products, social security and banks. (Viswanadham, Edward, & Mwakapala, 2014) identified the factors influencing the buying behaviour of investors in Tanzania Equity market. The study determined that all listed companies gave more emphasis on quality management decisions, branding efforts and transparency in settlement issues.

1.2 PROBLEM STATEMENT

Scholars and practitioners have stressed the importance of continued awareness of what drives investment decisions by current and prospective investors. Given the need to increase investment and save culture among Kenyans, only a few studies have explored the reason for low equity take-up as an investment option, with the majority of studies available being.

Existing studies on Kenya equity investors for example Jagongo and Waweru in 2010; The broad categories of economic and behavioural variables affecting shareholder decisions have all been taken into account. None of these available studies focused on specific factors, as the proposed study aimed at investigating the impact on investment decisions of the affordability of stocks, information, opinion of third parties and herding behaviour.

1.3 General objectives

1. To determine the effect of stocks' affordability on investment decisions among retail stock investors.
2. To assess the effect of information on investment decisions among Kenyan retail stock investors.
3. To assess the effect of third parties' opinion on investment decisions in equity at the Nairobi security exchange among Kenyan retail stock investors.
4. To evaluate the effect of herding on investment decisions among Kenyan retail stock investors.

1.4 Research questions.

1. How does stocks' affordability affect investment decisions among Strathmore students?
2. What is the effect of information availability on investment decisions among Strathmore students?
3. What is the effect of third party's opinion on investment decisions in equity at the Nairobi security exchange among Strathmore students?
4. What is the effect of herding on investment decisions among Strathmore students?

1.5 SIGNIFICANCE OF THE STUDY

The study made a serious effort to contribute information on emerging factors affecting investment decisions among students in Strathmore to existing literature. Expected results can help students make investment decisions that, if implemented, can greatly enhance investment decisions.

1.6 Scope of the study

The study has mainly focused on the variables affecting variables affecting the investment in equity stock

1.7 Limitation of the study

One of the limitations is time limit. The academic timetable allocates a minimal time limit which you are supposed to complete the project.

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

This chapter is designed to produce an overview of theoretical framework, empirical review, conceptual framework, research gaps of the study and summary of the literature.

2.2 Theoretical review

2.2.1 Signalling theory

According to signalling theory, likewise alluded to as the data content speculations, this is the place corporate declarations are conjectured to have data content, for instance troughs use money profit declaration to flag changes in their assumptions regarding the future prospect of the organization when the market winds up blemished. The venture and financing selections of organizations are made at the organization meticulousness. It is fought that association troughs use salary as a gadget to pass on information about the conceivable outcomes of the association. Like benefits, if pay pass on supportive information, it will contemplate stock worth changes rapidly following an open assertion. A development in worth (shares) issued by an association diminishes the expense of its offer, stock parts cause cost increase while issuing more commitment instruments prompts cost increase exercises. At the point when a firm reports its income or profit it sends sign to financial specialists and in the event that they respond to the sign true to form this will influence the offer costs of the organizations recorded on the securities exchange, therefore this impacts investor choices. (Patrick, Tavershima, & Eje, 2017)

(Shehata, 2014) stated that Despite the fact that the signalling theory was initially created to explain the data asymmetry in the work showcase, it has been utilized to clarify wilful revelation in corporate revealing. As a result of the information asymmetry issue, associations signal certain information to money related pros to show that they are better than various associations in the market to attract adventures and updating an incredible reputation. Deliberate divulgence is one of the flagging methods, where organizations would uncover more data than the obligatory ones required by laws and guidelines so as to flag that they are better.

2.2.2 The modern portfolio theory

According to (Onoja & Blessing, 2004-2013) An American business examiner during the 1950s developed a theory of "portfolio choice," which empowers monetary pros to look at peril as for their ordinary advantage. The MPT is a theory of endeavour which tries to support portfolio expected advantages for a given proportion of portfolio risk, or similarly utmost shot

for a given level of foreseen advantage, by means of circumspectly picking the degrees of various assets or resources. Regardless of the way that the MPT is extensively used before long in the budgetary business, recently, the fundamental doubts of the MPT have been commonly tried. The Modern Portfolio Theory, an improvement upon regular endeavour models, is a critical advancement in the logical showing of cash. The hypothesis urges resource extending to fence against market chance comparably as hazard that is exceptional to a particular affiliation. The hypothesis (MPT) is a perplexing undertaking choice strategy that assistants an analyst to get-together, check, and control both the sort and the extent of predicted risk and bit of leeway; comparably called Portfolio Management Theory. Principal to the portfolio hypothesis are its estimation of the relationship among peril and advantage and the uncertainty that monetary masters must be made up for enduring risk. Financial specialists will put their money at a more affordable rate to a helpful association than to an unrewarding one; in this manner, gainful associations can use impact to construct speculators' worth significantly more. The essential advantage assessments difference advantages and arrangements, assets, worth and liabilities: net in general income, return on assets, and benefit for worth. Though most cash related organizations appropriate these extents for most associations, they can be resolved openly by using net advantage and complete salary from the Income Statement of an association's budgetary report, and full scale assets and financial specialists' an incentive from the monetary record.

2.2.3 Entity theory and enterprise or social theory

(Ihe, Ndubuisi, & Chioma, 2000) communicated that trades are broken down likewise with how they have an effect on the accounting substance. Spending synopses are set up from the point of view of the component. The income statement is expected to figure pay for movement and separate the association's introduction over a period, while the fiscal record serves to demonstrate the security or risk of the association's budgetary position.

2.2.4 Capital asset pricing theory

According to (Levhari & Levy, 1977) Hypothetical models and experimental outcomes may contrast for some potential reasons. Notwithstanding, in certain regards, the experimental proof taken from the market veers off deliberately from the hypothetical model, a wonder that loans backing to the speculation that there is some regular blunder in the manner by which exact research has been completed. In fact, we have discovered that the venture skyline for which information are gathered assumes a pivotal job and greatly affects both the relapse coefficients and the presentation lists. The investment horizon, certainly accepted in the exact research,

ranges from multi week to one year. At the point when the genuine investment horizon is no longer than the investment horizon utilized in the experimental research, one can clarify a significant number of the deviations between the observational outcomes and the capital resource estimating model by the scientific predisposition originating from the way that moderately short horizons have been chosen. Using an investment horizon shorter than the true horizon causes a bias in the systematic risk. In any case, the closer the true systematic risk is the littler the deviation. Since this deviation is decidedly connected with the leftover difference of every security, it likewise gives a hypothetical clarification to the way that the coefficient of the remaining fluctuation might be essentially positive. Deviation from the genuine horizon likewise clarifies the exact predispositions in the catch just as in the coefficient of the methodical hazard, as estimated from a cross-segment regression. Rewarding securities as indicated by the Reward to Volatility is likewise one-sided as this exhibition list is practically identified with the investment horizon accepted. Accordingly, one security may demonstrate a superior execution than another dependent on month to month information, while the contrary relationship would be acquired if yearly information had been chosen.

2.3 Empirical Review

2.3.1 Stocks affordability and investment decisions

(Vozikis, Prasad, & Merikas, 2011) conducted an empirical survey of economic factors and individual investor behaviour in a stock exchange based on Greek's Athens Stock Exchange (ASE) context. The findings were based on 150 interviewees who reported a certain degree of association between factors described in the literature of behavioural finance and other earlier empirical factors informed by overall trends that existed at the time of the ASE survey. The study held that the company income, financial status or business status predicted in the industry under the classical parameters for maximum wealth is considered to be significantly influencing individual investor decisions. The study noted that these factors reliable criteria which can be considered in evaluating stock investments, as the respondents in this study were experienced investors who had survived the bubble burst of the Greek stock exchange that started at the end of 1999.

(Qureshi & Hunjra, 2012) analysed the factors that influence individual investor decision-making by using data collected by the use of stratified random sampling technologies from 327 firms, commercial banks and stock investors. The study results indicate that heuristic methods, the use of financial tools, sensitivity to uncertainties, corporate governance and investment decision taking are high and strongly correlated. The results also showed that corporate governance issues play a key role in the evaluation of investment options at the company level and are an important factor. Individual investors used heuristics and financial instruments for their investment decisions. They have also been found to be averse to risk

(Obamuyi, 2013) attempted to describe the factors affecting investment decision on the capital market of Nigeria. The findings of the study showed that past stock performance, projected safety capital premiums, projected business sales, dividend policy and rapid development are the key five investment considerations. This research has shown the little effect on investment decisions on views of family members, gossip, religious affiliation, brand loyalty to consumer products, and possible losses in other investments. Furthermore, the study concluded that retail investors' demographic, social and economic factors including sex, age, marital status, and educational achievement had empirical and important impact on investment decisions

2.3.2 Information and investment decisions

(Murphy, 2010) has researched ethical behaviour and investment decisions in the United States and found that the willingness of investors to make informed ethical choices is impeded by the quality of the information provided. The study noted that in the case of tobacco companies they did not admit that they deliberately made their products excessively addictive and that regulatory laws did not correct this issue completely. Often widely suspicious are the accuracy of emissions and other environmental statements released by major conglomerates such as Exxon, and data publications corporations such as Enron and WorldCom found guilty of significant fraudulent and false accounting practices.

(Jagongo & Mutswenje, 2014) pointed out that the most significant factors influencing investment decision taking were the reputation of the group, its financial performance, projected corporate profits, revenue and reporting status, the valuation by share of past performing companies, its economy and its anticipated dividends of shareholders.

(Maginn, Mcleavey, Tuttle, & Pinto, 2007) While researching investment portfolio management, it was found that an understanding of past asset performance is necessary to allow investors to make their investment decisions. The study also noted that the risk tolerance of investors based on their obligations and personalities needs to be considered before investing in assets with significant risk. The study showed that personal investment decisions as to how much funds an individual investor would like to spend every month, or the size of a lump sum should be motivated by the amount expected when the investment reaches maturity. The study also indicated that an investor wishing to diversify its portfolios to include international assets must take into account factors such as national economic growth rates and stock market liquidity. The investor must consider a country's capital gains tax laws and its dispute resolution mechanism's legitimacy. The shareholder must ensure that the nation respects foreign investors' rights and that its central bank retains adequate currency reserves.

(Lam, 2014) found that historical market patterns, risk appetite, knowing past performance of shifts in different asset classes prior to investment finance preparation and risk tolerance vary from individual to individual. Lam also noted that risk-bearing potential depends on factors such as financial obligations, personality characteristics that make knowing risk-bearing capability an important consideration in investment decision-making. The study also found that the expected return rate was important as it directs the investment option. An investor should decide on the goals of investing heavily in equity or debt or managing the portfolio.

(Ndiege, 2012) In the municipality of Kisumu in Nairobi, only factors studied influencing investing stock exchange decisions among students. The study found that consumers are exposed to hope and pessimism, which result in the systemic price difference and a medium reversal. This was in line with the behaviour appraisal hypothesis, where investors became excessively overconfident in forecasting either future stock prices or future profits. In addition, the analysis identified intangible considerations such as the assumed ethos, feeling for corporate products and services, community participation and employee as well as objective data from media coverage and policy statements, leading to the relative disregard of major traditional variables in Kisumu. The social variables and investment decisions were connected with a negative important relationship.

According to (Horrigan, 1968) Since the mid 1940's, the advancement of ratio analysis in this nation has proceeded with different ways. To start with, there was a whirlwind of fervour during the 1950's about the utility of a ratio breakdown of return on investments for motivations behind administrative investigation. The notion of breaking down return on investment into a profit margin and a capital turnover ratio was not a new idea, but it had not received widespread attention before this period. This was a promising advancement on the grounds that the return on investment measure could fill in as a zenith in the improvement of a coordinated proportion investigation framework containing an assortment of proportions.

According to (Horrigan, 1968) An ongoing direct investigation of the prescient intensity of ratios warrants separate consideration here. Beaver has broken down the capacity of ratios to foresee the disappointment of firms during 1954-64; and alike to that of Merwin, he has discovered that a few ratios foresee disappointment as long as five years ahead of time.

(Horrigan, 1968) expressed that in England, then again, an unmistakable "consistent theme" in ratio examination has developed. The British Institute of Management has created enthusiasm for ratios as gadgets for making between firm correlations so as to assist the board with appraising its effectiveness and to settle on approach choices for what's to come. It has adopted the essential premise that return on investment is the primary ratio to which all other ratios would be related- i.e., ratio analysis should be a process whereby changes or differences in return on investment are analysed.

According to (Altman) The gauge of corporate liquidation is used as an illustrative case. In particular, a lot of money related and financial proportions will be researched in a liquidation figure setting wherein a various discriminant true way of thinking is used.

(Ross, 1999) communicated that there is even verification that the level of fiscal progression is a better than average marker of future paces of money related improvement, capital accumulating, and mechanical change. Moreover, cross-country, relevant examination, industry-level, and firm-level examinations chronicle wide periods when cash related headway (or the shortage in that division) basically impacts the speed and case of fiscal improvement. Levine explains what the budgetary structure does and how it impacts, and is affected by, money related advancement. Theory suggests that financial instruments, markets, and establishments develop to lighten the effects of information and trade costs. A creating composing exhibits that refinements in how well cash related structures decrease information and trade costs effect save subsidizes rates, adventure decisions, mechanical progression, and long-run improvement rates.

Some of the different ratios used in order to guide the investors to know in what project to invest include:

Return on assets ratio

The return on assets (ROA) (also known as return on total assets, return on average assets) is one of the most extensively used advantage extents since it is related to both generally income and asset turnover, and exhibits the pace of return for the two advance supervisors and money related authorities of the association. ROA shows how well an association controls its costs and uses its benefits. (Onoja & Blessing, 2004-2013)

According to (Rosikah, Prananingrum, Muthalib, & Rohansyah, 2018) Return on Asset is used to check the association capacity to make advantages using outright asserted assets by an association later on, higher ROA of an association execution will incite dynamically practical association. With the objective that it might be seen as a positive sign for any budgetary masters to take their confidence in the association that will influence the extended association stock in capital market.

Earnings per share

Earnings Per Share, is a proportion of pay after expense to the quantity of coursed stocks. By observing at EPS, financial specialists can survey the salary potential to be acknowledged later on. Data about salary per offer can be utilized by organization pioneers to decide the organization advancement. Expanded benefit altogether shows expanded EPS with the goal that the stock worth reflects expanded corporate worth. Earnings Per Share is utilized to gauge

the measure of pay got per share that is prepared to be shared to every one of the investors. It is determined dependent on division of net offer after expense with the quantity of flowed shares. (Rosikah, Prananingrum, Muthalib, & Rohansyah, 2018).

Return on equity

According to (Rosikah, Prananingrum, Muthalib, & Rohansyah, 2018) Return on equity is utilized to gauge the organization ability to make benefits on generally speaking possessed capital. Determined dependent on division of net benefit after tax and total equity. It implies that experts can acquire more benefit in the event that they put resources into assembling organizations, at that point on the off chance that they spare their assets in bank as store sparing.

Financial ratios can predict failure. According to (Beaver, 1966) Dissatisfaction is portrayed as the feebleness of a firm to pay its cash related duties as they create. Operationally, a firm is said to have besieged when any of the going with events have occurred: bond default, an overdrawn record, or non-portion of a favoured stock benefit. A financial proportion is a rest of two numbers, where the two numbers include financial synopsis things. A third term, prescient capacity, in like manner requires explanation yet can't be portrayed rapidly. The various components of prescient capacity will be examined later. The highlight upon budgetary proportions does not suggest that proportions are the principle pointers of disillusionment. The fundamental concern isn't with markers of dissatisfaction however rather with financial proportions as pointers of huge events one of which is disillusionment of the firm. Further, the basic concern isn't with the proportions as a type of exhibiting budget report information yet rather with the basic prescient capacity of the fiscal reports themselves. A complete motivation is to give a careful affirmation of the handiness (i.e., the prescient capacity) of bookkeeping information (i.e., fiscal summaries).

2.3.4 Third parties' opinion and investment decisions

(Sarwar & Hussan, 2016) researched the factors affecting Islamabad Stock Exchange's individual decision taking. The research used a questionnaire to collect information from 253 individual investors trading on the Islamabad Stock Exchange. The results show a positive important relationship between advocate guidance, unbiased data, self-image / company image convergence and individual investor investment decision-making. The study, however, found

no evidence of the relationship between accounting data, classical wealth maximization, and personal financial needs. The study noted the need for further research based on advocacy factors due to the possibilities that stock markets can be easily duped as investors depend on additional advice in their investment decision-making process.

(Wendo, 2015) analyses factors affecting individual investors' participation in the Nairobi securities market. In Nairobi County, Kenya, a circumstance of advocacy groups found that investment decisions were affected by popular market views, recent developments in returns and profitability, and opinions of friends and acquaintances.

(Gunathilaka, 2014) The study found accounting data, advocates' advice, and self-image / company identity as significant homogeneous groups of factors that influence the choice of stock. The study found that the second-order variables in the process were danger and historical costs. The study also found that decisions were affected by expectations of political stability, economic status / outlook, and good governance. The study described the goodwill, liquidity, dividend pay-out and public news of the firm as marginal factors that influence investment decisions. Religious beliefs, family background, lobbyists' opinions and the content of the annual financial statements have not been found to affect the decision-making process.

(Ali & Tariq, 2013) factors that influence each equity investor in Pakistan's decision-making process were investigated. The research has found a significant influence on the convergence of self-identification and firm-image, non-biasing knowledge, in addition to suggesting approaches for individual equity investor decision making. On the other hand, the study showed that there were no impacts on the decision-making of individual equity investors in Pakistan on factors such as individual financial needs, classical wealth maximisation, and accounting results.

(Sultana & Pardhasaradhi, 2012) carried out empirical analysis of the impact of various factors on the decision-making and actions of individual equity investors in India. The research applied an overview of variable that compressed 40 attributes into ten variables. Such considerations have been classified as eccentric people, social obligations, asset maximization, risk reduction, product awareness, financial prospects, accounting statements, news policy, economic outlook and support advice. The reasons were for individual market participants to have varying degrees of control on investment decisions.

(Chong & Lai, 2011) studied how Malaysian investors advise on accounting reports, impartial data, social relevance and investment decision advocates. The study collected data from 199

respondents with the results showing that the most important factor for Malaysian investors appeared to be impartial information. The second most significant factor was found to be accounting disclosures. Social relevance and advocates' advice followed in that order in influencing equity selection procedure. Unbiased information was associated positively while accounting information correlated negatively with return estimates. Like their male counterparts, a social importance aspect was considered relevant for female investors. As far as stock market experience is concerned, investors with five to ten years of experience and those with 15 to 20 years of experience have been found to rely on accounting records for their investment choices. The study concluded that numerous interlinked advocacy variables influenced participation in shareholder decision-making.

2.3.4 Herding and investment decisions

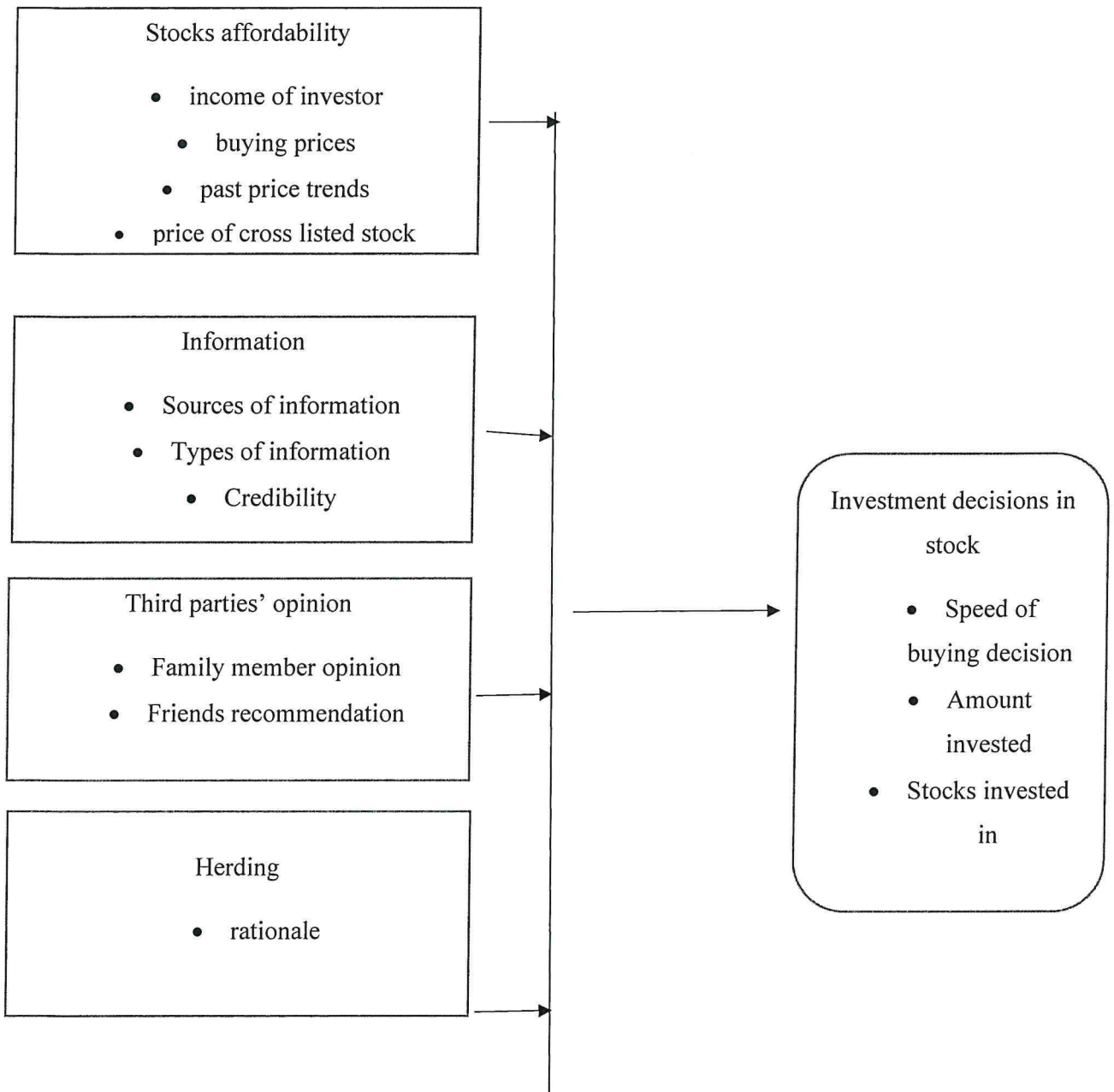
(Chandra & Kumar, 2011) studied the determinants of individual investor behaviour and acknowledged the effect of investment decision-making on certain psychological problems like conservatism, low esteem, fear and asymmetry. The research showed that psychological factors dominate investors' decision-making process and that micro-economic and social factors affect the choice of investment securities.

(Li, Wang, & Dong, 2016) analysed the disparities in herding behaviours on the Chinese market between institutional and individual investors. Their findings indicate that more educated institutional investors exhibit intense herding relative to the less knowledgeable individual investors and are more likely to influence consumer expectations and demand by relying heavily on public information.

2.4 Conceptual framework

This figure illustrates the relationship between independent variables and the dependent variable. The independent variables in this study are stocks' affordability, information, third parties' opinion and herding behaviour while the dependent variable is investment decisions in equity stock among students.

Figure 2.4.1: Relationship between variables



2.5 Research gap

It is evident from the literature reviewed that most of the studies are performed in contexts that vary from the Kenyan market for retail investment. Nonetheless, the factors affecting decision-making in equity stocks in Kenya are limited literature. There was also no use of inferential statistics in the available local studies to understand the link between investment decisions and identified factors. Against this context, the proposed study aims to investigate how affordability data, opinion of third parties, and herding behaviour influence investment decisions in equity stock among students at the Nairobi security exchange.

2.6 Summary

The basic aim of this study is to analyse and evaluate the factors influencing investment decisions in equity stock among students.

CHAPTER 3

RESEARCH METHODOLOGY

3.1 Introduction

This chapter is designed to produce an overview of the research design, population, sampling frame, sample and sampling technique, data collection instrument, data collection procedure, pilot study and finally the data processing and analysis.

3.2 Research design

There are two types of research design used in this research paper. These research designs include the descriptive research design and correlational research design. According to (Williams C. , 2007) The descriptive analysis approach is a basic study method which explores the present state of the situation. Descriptive research involves identifying or researching the relation between two or more manifestations of the observer-based hypothesis.

According to (Williams C. , 2007) The inquiry explores the similarities between the two characteristics of the study in correlational analysis techniques. (Leedy & Ormrod, 2001) The single point of view was that it was important to note the identification, depending on how well certain characteristics were measured, of the statistical correlation of two characteristics by a researcher. Validity and durability are therefore important components that influence the coefficients of correlation.

3.3 Population

(Pilot & Hungler, 1999) alludes to the populace as a total or totality of the considerable number of objects, subjects or individuals that comply with a lot of details. The thought of 'populace' in research work might be comprehended as concerning the subjects or information things that could be incorporated into the examination, given the significant explicit conditions.

In this study of interest, the main population of the study is students.

3.4 Sampling frame

(Cooper, 2003) stated that a sampling frame is a set of reference units that are used to display the image. For this study, the sample was selected among students of Strathmore University. Random sampling is a method of selecting a sample of observations from a population in order to make inferences about the population (Bock, 2018). For purposes of this study, random samples will be selected from the larger population of the above identified firms. This ensures that any firm has the opportunity of being sampled for this study. According to (Olken &

Rotem, 1986) Random sampling is used on those occasions when processing the entire dataset is not necessary and is considered too expensive in terms of response time or resource usage. The savings generated by sampling may be due to reductions in the cost.

3.5 Sample size

(Brown, Ray, & Philip, 1968) found that results and findings from a greater sample that is representative of the population showed greater sustainability and the results could be relied on. For this reason, a sample under investigation must be carefully selected to represent the greater population and get an accurate analysis.

For this reason, the researcher is to distribute fifteen questionnaires across four different majors among the 4th years. A sample size of 60 respondents was used for the purposes of the study. Below is a sample breakdown.

Table 3.1: Sample breakdown

Major	Location	Number
Accounting	Strathmore	15
Finance	Strathmore	15
Marketing	Strathmore	15
Management science	Strathmore	15
TOTAL		60

3.6 Data collection

Data will be collected using questionnaires. The questionnaire will be divided into two parts. The first part involves personal question and the second part of the questionnaire involves the research problem being investigated.

3.7 Data analysis

Data collected is to be sorted and classified for an easier analysis. The data will be summarized and organized according to the feedbacks given. This will be further distributed into a table and a deeper analysis to understand the challenges faced by the firms and the implications of the variables.

3.8 Research quality

To fully understand the questionnaires, a pilot test will be done to ascertain the rationality and reliability of the questionnaire. This will help me identify any errors in the questionnaire and put myself in the shoes of the respondents to identify areas that a respondent may find it hard to answer. Pilot testing is usually necessary as it is effective in determining the success of this study. By getting to know the errors in the questionnaires, necessary changes and adjustments will be done and then I can now proceed to the actual field work.

To get full and clear views from the respondents, they are required to answer the questions given with the highest degree of accuracy and honesty for purposes of accuracy of the study. The questionnaires are to be dropped individually to the respondents at their premises then picked after the respondent has filled in the questions given. This will give a respondent enough time to give clear and specific answers.

CHAPTER 4 DATA ANALYSIS

4.1 Introduction

This chapter presents the research findings ' data analysis and interpretation in line with the study's goals. The data's goal was to investigate the factors influencing investment decisions among Strathmore students in their 4th year. The data analyzed was shown in pies.

4.2 Response rate

The analysis shows the percentage of respondents who answered the survey in this chapter. To deliver reliable, useful results, a survey must have a good response rate. Therefore, this was important in determining whether the response rate was sufficiently good and representative of the population.

Table 4.1: Response rate

Response rate

Response rate	frequency	percentage
responses	40	66.67
Nonresponses	20	33.33
Total sample size	60	100

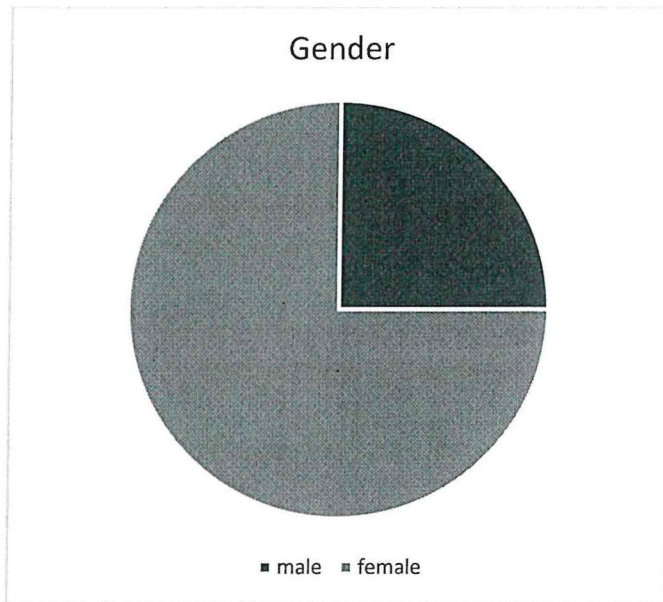
The study's sample size was 60 respondents who were students of the 4th year of Strathmore. For data analysis, a total of 40 were successfully completed in time, representing 66.67 percent of the total sample size. A response rate of 50 percent is acceptable, 60 percent fine, and well valued above 70 percent. Therefore, the sample size of 66.67% was considered suitable for the analysis.

4.3 Demographic information

The segment presents the respondents' demographic information. Demographic information of the respondents reflects the relevant population attributes that form the basis on which the study can access the relevant information properly. The information captured by the respondents includes the sex and age of the respondents.

4.3.1 Gender of respondents

This section of the study sought to establish the gender of the respondents who took part in the study.

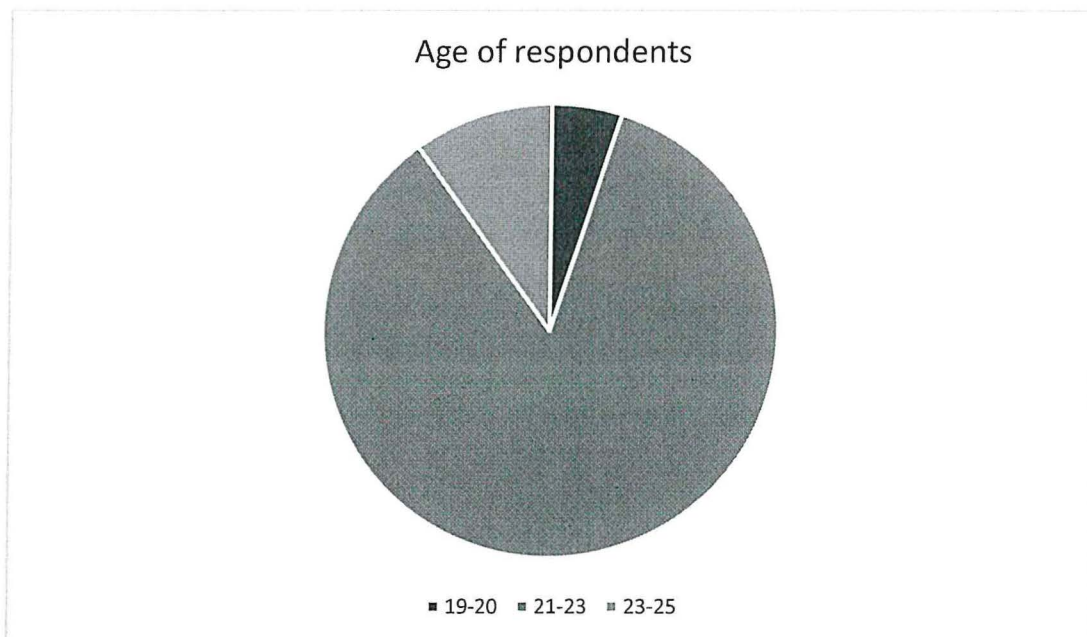


The results show that most of the respondents were female (75%) while male was 25%

4.3.2 Age of the respondents

This section of the study sought to establish the age of the respondents who took part in the Study.

Figure 4.2.: Age of respondents



4.4 Stocks affordability and investment decisions

The first objective of the study sought to evaluate the effect of stock's affordability on investment decisions among 4th year Strathmore Students. To achieve this objective the study requested the respondents to rate statements related to affordability of the stocks using a four-point scale ranging from 1 representing No Extent up to 4 representing Very Great Extent. The results were first interpreted using percentages where the percentages for No Extent and Small Extent were combined while on one hand those of Great Extent and Very Great Extent on the other end was combined for ease of understanding.

Table 4.2: Effects of stocks affordability on investment decisions

Stocks affordability indicators	No extent	Small extent	Great extent	Very great extent	Mean	Standard deviation
Income of investor	0%	17.5%	62.5%	20%	25%	0.265361389
Buying prices	0%	7.5%	67.5%	25%	25%	0.302076149
Past price trends	0%	7.5%	17.5%	75%	25%	0.340954542
Price of cross listed stock	0%	7.5%	17.5%	75%	25%	0.340954542

It is evident that the general trend in stock prices and availability of disposable income affected the investment decision as indicated by 92.5% and 82.5% of the respondents respectively, who indicated either great or very great extent. The prices of cross listed stocks were also deemed largely on their effects to investment decisions as 92.5% indicated either to a great extent or very great extent

This implies that stock affordability indicators such as general trend in stock price, availability of disposable income, prices of cross listed stocks and buying prices affect the investment decisions. This finding are in line with those by Obamuyi 2013 who indicated that factors such as past performance of the firm's stock, projected security capital bonus, projected firm

earnings, the dividend policy and the get rich quick mentality were very significant in making investment decisions. The study findings also concurs with those by Lakonishok also indicated that investing in a growth stock is an investment style which is based on a company's fundamentals such as earnings, dividends, cash flows and book value of company and it is be considered as a rational style on behalf of investors.

4.5 Information and investment decisions

Table 4.3: Effects of information on investment decisions

Type of information	No extent	Small extent	Great extent	Very great extent	Mean	Standard deviation
Information on share price	2.5%	15%	57.5%	25%	25%	0.235407448
Information on firm's performance	0%	25%	47.5%	27.5%	25%	0.194722024
Information on industrial performance	2.5%	17.5%	30%	50%	25%	0.201038968
Information on dividend per share	0%	17.5%	45%	37.5%	25%	0.20310096

The information on share prices affect investment decisions as 82.5% of the respondents indicated to a great extent or very great extent. It is also emerged that the information on firms' performance affect investment decisions as indicated 75% of the respondents who indicated to a great extent or very great extent. The information on industrial performance was also highly ranked on its impact on investments decisions as indicated by 80% of the respondents. It is also evident that the information on dividend per share affect investment decision as 82.5% of the

respondents indicated either to a great extent or very great extent to this statement. This implies that information on shares, firms' performance, industrial performance and dividend per share greatly influence investment decisions. These findings are in line with those by Maginn et al. (2007) who established that an understanding on the past performance of the relevant assets is important to enable investors in making their investment decisions and that personal investment decisions on how much money an individual investor wants to commit each month or the amount of a lump sum should be guided by the amount expected once the investments mature. The findings of the study also agree with those of Jagongo and Mutswenje (2014) who found that the most important factors affecting investment decisions were: business credibility, company status in market, expected corporate earnings, benefit and statement status, past performance company stock, price per share, economy feeling and expected dividend by investors.

4.6 Third party's opinion

Table 4.4

Third party opinion	No extent	Small extent	Great extent	Very great extent	Mean	Standard deviation
Opinion from relatives	0%	0%	75%	25%	25%	0.353553391
Opinion from friends	0%	17.5%	42.5%	40%	25%	0.201038968

The results in the table show that the opinions from relatives affect investment decisions as 100% of respondents indicated either to a great extent or very great extent. It is also evident that the investments decisions are greatly affected by the opinions of friends as 82.5% of the respondents indicated either to a great extent or very great extent to this statement. This implies that the opinion from relatives and friends greatly influenced investment decisions.

4.7 Herding and investment decisions

Table 4.5: Effects of herding on investment decisions

Herding behavior	No extent	Small extent	Great extent	Very great extent	Mean	Standard deviation
Other investors' decisions on buying and selling stocks have impact on investment decisions	0%	10%	60%	30%	25%	0.264575131
Herding behavior encourages investment decision	0%	10%	55%	35%	25%	0.24832774
Herding behavior discourages investment decision	7.5%	10%	52.5%	30%	25%	0.209165007
Rational behavior ends up in good investment decision	0%	10%	65%	25%	25%	0.285773803
Irrational behavior	12.5%	77.5%	5%	5%	25%	0.351781182

ends up in good investment decision						
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The results in the table above show that other investors' decisions on buying and selling stocks have impact on investment decisions as 90% of the respondents indicated either to a great extent or very great extent. It is also evident that herding behavior encourages investment decision as 90% of the respondents indicated either to a great extent or very great extent. Herding behavior discourages investment decision also affect investment decision as 82.5% of the respondents indicated either to a great extent or very great extent. Rational behavior ends up in good investment decision as indicated by 90% of the respondents as either to a great or very great extent. However, it also emerged that irrational behavior have impact on investment decision though negative, as 90% of the respondents indicated either no extent or small extent.

This implies that other investors' decisions on buying and selling stocks have impact on investment decisions and that herding behavior can either encourage or discourage investment decisions. It also implies that rational behavior ends up in good investment decisions while irrational behavior may not end up in good investment decisions among investors.

These findings concur with those by Kumar and Lee (2006) who carried out a study on retail investor sentiments and find that the trading retail investors buy or sell one group of stocks and they tend to buy or sell other groups exhibiting herding behavior. It also concurs with those by Li, Rhee and Wang (2009) who in their findings indicated that institutional investors who are better informed exhibited intense herding compared to the less informed individual investors although individual investors were more likely to influence market sentiments and demand as they tended to rely heavily on public information

4.8 Investment decisions

To get information on the dependent variable about the nature of investment decision the study requested the respondents to rate given statement using a four-point scale ranging from 1 representing Very Unimportant up to 4 representing Important. The results were first interpreted using percentages where the percentages for Very Unimportant and Unimportant were combined while on one hand those of Important and Very Important on the other end were combined for ease of understanding.

Table 4.6: Nature of investment decisions

Investment decisions	Very unimportant	unimportant	important	Very important	Mean	Standard deviation
Invest in a single stock	0%	62.5%	32.5%	5%	25%	0.287952542
Invest in a variety of stock	0%	7.5%	52.5%	40%	25%	0.252487623
Invest in a specific sector	0%	20%	57.5%	22.5%	25%	0.238921186
Invest in profitable companies	0%	15%	67.5%	17.5%	25%	0.293683503

From the results in the table above show that investing in a single stock was not important as 62.5% of the respondents indicated either very unimportant or unimportant. It is also evident that investing in a variety of stock was important to an investor as 92.5% of the respondents indicated either important or very important. Investing in a specific sector was as also deemed important as 80% of the respondents indicated either important or very important. It also emerged that invest in profitable companies are important as 85% of the respondents indicated either important or very important. This implies that investment decisions such as investing in a variety of stock, in specific sectors that is performing well, profitable companies and are

important to an investor. This study finding concurs with those by Joseph and Ibrahim (2015) who indicated that investment decision making should be strategic that investors can be able to diversify their investment by developing a portfolio of investments e.g. investing in a variety of stock to minimize risks and maximize returns

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Introduction

This chapter summarizes the study's findings, conclusions and recommendations based on the study's goal. This involves a synthesis of key issues of the study's objectives as deduced from the research as a whole.

5.2 Summary of findings

The study had sought to achieve four specific objectives related to the factors which affect investment decisions among Strathmore 4th year Bachelor of Commerce students. The following are some key findings of the study.

5.2.1 Effects of stocks affordability indicators on investment decisions

The first objective of the study was to determine the effect of stocks' affordability on investment decisions among 4th year Strathmore students. The study found out that the availability of disposable income, the prevailing market price per share and the general trend in stock price affected the investment decision to a great extent. The study also found out that the prices of cross listed stocks and the general dividend pay out affect the investment decision to a great extent.

5.2.2 Effects of information on investment decisions

The second objective of the study assessed the effect of information on investment decisions among 4th year Strathmore BCOM students. The study found out that the information on firms' performance, share prices, dividend per share and on industrial performance influenced the investment decisions to a great extent.

5.2.3 Effect of third party's opinion on investment decisions

The objective of the study was to assess the effect of third party's opinion on investment decisions in equity at the Nairobi security exchange among 4th year Strathmore BCOM students. The study found out that the opinions from friends and relatives influence the investment decisions to a great extent.

5.2.4 Effects of herding on investment decisions

The objective of the study was to evaluate the effect of herding on investment decisions among 4th year Strathmore BCOM students. The study found out that herding behavior encouraged investment decision to a great extent. The study also found out that other investors' decisions

on buying and selling stocks had impact on investment decisions and that rational behavior end up in good investment decision. However, the respondent agreed to a moderate extent that herding behavior discourages investment decision and to the statement that irrational behavior end up in good investment decision to a moderate extent.

5.3 Conclusion

With regard to first objective, the study concludes that that the availability of disposable income, the prevailing market price per share and the general trend in stock price greatly affect the investment decision. The study also concludes that the investment decisions are also greatly affected by the prices of cross listed stocks and the general divided pay out. The study also concludes that the opinions from friends and relatives greatly influence the investment decisions. These factors are important during the decision making on which stock and in which sector to invest in among the students.

Pertaining the second objective, it was deduced that the information on firms' performance, share prices, dividend per share and on industrial performance do not influence the investment decisions among the student information. This study thus concludes that the investment decisions do not depend on the available information. The study holds that the investors may be using the information wrongly or that they do not deem the information as being important for their decision on which stocks to invest in.

Further in relation to the third objective the study concludes that third parties' opinions are a key consideration on the investment patterns among retail investors at the Nairobi Stock Exchange.

With regard to the fourth objective, the study also concludes that that herding behavior does not influence investment decision showing that, other investors' decisions on buying and selling stocks did not have an impact on retail investment decisions.

5.4 Recommendation

The study recommends that the Nairobi Stock Exchange will continue to incorporate software through which students can access and evaluate share price and dividend payments data from the listed companies.

5.5 Areas for further research

The study notes that while it contributes additional knowledge on how affordability, third parties' opinion, information and herding behavior influencing investment decisions in equity

stock among students in Strathmore, there are still opportunities for further research in the following areas. The study suggests the need for in-depth research on how the individual factors identified influence investment decisions. Further studies can also be conducted to investigate strategies that can be adopted to improve third parties' opinion and information to ensure better investment decisions for the growth of the NSE. Further research can also be conducted to ascertain better measurement tools for investment decisions concepts to enhance reliability of future research undertakings.

APPENDIX 1

Part A: General information

Please give your answers to each of the following questions

1. Kindly indicate your gender Male Female
2. Please select your age range 19-20 21-23 23-25

Part B: Stocks affordability and investment decisions

3. State the extent to which the following stocks affordability indicators affect your investment decision in stock. Rate the statements using a scale where 1 - No extent, 2 - small extent, 3 Great extent and 4 – very great extent

Stocks affordability indicators	1	2	3	4
Income of investor				
Buying prices				
Past price trends				
Price of cross listed stock				

Part C: Information and investment decisions

4. State the extent to which the following types of information influence your investment decisions on stocks where 1 - No extent, 2 - small extent, 3 – Great extent, 4 - very great extent

Type of information	1	2	3	4
Information on share price				
Information on firms performance				
Information on industrial performance				
Information on dividend per share				

Part D: Third parties' opinion and investment decisions

5. State the extent to which the following third-party opinion influences your investment decision in stock. Rate the statements using a scale where 1 - No extent, 2 - small extent, 3 - Great extent, and 4 – very great extent

Third party opinion	1	2	3	4
Opinion from relatives				
Opinion from friends				

Part E: Herding and investment decisions

6. State the extent to which herding influence your investment decision in stock. Rate the statements using a scale where 1 - No extent, 2 - small extent, 3 – Great extent and 4 – very great extent

Herding behavior	1	2	3	4
Other investors' decisions on buying and selling stocks have impact on investment decisions				
Herding behavior encourages investment decision				
Herding behavior discourages investment decision				
Rational behavior ends up in good investment decision				
Irrational behavior ends up in good				

investment decision				
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Part E: Investment decisions

7. Indicate your rating of the following investment decisions in your stock portfolio.
Where 1- very Unimportant, 2- Unimportant, 3- important and 4 - very important

Investment decisions	1	2	3	4
Invest in a single stock				
Invest in a variety of stock				
Invest in specific sector				
Invest in momentum stocks				
Invest in profitable companies				

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