

**FACTORS INFLUENCING INDIVIDUAL INVESTOR BEHAVIOUR DURING
INITIAL PUBLIC OFFERS IN KENYA**

Ndirangu, Antony Wahome

Jomo Kenyatta University of Agriculture and Technology
School of Human Resource Development, Kenya
antonywahome@yahoo.com

Ouma, Barrack Otieno 

Mount Kenya University, Accounting and Finance Department, Kenya
barrackotieno@gmail.com

Munyaka, Felix Gad

Jomo Kenyatta University of Agriculture and Technology
School of Human Resource Development, Kenya
felixgad@yahoo.com

Abstract

Kenyan equity market exhibits trends of over-subscriptions during Initial Public Offer (IPO) in the recent years. Though the profit gains in IPOs are dismal in the short run and majority of Kenyan retail investors are also short term, there still exists a market rush whenever there is an IPO issue. Descriptive research design was applied during this survey which involved interviewing the retail investors at Nairobi Securities Exchange (NSE). The study established that investors feel awareness is the most important factor before making investment decision. Adoption of internet and mobile marketing and awareness program will enhance the public knowledge on IPO and investment at the stock exchange. 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 company's share index performance. Internet is increasingly important since the web gives better and freer exchange of information. Finally, Capital Market Authority (CMA) should put in place stringent regulations to protect retail investors from fraudulent and unhealthy practices in the market.

Keywords: *IPO, Nairobi Securities Exchange, Share Index, Retail Investors, CMA*

INTRODUCTION

Kenyans are expressing growing interest in investing in equities, especially shares, at the Nairobi Securities Exchange (NSE). Past Initial Public Offerings (IPOs) with more popular the Kenya Electricity Generating Company (KenGen) and Safaricom IPOs attracted massive subscriptions and huge financial investments. The country's capital markets marked a milestone with the injection of 10 billion additional shares through the Safaricom IPO. It is therefore important for Kenyans, especially the beginners, to understand the worth of investing long-term. The Capital Markets Authority (CMA), through its investor education campaign, has succeeded in increasing the level of participation in the capital markets by proactively engaging in outreach programmes. The emphasis, that has lifted the country's capital markets ranking to be among the world's best, now focuses on enlightening the investing public on a number of salient issues especially after the introduction of electronic commerce. This involves knowing the investment climate (French, 2008).

Initial Public Offering (IPO)

An Initial Public Offering (IPO), simply referred to as an "offering" or "flotation", is when a company (called the issuer) issues common stock or shares to the public for the first time. They are often issued by smaller, younger companies seeking capital to expand, but can also be done by large privately-owned companies looking to become publicly traded. In an IPO the issuer may obtain the assistance of an underwriting firm, which helps it determine what type of security to issue (common or preferred), best offering price and time to bring it to market. An IPO can be a risky investment.

Financial equity markets play an important role in the global economy. They present the public with an opportunity to be 'part owners' in major companies, as well as serve as a platform for flow of funds in the market from investors who have excess funds to the companies seeking for funds by offering the company shares. In the world over, investors have traded in the stock markets and for over 100 years and market investments trends are changing over time. Kenyan investors are still hooked on to the notion that the IPO issues are one of the best ways to invest (Loita, 2010). Since the KenGen IPO offer in 2003, the Kenyan equity market at large has experienced a phenomenal increase in subscriptions in IPO issues. The KenGen IPO performed well in terms of returns to investors, maybe even better-than-expected by the general Kenyan public and consequently investors since then have exhibited a keen interest into the equity market investments. Despite the subsequent not-so-good performing IPOs such as Safaricom, Eveready and Mumias, eminent risk of incurring losses is real but the average.

During the past years the global equity markets have been characterized by increased interest into IPO issues, with investors in the Kenyan market experiencing over-subscriptions

when it comes to IPO applications. From an investors' point of view, the IPO issues are an opportunity to maximize gains and profits as they penetrate into the equity investments. In reality however, the equity market is characterized by uncertainty and unpredictability, as market conditions cannot always be judged with the help of standard financial measures and tools. Market participants have for a long time relied on the notion of efficient market and rational investor behavior when making financial decisions. However, the idea of fully rational investors who always maximize their utility and demonstrated perfect self-control is becoming inadequate (French, 2008).

For a market to be efficient, investors need sufficient information in selecting their investment portfolios. However, a number of stockbrokerage firms have been rendered inadequate by the Capital Market Authority (CMA), while some such as Nyaga Stock Brokers and Discount Securities Limited have even been closed shop, yet these are the same kinds of firms that investors rely on to give expert advice on investment decisions. The recent IPO share issues in Kenya exemplify a situation which includes both unpredictability and irrational behavior. On average, the volume of shares traded under normal circumstances is Sh350 million, while during days of IPO issues and up to 2 months after the issues, the volume of shares traded stands at an average of 750 million indicating cases of over-confidence of investors during IPO share issues and cases of under-confidence in daily business non-IPO shares trading. The Kenyan investor confidence levels are to some extent shaped by their degree of fear of making losses from their investments and greed derived from miscalculated speculation to make quick money in the short term (IFC / CBK, 2009).

Investor Behavior in Stock Exchange Market

DeBondt (2000) enumerated generic factors which influence Investor behavior in any stock exchange market: - Investors demographic trends where a number of demographic patterns were identified. For example share ownership tends to be higher amongst men than women and tends to increase with age, income and educational attainment. A cross continental assessment revealed that in developed countries investor's demographics appear to be slightly different and may provide a set of factors that distinguish traditional investors from conventional investors. Capital appreciation was also a major factor influencing the behavior of investors where short term and long-term growth indicators are involved. For instance retirement plans investments have fewer individuals as compared to short term defined annuities. Access to information about the social performance of companies has been suggested as a key element in stakeholder recognition of a company's share index performance (Malkiel, 2003). The Internet is of increasing importance since the web gives better and freer exchange of information from international sources (Daily, 2005). Trade facilitators which help traders settling their trades are

known as Clearing Agents, Settling Agents, and Depositories and Custodians (Shiller 2000). Trading instruments can be organized into classes, such as real assets, financial assets, derivative contracts, insurance contracts, gambling contracts, and hybrid contracts (Shiller, 2000). Most of the behavioral finance literature focuses on financial assets, particularly on equities. In that sense, it is not surprising that most agent-based artificial financial markets are actually artificial stock markets. Furthermore, many agent-based models study only on one risky asset, while a more realistic approach should deal with multi-asset environments and the intricacies of correlations among them.

Malkiel, (2003) observed that investors are always interested in current income are most likely interested in stocks that pay a consistent and high dividend. Many people who pursue a strategy of current income are retired and use the income for living expenses. Other people take advantage of a lump sum of capital to create an income stream that never touches the principal, yet provides cash for certain current needs. He indicated that market models could predict investment decisions and completely change market prices in today's Kenyan financial markets. By understanding the human behavior and psychological mechanisms involved in financial decision making, finance models may be improved to better reflect and explain the reality in today's evolving markets.

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. Attitudes to risk change over time as needs alter and people's capacity to afford to lose varies. The evidence indicates fairly clearly that willingness to take financial risk decreases significantly among people who are retired or nearing retirement (Bhagat, and Rangan, 2004).

Problem Statement

The field of finance has been dominated by the traditional finance model (also referred to as the standard finance model) developed primarily by the economists. The central assumption of the traditional finance model is that people are rational. However, psychologists challenged this assumption. They argued that people often suffer from cognitive and emotional biases and act in a seemingly irrational behavior.

A more common understanding of factors underlying speculation and the way in which psychological factors affect decision making should help to avoid the mass market irrational investment behavior and enhance the efficiency of today's global market, The Kenyan economic model has never been successful in capturing a process driven in large part by non-rational behavior. The existence of such a phenomenon can in part be attributed to less-than-rational aspects of investor behavior and human judgment. However, the notion that such irrational

behavior exists is controversial since many of the experts such as fund managers who have the finest knowledge in investments, yet they are actively involved in the markets during IPO issues. Controversy lies as to whether these experts can be categorized as speculators. Never-the-less, which is what one apparently, would have to do if ones wish to attribute the market behavior to human error.

To the best of the knowledge of the researcher no study has been done in Kenya to document the factors that generally influence investor decisions in spite of the massive over subscriptions during IPOs. It would be interesting to establish whether investor decisions are influenced by fundamentals or heuristics. Thus the study will assess the factors influencing individual retail investor behavior during IPO share issues in Kenya.

LITERATURE REVIEW

The Efficient Markets Hypothesis

The efficient markets hypothesis (EMH) dictates that market prices fully reflect all available information (Fama, 1970). Efficient markets do not allow investors to earn above-average returns without accepting above-average risks (Malkiel, 2003). In order to reconcile the theory of efficient markets with behavioral finance, Lo proposes an alternative theory in which both can coexist – The Adaptive Markets Hypothesis (Lo, A., Repin, 2005). In this evolutionary model individual market participants adapt to changing environment by using heuristics. In other words, Lo provides us with a theoretical framework in which we could easily fit our conceptual model of the individual investor.

Behavioral Finance

A research into individual investors and their behavior has received a lot of consideration in the past, and increasingly has the interest of many scientists and economists. However, the particular way of looking at individual investor has been subject to a great paradigmatic shift with the inclusion of psychology, both its findings and its methodology, into financial studies (DeBondt, 2000). Despite many ongoing debates, this has slowly led to the establishment of behavioral economics and behavioral finance as widely recognized sub disciplines.

DeBondt (2000) adds that in social sciences, particularly economics, the term "Homo Economicus" has been used for a formal representation of an individual, who acts as a utility maximizer, given his preferences and other constraints. An economic man adheres to the axioms of rational choice theory. Even though this hypothetical construct has been useful in formulating economic theories and models, over the past decades psychologists and behavioral scientists have documented robust and systematic violations of principles of Expected utility

theory, Bayesian learning, and rational expectations – questioning their validity as a descriptive theory of decision making.

Furthermore, Jensen, (2003) to whom the term “bounded rationality” is usually attributed, has emphasized “the limits upon the ability of human beings to adapt optimally, or even satisfactorily, to complex environments”. Individual investors - who use heuristics, depend on framing of the problem, and are prone to biases, which in turn may lead to various anomalies at the market level - are subjects of research in the area of behavioral finance.

Agent-Based Artificial Financial Markets

Another novel approach to studying financial market dynamics, intricately related with studies on individual investor behavior and its computational implementations, comes from the area of computational finance as agent-based artificial financial markets, or more specifically, as artificial stock markets. Agent-based artificial financial markets can be either mathematical or computational models of financial markets, usually comprised of a number of heterogeneous and supposedly rational agents, which interact through some trading mechanism, while possibly learning and evolving (LeBaron, 2006).

These models are built for the purpose of studying agents’ behavior, price discovery mechanisms, the influence of market microstructure, the reproduction of the stylized facts of real-world financial time-series (for instance. fat tails of return distributions and volatility clustering). A number of reviews of studies with artificial financial markets are available, for instance; for computational models according to LeBaron, (2006) and for mathematical models (Hommes, 2006). Analogous methodology to agent-based modeling comes from the physical sciences as the Macroscopic Simulation - a tool for studying complex systems by simulating many interacting microscopic elements.

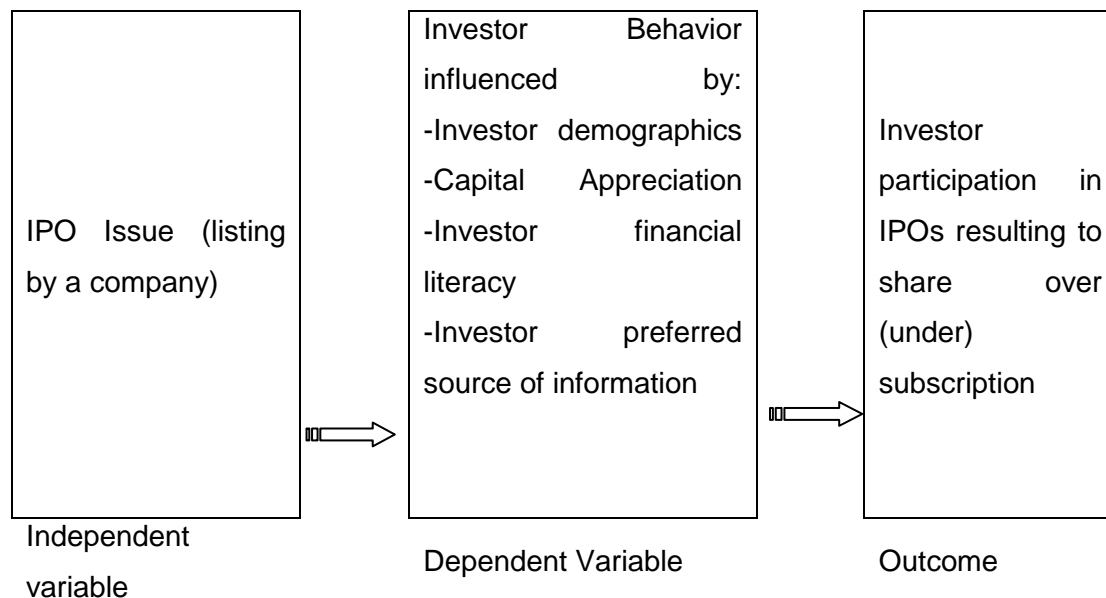
Despite many studies with artificial financial markets, not much attempt has been made to incorporate complex behavioral phenomena into agents’ behavior. These attempts may have been hindered by many reasons. Most notably, complex behavior implies highly parameterized models which are difficult to examine and that often lie beyond analytical tractability. However, an agent-based approach inspires us to seek for homeomorphic models (Jensen, 2003), that not only reproduce the stylized facts of real-world markets, but also achieve them through processes that are grounded on reasonable (psychologically plausible) assumptions, and resemble actual human behavior and realistic market mechanisms. “Agent-based models can easily accommodate complex learning behavior, asymmetric information, heterogeneous preferences, and ad hoc heuristics” (LeBaron 2006). It is far from the fact that everything is known about human behavior and cognition pertaining to the investment decisions, but as various fields progress to open up these black boxes, a methodology that can utilize such

knowledge may be given more opportunities in the future. The complementarity of behavioral finance research and the agent-based methodology is yet to be explored, as explained by LeBaron (2006).

CONCEPTUAL FRAMEWORK

An analysis and review of the background of the study and the problem statement it is evident that a single model may not throw light on the multiple behaviors of investors during an IPO issue. Therefore for ease of comprehension and measurement the following conceptual framework has been developed for the purpose of this study.

Figure 1 Conceptual Framework



Factors Influencing Individual Retail Investor

The factors influencing individual investor behavior resulting from the theoretical review will be highlighted; Investor demographic trends, objectives, financial literacy and preferred source of information.

Investors Demographic Trends

Studies of conventional investors show a number of demographic regularities. For example share ownership tends to be higher amongst men than women and tends to increase with age, income and educational attainment in developing countries (Ibbotson, 2005). For developed countries investors the demographics appear to be slightly different and may provide a set of factors that distinguish traditional investors from conventional investors. Some studies find that

developed countries investors tend to be younger (Jensen, 2003) and in addition they also tend to be better educated and female rather than male. Quantitative and qualitative research on demographic tendency carried out in the UK indicates that attitudes to investment risk depend on factors such as personality, circumstances, educational attainment, level of financial knowledge and experience, and extent of financial product portfolio (B.M. and Wurgler, J. 2007). Quantitative research carried out in the US identifies a similar range of factors, including income, wealth, age, marital status, gender and level of education (Akerlof, 2003).

One US survey (of faculty and staff working at a large university) found that a combination of education, financial knowledge, income and occupation explained the most between-group variability in risk tolerance. Even so, this model only explained about 22% of an individual's financial risk tolerance, suggesting that other factors might differentiate levels of risk tolerance more effectively, such as attitudinal or psychological factors. 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 (Bhagat, and Rangan, 2004). According to Bhagat and Rangan (2004) the evidence indicates fairly clearly that willingness to take financial risk decreases significantly among people who are retired or nearing retirement.

Psychological literature on investor's personality across different age groups has settled around a five-factor model (Digman, 1990): Extraversion, Agreeableness, Conscientiousness, Neuroticism, and Openness. Recent studies have examined a possible influence of personality traits on financial decisions, particularly in the context of daily traders. A study among profession traders (Homes, 2006) showed that successful traders tend to be emotionally stable introverts open to new experiences. Contrary to these results, (Lo, et. Al. 2005) found the lack of correlation between personality traits and trading performance. So, given the current inconclusive results, the link between personality traits and investment performance might still be far-fetched. However, the relationship between personality and risk attitude, time preference, investment strategies, or susceptibility to particular behavioral biases might be relevant for practical investment purposes - especially given the availability of various batteries for testing personality types, and given the stability of personality traits during a long period of a lifetime.

The link between personality traits and risk propensity has been fairly studied in the literature: sensation-seeking, a sub scale of the Extraversion dimension, was found to be highly correlated with most risk-taking domains, while overall risk propensity was higher for subjects with higher Neuroticism, Agreeableness, and Conscientiousness scores (Lo, et. Al. 2005).

Capital Appreciation

Capital appreciation is concerned with long-term growth. This strategy is most familiar in retirement plans where investments work for many years inside a qualified plan. However, investing for capital appreciation is not limited to qualified retirement accounts. This is an objective that will require the investor to hold the stocks for many years. An investor is content to let them grow within their portfolio, reinvesting dividends to purchase more shares. A typical strategy employs making regular purchases. One is not very concerned with day-to-day fluctuations, but keeps a close eye on the fundamentals of the company for changes that could affect long-term growth.

Investors Financial Literacy

Given its obvious importance, there is surprisingly little empirical evidence on the relation between financial literacy and stock exchange investments at the individual investor level. Derrien, (2005) investigated whether higher levels of financial literacy coincide with improved equity investment decisions. In particular, he examined how financial literacy affects the tendency to rely on actively managed stocks rather than passively managed companies in an event of an IPO issue of such a company. Various empirical studies show that expenses are a major determinant of share prices performance Gillan, et al. (2007). Thus, the study expected the expenses of funds selected by subjects with high financial literacy to be lower. Furthermore, the study analyzed the influence of financial literacy on the accuracy of the participants' return and risk estimates for their shares. Studies by, for instance De Bondt (1998), showed that subjects tend to be overly optimistic about the return and volatility of their investments and he argued that overly optimistic performance recollections of individual investors are one reason for the large amount of money still invested in actively managed funds, because these biased views of the past impede investors learning ability.

Sources of Information for Investors

Cornelli, (2004) examined the demand for information by individual investors. The results indicate the usefulness of annual reports to corporate shareholders. The results also indicate a strong demand for information about the companies' product and quality, and about the company's environmental activities. Furthermore, a majority of the shareholders surveyed also want the company to report on the performance of the equity share performance on daily basis, through company's website. Daily, (2005) investigated investor reaction to corporate event announcements. They concluded that investors appear to under react to prior information as well as to information conveyed by the event, leading to the different patterns: return

continuations and return reveals, both documented in long-horizon return. They found no support for the overreaction hypothesis.

Trade facilitators, when it comes to stock trading are those institutions that help traders to trade (Shiller, 2000). Exchanges provide forums for traders (dealers, brokers, and buy-side traders) to meet and arrange trades. At most exchanges only members can trade, while nonmembers trade by asking member-brokers to trade for them. Historically, traders used to meet at the trading floor, but now they meet via ECNs (electronic communication networks). At some exchanges traders arrange trades when they see fit, while other exchanges have order-driven systems that arrange trades by matching buy and sell orders according to a set of rules. OTC (over the counter) is trading that occurs outside exchanges, arranged by dealers and brokers.

RESEARCH METHODOLOGY

Research Design

According to Kumar (2005), research design can be thought of as the structure of research, it is the "glue" that holds all of the elements in a research project together. Research design can be described using a concise notation that enables us to summarize a complex design structure efficiently. Descriptive survey design was used in the study; the major purpose of descriptive research design was to describe the state of affairs as it is at present.

Population and Sampling

Population

According to Mugenda and Mugenda (2003), a population is a complete set of individuals, cases or objects with common observable characteristics. The study population was comprised of all retail investors at the NSE in existence at the time of study, that trade through the licensed stock brokers at the NSE.

Sampling Frame

On average the number of walk in walk out investors at the stock brokerage firms in a day is twenty. There are seventeen stock brokerage firms, therefore on average the total walk in walk out investors in the stock brokerage firms is 340 in a day. The researchers randomly selected five walk in walk out investors at each of the licensed stock brokerage firms.

Sample Size and Sampling Technique

The sample size for the study was 85 respondents. The sampling technique that was used was the simple random selection. It means that each investor in the sample study has an equal

chance of selection in the sample (Kumar, 2005). Hence the choice of one element is not dependent upon the choice of another element in the sample study.

Data Collection Method

Primary data was collected by use of structured questionnaires. The structured questionnaire is an efficient data collection mechanism particularly in quantitative analysis since each respondent is asked to respond to the same set of questions. The structured questionnaire was organized into four sections where each section focused on the individual research question of the study. The questionnaires were administered through personal interviews.

Validity and Reliability of the Research Instrument

In any research, reliability and validity are necessary conditions in order for the findings to find a wider appropriation and applications. The two concepts go together because reliability is a necessary precondition of validity (Cohen et al, 2000). Therefore, reliability and validity are indeed essential conditions to enhance the effectiveness of procedure of data-gathering process.

Validity refers to the extent to which the research instrument measures what it appears to measure according to researcher's subjective assessment (Kumar, 2005). It is the degree to which results from the analysis of the data collected represent the situation under study (Mugenda and Mugenda, 2003). Reliability on the other hand is a measure of the degree to which a research instrument yields consistent results after repeated trials. This implies that the instruments to be used in the research should be consistent with the research objectives. An instrument is said to be reliable when it measures what it is supposed to measure.

A pilot test was conducted with a randomly selected sample of twelve (12) investors from different stock brokerage firms and it helped to establish the validity and reliability of the questionnaire.

ANALYSIS & FINDINGS

Frequency of Investing

Table 1 One-Sample Test of frequency in which trading (selling and buying) shares

| Frequency of Investing | t | df | Sig. (2-tailed) |
|-------------------------|-------|----|-----------------|
| Every week | 2.582 | 16 | .020 |
| At least once a month | 3.771 | 16 | .002 |
| At least once a year | 2.708 | 16 | .000 |
| Only during IPOs issues | 4.243 | 16 | .001 |

From table 1, the frequency of investing have $p < 0.05$, the significance level for all investing frequencies has a p-value of 0.00. This shows that the frequencies of investing are all significance at $p < 0.05$ and hence investing frequency is one of the factors influencing individual investor behavior during IPO share issues in Kenya

Reasons for Investing in the IPOs Shares

Table 2 One-Sample Test of reason for investing in IPOs shares.

| Reasons | t | df | Sig. (2-tailed) |
|--|-------|----|-----------------|
| Dividends payouts | 2.703 | 28 | .012 |
| Shares are easy to sell | 1.440 | 28 | .016 |
| Shares do not need a lot of initial income | 1.440 | 28 | .016 |

From table 2, the reason for investing in IPOs shares have $p < 0.05$, the significance level for all the reasons has a p-value of 0.00. This shows that the reasons for investing are all significance at $p < 0.05$ and hence dividends payout, shares are easy to sell and do not need a lot of initial income these are the reasons that influence individual investor behavior during IPO share issues in Kenya

Investor Knowledge

Pattern of Investing or Trading

Table 3 Correlations of Pattern of investing or trading

| Pattern of Investing | behavior during IPO share | Sig. (2-tailed) |
|--|---------------------------|-----------------|
| Repeatedly invest or trade in same set of stocks | .928(*) | .043 |
| Invest or trade in variety of stock | .069(*) | .010 |
| Depends on other factors | .403(*) | .050 |

* Correlation is significant at the 0.05 level (2-tailed).

From table 3, Repeatedly invest or trade in same set of stocks pattern of trading have a very strong positive correlation of $(r=0.928)$ which is significant at $P < .05$, Invest or trade in variety of stock have a weak positive correlation of $(r=0.069)$ which is significant at $P < .05$, and depends on other factors have a positive correlation of $(r=0.403)$ which is significant at $P < .05$. This indicates that all the patterns of investing have a positive relationship with the Pattern of Investing or trading during IPO share issues in Kenya.

Diversity and Risk

Studies have concluded that when one spreads their money across a variety of investments to reduce risk, they are practicing diversification. According to Homes (2006), if one can choose the right groups of stocks to invest in, then one can even limit their potential losses without compromising their potential gains. 91% of investors are aware that when an investor spreads his money among different assets (diversities), he reduces the risk of losing money while 3% think otherwise. 6% think that diversifying investment has no impact on the risk of losing money.

Table 4 Coefficients of regression equation of Diversity and risk of losing

| Model | Diversity | B | Sig. |
|------------------------------------|---------------|--------|-------|
| 1 | (Constant) | 1.683 | 1.000 |
| | increase | -3.909 | 1.000 |
| | decrease | .387 | .036 |
| | stay the same | .613 | .019 |
| Dependent Variable: Risk of Losing | | | |

From table 4, Constant, increase have no significance effect on risk losing at $p\text{-value} = 0.05$ since their $p > 0.05$. Decrease and stay the same have a significant effect on risk of losing money or investment at $p = 0.05$ since their $P < 0.05$. This yields a regression equation shown below;
 Risk of Losing = $1.683 - 3.909 * \text{Increase} + .387 * \text{decrease} + .613 * \text{stay the same}$.

From the equation, decrease and stay the same have a positive effect on the risk of losing the money ,while increase have a negative effect because of its negative coefficient.

CONCLUSION

This study has several important contributions as it confirms studies done, Ibbotson (2005) which show a number of demographic patterns. For example share ownership tends to be higher amongst men than women and tends to increase with age, income and educational attainment in developing countries. This study also confirm this by comparing investors gender where more men than women invest in stock market The study also confirms that investors tend to be younger where majority of investors and potential investors fall in the age bracket of 26-35 years recording 64%.

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 company's

share index performance The Internet was increasing its importance since the web gives better and freer exchange of information from international sources.

It can be concluded that the modern investor is a young and adequately groomed person. In spite of the phenomenal growth in the security market and quality Initial Public Offerings (IPOs) in the market, the individual investors prefer investments according to their risk preference. Occasions of blind investments are scarce, as a majority of investors are found to be using some source and reference groups for taking decisions. Though they are in the trap of some kind of cognitive illusions such as overconfidence and narrow framing, they consider multiple factors and seek diversified information before executing some kind of investment transaction.

There are some limitations of this study. IPO studies can give contradictory results based on the periods in which they are studied and there is no one size fits all models in these studies. The study horizon of two weeks is rather short and perhaps a longer horizon of more than three months could be considered. Perception sometimes could be difficult to quantify and hence the study was not in a position to quantify this.

RECOMMENDATIONS

The purpose of this study was to determine factors influencing individual investor behavior during IPO share issues in Kenya whether the variables such as demographic characteristics (age, gender) and investment patterns could be used individually or in combination to both differentiate among levels of men and women investment decisions and risk tolerance. Therefore investment managers must always consider these factors when designing their investment schemes.

The study established that 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 addition, since the biggest part of share investor's fall in the age bracket of 26-35 years, creating platforms for marketing and trading of shares, through the internet, would be highly welcome into the market.

Finally, to enhance Kenyan investors it is the duty of the market regulator (CMA) to bring in stringent regulations and protect the retail investors from fraudulent and unhealthy practices in the market. Thus, a reform in the primary market is imperative towards vision 2030.

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