

Abstract

The Kenyan equity market exhibits trends of over-subscriptions when it comes to applications for Initial Public Offers (IPO) in the recent years. Though the profit gains in IPOs are dismal in the short run and that majority of Kenyan retail investors are also short term, there still exists a market rush whenever there is an IPO issue, with some investors even going an extra mile to secure themselves extra allocation of shares from IPO issues. This research project discusses the factors affecting the Kenyan retail investors by addressing the following research objectives that is to: - develop a profile of sample Kenyan individual investor in terms of their demographics, identify the objective of investment plan of Kenyan investors, know the extent of financial literacy of Kenyan investors and identify the preferred sources of information influencing investment decisions in Kenya. An empirical review showing major research in the area of investors' behavior where factors like risk attitude, personality, time preference, goals and motivation amongst others have been documented by various scholars is undertaken. The study finally looked at measuring investors knowledge during IPO in Nairobi Stock Exchange. Descriptive research methodology was applied during this survey research study which involved interviewing the retail investors at NSE. The study sample of active retail investors at trading through licensed stockbrokers with the Nairobi Stock Exchange (NSE), to be drawn from. Data was analyzed using SPSS and presented using frequency tables and charts. The data analysis involved the initial steps of coding, editing and tabulation as a basis for further analysis. Majority of the investors reside in Nairobi town, indexing 80% and are mainly composed of male at 56% of the target population. A comparison of investors versus gender reveals that more men than women invest in stock market at 55.5%. Majority of investors and potential investors fall in the age bracket of 26-35 years recording 62%. It was observed that level of education plays a major role among investors with over 80% of the investors holding at least under graduate degree. The 13% non investment in the stock market was due to of lack of trading knowledge and funds while others are not well-informed about the functions of the stock market. Lack of confidence in the NSE was also another reason for not investing in shares. The study was able to establish investors feel that awareness is the most important factor before making any investment decision. Therefore the adoption of internet and mobile marketing and awareness program will enhance the public knowledge on IPO issues and investment at the stock exchange. This is not a role of one firm in an industry, partnership and government good will is important on this strategy. In general, it has been observed that women are more risk averse than men, the young are more risk seeking than the old, wealthier individuals manifest a greater willingness to invest in equities and the poor are risk averse. Access to information about the performance of companies was suggested to be the key element in stakeholder recognition of a companies share index performance . The Internet was increasing its importance since the web gives better and freer exchange of information from international sources. The study recommends that investment managers must always consider demographic factors when designing their investment schemes. It also recommends that adoption of internet and mobile marketing and awareness program will enhance the public knowledge on IPO issues and

investment at the stock exchange. Finally, the study recommends that the NSE to bring in stringent regulations and protect the retail investors from fraudulent and unhealthy practices in the market.