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# BEHAVIORAL FINANCE AND INVESTORS' STOCK INVESTMENTS DECISIONS IN WEST AFRICA: EVIDENCE FROM THE NIGERIAN STOCK MARKET

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***Abstract***

*This study titled "Behavioral Finance and Investors' Stock Investments Decisions in West Africa: Evidence from the Nigerian Stock Market" which aim to investigate the behavioral finance factors that impact stock investment choice of individual investors at the Nigerian Stock Market, which is one of the important fast developing markets in Africa. To carry out the study, (140) questionnaire from online respondents who are current investors in the Nigerian stock market was retrieved. Cronbach's Alpha was used to test the reliability of the instrument, and the Multiple Linear Regression analysis techniques were used to test the hypothesis. Results of the study showed that behavioral finance factors (Loss Averse, Overconfidence, and Risk Perception) have a significant impact on stock investment decisions of individual investors in Nigerian Stock Market, while Herding has an insignificant impact. It is recommended that future studies should take into thought the impacts of other behavioral finance factors that are excluded from this research work and to take a wide sample to affirm the momentum finding of this exploration.*

***Keywords:*** *Behavioral Finance, Herding, Overconfidence, Risk Perception.*

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## 1. Introduction

Studies of financial theories has been creating since a few a decade ago, these studies attempting to comprehend the soundness of investors in the budgetary markets by utilizing new models. The customary finance-related speculations have expected that when financial Investors take stock investment choices, they don't experience issues since they are all around educated, cautious, and steady (Abdulsaleh & Worthington, 2013; Chitra & Jayashree, 2015; Sadiq & Ishaq, 2014).

Current portfolio hypothesis and Capital Asset estimating Model accept that investors are not bewildered in regard to the size of data introduced to them and not constrained by their behavioral finance factors. Be that as it may, a few studies in the created capital markets found that numerous wonders in regards to stock investment decisions can't be clarified (Chitra & Jayashree, 2015). Financial Investors in capital resource trades, ordinarily taking a wide range of and significant choices, the most well-known are taking investment choices so as to boost their riches; others are thinking about looking for showcase timing strategies to expand their riches(Brahmana, Hooy, & Ahmad, 2012).

Interestingly, a few financial Investors are more hazard averter, so they are following stocks that generally have safe levels, simultaneously, different investors are tolerating high hazard stocks however, applying some expansion methods to control the unsystematic dangers. Therefore, contemplating the effect of behavioral finance of speculator on stock investment choices turned out to be significant; thus, investors infrequently relies upon the suppositions of the monetary hypotheses when they settled on their choices.

Consequently, the principal goal of this study is to investigate the behavioral finance factors impacting the stock investment decisions of individual financial Investors at Nigeria Stock Market as one of the developing business sectors in Africa; thus, a few studies had various outcomes in recognizing any of those components as the most powerful on stock investment choice in different markets. Our study considered the effect of the accompanying behavioral finance factors on stock investment choices: Loss *Averse* (evading misfortunes is a higher priority than procuring gains), Overconfidence (overestimate financial Investors data, think little of dangers, and misrepresent their capacity to control occasions), Herding (following the pattern), Risk Perception (person's appraisal of the natural hazard in a given situational issue), (Gunay & Demirel, 2011; Haddad & Al-Horani, 2011; Matoussi & Zoghlami, 2009).

### 1.1. Statement of the Problem

In the conventional budgetary hypothesis, investors are thought to be judicious when they are looking for riches augmentation, adhering to fundamental finance-related standards, their investment methodologies and choices are based on exchanging off among dangers and return (Baker & Berthoz, 1977). In any case, with regards to investing, their enthusiastic tendencies instilled thought designs, and mental inclinations (arrogance, Herding, lament) may influence

their objectivity (Ambrose Jagongo & Mutswenje, 2014). Appropriately, this study attempts to respond to the following questions:

- Do behavioral finance factors (Risk Averse, Overconfidence, Herding, and Risk Perception) influence the stock investment choices of individual investors in Nigeria stock market?
- What are the fundamental behavioral finance factors that may influence the investment decisions of individual financial Investors in Nigeria securities exchange?

**1.2. Hypothesis**

$H_{01}$: The behavioral finance factors (Risk Averse, Overconfidence, Herding, and Risk Perception) do not influence the stock investment choices of individual financial Investors in the Nigerian Stock Market.

**1.3. Significance of the Study**

The stock market of Nigeria is considered as one of the most significant developing business sectors in Africa since it has the greatest exchanging volume among every budgetary market the district, along these lines the Investors trusts that the consequences of the study will improve the creation of the choice of the individual investors through recognizing the most significant behavioral finance factors, which may influence their choices when they put resources into stocks. Additionally, to the data on the analysts, this study is the first in the securities exchange of Nigeria.

**2. Literature Review**

Behavioral finance is the study of the impact of brain research on the behavior of monetary professionals and the ensuing impact on business sectors (Sewell Jr, 2005). behavioral finance contends that some monetary marvels can comprehended utilizing models in which some speculator are completely objective, which imply that their investment choices are made by hazard and bring Considerations back. One of the renowned speculations was created by Harry Markowitz about arrangement investment portfolios and how financial Investors can pick portfolio resources with various hazard bring mixes back. In the course of the most recent years, portfolios administrators started to examine different ideas in such manner notwithstanding anticipated hazard and return, mental factors, for example, opinion, overcompensation,

presumptuousness and so on. Behavioral finance is the mix of mental and finance-related elements that examines what occurs in business sectors in which a portion of the financial Investors show human restrictions and difficulties. Consequently, brain research deliberately investigates human judgment, behavior, prosperity, and it can show us significant realities about how people vary (Sadiq & Ishaq, 2014).

In like manner, financial investor's behavior in stocks markets gets from mental standards of dynamic which clarify why investors purchase or sell stocks. (Sato, 2013) characterized behavioral finance as "A quickly developing zone that manages the impact of brain research on the behavior of budgetary professionals". Ricciardi and Simon (2000a) expressed that, behavioral finance endeavors to clarify and expand comprehension of the thinking examples of investors, including the behavior factors included and how much they impact the dynamic procedure (Ricciardi & Simon, 2000).

### 2.1. Behavioral Finance and Investment Decisions

Behavioral finance tries to discover how investor's feelings and brain science influence investment choices. It is the study of how individuals, when all is said in done, and investors specifically settle on regular mistakes in their budgetary choice because of their feelings. It is only the study of why, in any case, normal individuals take some truly thumbs investment choices. Dynamic is a procedure of picking the best choices among various other options. This choice has come out after an appropriate assessment of the considerable number of choices. Dynamic is the most intricate and testing action of financial investor s. Each speculator varies from the others in all perspectives because of different variables like segment factor, financial foundation, instructive level, sex, age, and race (Chaudhary, 2013).

### 2.2. Empirical Studies on Behavioral Finance

The behavioral models have been best in clarifying stock value abnormalities identified with overcompensation, under-response, energy techniques, grouping behavior, firm size impact and BV/MV proportion impacts. A few studies have been made in the field of the effects of finance-related practices on the investments choices of individual investors in various markets far and wide, so as to recognize the fundamental factors that may influence the dynamic procedure. (Hong & Stein, 1999) in their study featured two basic errors financial Investors make: unreasonable exchanging and the propensity to excessively clutch losing investments

while selling champs, they further that these methodical inclinations have their beginnings in human brain research. The inclination for people to be careless causes the first predisposition in quite a while and the human want to maintain a strategic distance from lament prompts the second. (Haddad & Al-Horani, 2011), in their study clarifies why financial Investors are probably going to be presumptuous and how this behavior inclination influences investment choices. They recommend that speculator carelessness can conceivably produce stock return energy and this force impact is probably going to be the most grounded in those stocks whose valuation requires the translation of equivocal data, They included that Portfolio methodologies that may be proposed by the pomposity hypothesis acknowledge incredibly high and diligent anomalous returns.

(Dreman & Lufkin, 2000) introduced proof in their study that financial Investors under and overcompensation exists and is a piece of the equivalent mental procedure. Chan (2001) found in his study that an enormous change in stock cost unsupported by the news on overage was trailed by a factually odd value pattern inversion throughout the following month, he likewise included that value pattern inversions frequently happen when a larger part of market Investors follow a similar investing methodology (purchasing or selling), unsupported by new data. Al-Tamimi (2005) contemplated the elements impacting the investors' behavior on the UAE finance related market, and the outcomes show that the six most affecting components arranged by significance were: normal corporate profit, make easy finance, stock attractiveness, past execution of the company's stock, government property and the making of the composed budgetary markets and the least impacting variables not out of the ordinary misfortunes and limiting dangers.

(Matoussi & Zoghlami, 2009) in their study attempted to recognize the primary mental predispositions that impact the Tunisian financial investor 's practices, and that may drive an energy impact in stock returns. They found that the Tunisian financial investor 's practices are driven by five mental components which are: safety measure, under certainty, conservatism, under advantage and educational feeling of inadequacy. A study by Ton (2011) broke down the inclination of financial Investors to acknowledge gains too soon and the hesitance to exchange losing positions. The study depended on the total exchange data of the Estonian securities exchange. The study found the nearness of the attitude impact (misfortune abhorrence) available as profoundly affecting the investment dynamic by securities exchange

financial Investors in this way strengthening the position that behavioral finance assumes a noteworthy job on the stock market.

(Abdulsaleh & Worthington, 2013), attempts to distinguish the principle of mental inclinations that may impact the speculation behavior and drive a force impact in (ASE). The outcomes indicated that mental variables that appear to exceptionally impact the investment behavior of Jordanian financial Investors are: self-attribution, crafty behavior, affectability to bits of gossip, imitating disposition and to a less degree presumptuousness. Passages and Khamis (2011) examined singular investors' stock exchanging behavior at the Amman Stock Exchange, Jordan. They distinguished four behavioral elements (age, instruction, availability to the web and cooperation between the financial investor and his/her dealer) that affected investors' exchanging choices. As per the creators, financial investor 's age, training, and his/her openness to the web had a critical and constructive outcome on stock exchanges, while the cooperation between the speculator and his/her representative, had an exceptionally huge and negative impact. Gunay and Demirel (2011), in their study reasoned that there is an association among segment and monetary behavioral factors in five of the budgetary behavioral factors (eruption, Grouping, subjective predisposition, nonsensical reasoning, and investment choices). They found that sex has cooperation with presumptuousness), and the degree of individual reserve funds has a collaboration with four of the budgetary behavioral factors (eruption, crowding, subjective predisposition, and nonsensical reasoning).

(Masomi & Ghayekhloo, 2011), in their study attempted to research the connection between crowd behavior and Monday madness, the fundamental finding of their study is that group behavior is the determinant of Investor's Monday mindlessness in Malaysian stock market, especially in little top enterprises, which implies that investors choices were influenced by mental inclinations, for example, the subjective cacophony in exchanging during Monday. A study by Abdulaziz (2013) discovered that "protections markets do generally exaggerate to gaining signals thereby influencing the securities exchange speculator" dynamic because of the eccentrics of the stock costs consequently compelling them into applying their own inclination in dynamic. This proof from the study is steady with the soul of the behavioral models.

Chitra & Jayashree (2015), In their study (Does Demographic Profile Create a Difference in Investor Behavior?). They found that dissimilar to the old-style account hypothesis, singular financial Investors don't generally act sanely while settling on investment decisions. Singular

financial Investors experience the ill effects of a few mental and enthusiastic predispositions; speculator behavior is liable to representativeness, conservatism, lament repugnance, value Anchoring and presumptuousness factors. Aside from these inclinations, based on segment factors, it is discovered that sexual orientation, age, instruction, and experience have communication with behavioral factors in investment decisions. Sadiq Ishaq (2014), in their study, reasons that there is a relationship between segment qualities and investors level of hazard resilience. The result shows that segment factors like financial investor ‘s age, scholarly capability, salary level, investment data, and speculation experience have a huge impact on the behavior of investors.

An as indicated by these definitions, the following theories will be underpinning the study variables:

### 2.3. Traditional Decision Theory

Financial theory accepts that financial Investors are judicious when they are settling on investment decisions. Speculation sanity alludes to utilizing fair, legitimate thinking to purchase or sell resources and construct portfolios (Chandra and Kumar, 2008). This fair-minded thinking is seen in the exchange off among hazard and return. All in all, a standard account choice accept that all financial Investors are riches expands (Masomi & Ghayekhloo, 2011). Old style choice hypothesis accepts that financial Investors has very much educated methodical choices, which are in their own personal circumstance, and acting in a universe of complete assurance and the hazard is estimated by the change of the likelihood dissemination of potential increases and misfortunes (March & Shapira, 1987).

The standard fund is commonly viewed as a distribution of "portfolio choice", Harry Markowitz (1952), depicted how objective financial Investors should manufacture portfolios to expand anticipated return and limits chance. Along these lines, hazard and return are the principle factors in investment choice (Farrell & Rabin, 1996). In like manner, the portfolio will be increasingly proficient in the event that it offers the best yield given a particular hazard or the base hazard given a particular return. (Masomi & Ghayekhloo, 2011) built up the Capital Asset Pricing Model (CAPM). He fused the Markowitz mean-change analyzer financial investor just as the idea of proficient markets. The CAPM accept that; Investors can obtain and loan at a similar financing cost, the hazard free rate; all investors are discerning in their choices

and make proficient portfolios; all investors' indistinguishable desires for investment income later on and all financial Investors are anticipating one holding period. Accordingly, the primary ramifications of the CAPM are; (1) The market Portfolio is mean-fluctuation productive; (2) The normal return is expanding the capacity of (beta is a Systematic hazard measure, catches the response of various individual protections or portfolios to changes in the market portfolio).

### 2.4. Behavioral Theory

It is contended that individuals are not so sound as conventional finance hypothesis makes out. For investors who are interested in how feelings and predispositions drive share costs, Behavioral Finance offers depictions and clarifications in such manner (Sewell, 2005). The possibility that brain research drives securities exchange developments goes against setting up hypotheses that advocate the thought that business sectors are productive. Advocates of productive market speculation state that any new data applicable to an organization's worth is immediately valued by the market (Dreman & Lufkin, 2000). Behavioral finance brain research has investigated different degrees of judiciousness and nonsensicalness behavior in which people and gatherings may acts (Ritter, 2003). Here are a few speculations with respect to the behavior of the financial investor which clarify the variables that influence his choices in the securities exchange:

#### 2.4.1 Regret Theory

In investing, the dread of disappointment can make financial Investors either hazard unwilling or spur them to take elevated levels of hazard, so this hypothesis manages the enthusiastic response for investors experience in the wake of acknowledging they have made blunders in their assessment and afterwards their choice, confronted with the possibility of selling a stock, investors become sincerely influenced by the cost at which they bought the stock (Forgel and Berry, 2006). In this way, they abstain from offering it as an approach to maintain a strategic distance from the lament of having made an awful investment, just as the shame of detailing a misfortune (Pompian, 2006). Lament hypothesis can likewise remain constant for financial Investors who locate a stock they had considered purchasing; however, didn't go up in esteem. A few financial Investors stay away from the chance of feeling this lament by following the

standard way of thinking and purchasing just stocks that every other person is purchasing, legitimizing their choice with "every other person is doing it" (Jagongo and Mutswenje, 2014).

### 2.4.2 Theory of Overconfidence

Overconfidence is another characteristic of investors that impact on financial investor choice and his hazard discernment, and it says that individuals by and large rate themselves as being better than expected in their capacities; they additionally overestimate the exactness of their insight and their insight comparative with others (Ricciardi and Simon, 2000). What's more, arrogance causes financial Investors to disparage dangers and exaggerate their capacity to control occasions (Ricciardi & Simon, 2000).

### 2.4.3 Over/Under Reacting Theory

It says that financial Investors get hopeful when the market recuperates. Despite what might be expected, financial Investors become very negative when the market goes in a downturn. An outcome of tying down, putting an excess of significance on late occasions while disregarding chronicled data, is an over-or under-response to showcase occasions which brings about costs falling a lot on awful news and rise a lot on uplifting news. At the pinnacle of good faith, speculator ravenousness moves stocks past their characteristic worth (Hong & Stein, 1999). Be that as it may, how does this behavior influence stock costs?

The appropriate response is that financial Investors who depend on the representativeness heuristic become excessively cynical about past washouts and excessively hopeful about past victors, and this case of heuristic-driven inclination makes costs go astray from key worth'. In particular, financial Investors blow up to both terrible and uplifting news. Subsequently, overcompensation leads past washouts to become undervalued and past victors to get overrated (Shefrin, 2001)

### 2.4.4 Herding Theory

Herd theory is the behavior of an individual surrenders his ruling for the gathering. The primary who is detailing this hypothesis as philosophical science is the English Biologist «Hamilton-Smith» in which he said: Every individual from a gathering that serves itself as a matter of first

importance as lessening the hazard by taking part in gathering and lead their behavior without speculation or planning». Group hypothesis is the monetary hypothesis relating to the stock market; the securities exchange is reflected by this hypothesis plainly particularly when declining markets or breakdown as investors get Hysterical selling out of dread of misfortune and the loss of their capital which called" crowd deal ".

A few papers utilize a factual proportion of Grouping set forward by (Abdulsaleh & Worthington, 2013). They characterize and measure crowding as the normal propensity of a gathering of cash supervisors to purchase (sell) specific stocks simultaneously, comparative with what could be normal if cash chiefs exchanged autonomously. While it is known as a crowding measure, it truly surveys the connection in exchanging designs for a specific gathering of brokers and their inclination to purchase and sell a similar arrangement of stocks.

### 2.4.5 Risk Perception

Is the emotional judgment that individuals make about the qualities and seriousness of a hazard. Hazard observation alludes to individuals' decisions and assessments of dangers they (or their offices, or conditions) are or may be presented to (Ricciardi, 2004).

## 3. Research Methodology

This study employed the survey research design in order to reproduce an extensive and exact picture of the stock market of Nigeria behavioral financing/investment choices(Ranganathan & Henley, 2008). Well-structured questionnaire was distributed to assess the behavioral financing/investment choices of Nigerian stock market. It ought to be noticed that the behavioral and dynamic nature of stock market of Nigeria investors is indispensable in downplaying how they work and therefore the decision of this sort of research plan which is significant in comprehension and deciphering behavioral finance patterns. Consequently, our study utilized a survey in endeavoring to locate the key behavioral finance factors that guide securities exchange investor's investment and budgetary choices in the stock market of Nigeria.

### Target Population and Sample

The target population of this study was all individual investors in the stock market of Nigeria Stock Exchange (NSE) in the year 2019, since the names or location of financial Investors in

the market are not accessible, the researchers shared the questionnaire link on investors' shared social media platform, and 140 responses were retrieved after six working days of the market.

## 4. Analysis

The data in this study were coded and tabulated. The data were analyzed using descriptive statistics and multiple regression.

### 4.1. Test Validity and Reliability

The researcher assesses the scales content validity by utilizing Cronbach's Alpha for the five factors, this measure permits us to quantify the unwavering quality of the various classifications and if the coefficient this measure allow us to measure the reliability of the different categories to be more than or equivalent to 0.6 is considered satisfactory (Sadiq & Ishaq, 2014). The outcomes indicated that the estimations of Cronbach's Alpha for the five factors are (Loss Aversion 0.672, Overconfidence 0.716, Herding 0.814, Risk Perception 0.693, and Investment Decision 0.755). When utilizing the consolidated develop validity coefficient, a scale is esteemed to be substantial if the Cronbach's Alpha surpasses the estimation of 0.7 ((Ranganathan & Henley, 2008). Since the general Cronbach's Alpha (0.76) surpassed the worthy base level, we can say the instrument was adequate and acceptable.

### 4.2. Descriptive Statistics

**Descriptive Statistics of Demographic Variables**

Table (1) summed up the financial qualities of the respondents in (NSE). As appeared in Table (1), 81.7% of investors in the market are guys, while 18.3% are female financial investor s. This outcome is bolstered the way that capital markets are here and there dangerous and ladies, for the most part, observed to be hazard disinclined. The age profile of respondent 's show that 38.3% of them were in the age classification of 18-under 30 years, 26.7% were in the age classification of 30 – under 40 years and 24.2% were in the age classification of 40 – under 50 years, which implies that 89.2% of respondents' age is under 50 years. The outcomes additionally show that 75.8% of respondents are exceptionally taught (41.7% Diploma, 25.8% Bachelor, 8.3% Master or PhD), while 18.3% of respondents have a secondary school and 5.8% have not exactly secondary school training. This outcome is coordinating the way that Nigeria considers being one of the most extravagant nations in Africa; consequently, it has the greatest

hold of oil on the planet. At long last, the study of the long periods of financial Investors experience which somewhat decides the experience of the investors' investment choice, shows that 33.3% of investors had under five years capital market understanding, with just 12.5% having over 15 years, while 54.2% of financial Investors have an understanding between (5 – 15 years). As (Sadiq & Ishaq, 2014; Sewell, 2007; Shefrin, 2001) stated, data on investors in budgetary markets and their past experience contribute a ton towards the hazard appraisal in different items.

**Table 1: Investors' Socio-Economic Characteristics**

| Demographic variable | Investors' Grouping (n=120) | Frequency | Per cent |
|---|---|---|---|
| **Gender** | Male | 98 | 81.7 |
| **Gender** | Female | 22 | 18.3 |
| **Age** | 18- less than 30 years | 46 | 38.3 |
| **Age** | 30-less than 40 | 32 | 26.7 |
| **Age** | 40- less than 50 | 29 | 24.2 |
| **Age** | More than 50 | 13 | 10.8 |
| **Education** | Less than high school | 7 | 5.8 |
| **Education** | Secondary | 22 | 18.3 |
| **Education** | Diploma | 50 | 41.7 |
| **Education** | Degree/HND | 31 | 25.8 |
| **Education** | Post Graduate degree (Master or | 10 | 8.3 |
| **Experience Years in** | Less than 5 | 40 | 33.3 |
| **Experience Years in** | 5- less than 10 | 37 | 30.8 |
| **Experience Years in** | 10- less than 15 | 28 | 23.3 |
| **Experience Years in** | More than 15 | 15 | 12.5 |

Table number (2) summed up unmistakable insights of the general methods and standard deviation of respondents to the inquiries quantifies the monetary behavioral variables (Loss Averse, Overconfidence, Herding, Risk Perception) and stock investment choice.

From Table 2, plainly people investors in (NSE) are described by; (1) Investors favour dodging misfortunes than getting gains (Loss opposed with M = 3.83, SD = 0.45). (2) Investors have great decisions and assessment of dangers which may be presented to (Risk Perception with M = 3.38, SD = 0.52). (3) Investors think they are more astute and have preferable data over they really do (Overconfidence with M = 3.12, SD = 0.79). (4) Investors don't have the inclination to copy the activities of a huge gathering independent of whether they would settle on the choice exclusively (Herding with M = 2.96, SD = 0.81). (5) They are eager to take investment choices in the market with (M = 3.38, SD = 0.52).

**Table 2: Overall Mean and Standard Deviation of Respondents to Questionnaire**

| Variable | N. of Questions | Overall Mean | Standard Deviation |
|---|---|---|---|
| Loss Averse | 6 | 3.83 | 0.45 |
| Overconfidence | 5 | 3.12 | 0.79 |
| Herding | 5 | 2.96 | 0.81 |
| Risk Perception | 6 | 3.38 | 0.52 |
| Investment Decision | 14 | 3.38 | 0.52 |

### 4.3. Hypothesis Testing

**$H_{01}$**: The behavioral finance factors (Risk Averse, Overconfidence, Herding, and Risk Perception) don't influence the stock investment choices of individual investors in the Nigeria Stock Market.

Table number (3) presents the aftereffects of various liner relapse trial of the impact of behavioral finance factors on the stock investment choices of individual financial Investors in (NSE). From table 3, the outcomes show that behavioral finance factors in (NSE) influence the investment choices of individual financial investor s; thus the f-value equivalent (12.23) with P value (0.000), R2 is (0.74) which implies that 74% of variety in stock investment choices of individual financial Investors clarified by behavioral finance of speculator.

The outcomes show that behavioral finance factors Loss Averse has (t = 3.86, Sig = 0.000), Overconfidence has (t = 4.320, Sig = 0.000), Risk Perception has (t = - 2.198, Sig = 0.042) are on the whole critical and influence the stock investment decisions of individual financial investor s, while Herding has (t = 0.112, Sig = 0.911) is unimportant and doesn't have any impact on stock investment choices. It's likewise noticed that Overconfidence has the most impact on stock investment choices of a financial investor with a coefficient (β = 0.38), at that point Loss Averse with a coefficient (β = 0.28) and Risk Perception in the last request of significance with a coefficient (β = - 0.19). Contingent upon the above outcomes, we acknowledge the elective theory that: The behavioral finance factors (Risk Averse, Overconfidence, Herding, and Risk Perception) have a critical impact on the stock investment decisions of individual investors in (NSE).

**Table 3: Results of (Multiple Linear Regression) of the Effect of Behavioral Finance Factors on Stock Investment Decisions in (NSE)**

**Regression Model Summary**

| Independent Variables | β | Std. Error | t | Sig | R | F | sig |
|---|---|---|---|---|---|---|---|
| Loss Averse | 0.28 | 0.064 | 3.860 | 0.001 | 0.740 | 12.23 | 0.000 |
| Overconfidence | 0.38 | 0.058 | 4.320 | 0.000 | | | |
| Herding | 0.08 | 0.056 | 0.112 | 0.911 | | | |
| Risk Perception | - 0.19 | 0.074 | - 2.189 | 0.042 | | | |

Significant at 1 %

## 4.4. Results

As indicated by the descriptive statistics insights of the sample study respondents; 81.70% of respondents are guys, and 18.30% are females, the greater part of them (89.20%) are under 50 years of age. 75.80% of respondents are exceptionally instructed (Diploma, Bachelor, Master and PhD). 65% of respondents have a month to month pay between (5000-15000R), and ultimately 54.20% of financial Investors have speculation experience between (5-15 years). Contingent upon the unmistakable measurements, we can infer that singular financial Investors in (NSE) are youthful, profoundly taught, rich contrasting with other nations in Africa and all around experienced in taking investment decisions. Likewise, the measurements show that; singular financial Investors incline toward maintaining a strategic distance from misfortunes than securing gains; have great decisions and assessment of risks which may be presented to; think they are more intelligent and have preferred data over they really do and don't have the inclination to mirror the activities of a huge gathering independent of whether they would settle on the choice exclusively.

As indicated by speculation testing, the outcomes show that Behavioral Finance of individual investors in (NSE) influence their stock investment choices; thus 74% of variety in investment decisions can be clarified by the finance-related behavioral components (Risk Averse, Overconfidence, Herding, and Risk Perception). This outcome bolstered the study consequences of (Abdulsaleh & Worthington, 2013; Chitra & Jayashree, 2015; Haddad & Al-Horani, 2011; A Jagongo & Mutswenje, 2014). Further, the outcomes show that behavioral finance factors; Loss Averse has a huge positive impact on the financial investor choice, which

implies when the speculator attempt to limit his misfortunes he abstains from putting resources into the stocks. This outcome is in accordance with study consequences of (Sewell, 2007; Shefrin, 2001); Overconfidence has a positive critical impact on the financial investor choice, which implies that speculator hand-off vigorously on his insight and involvement with taking investments choices. This outcome bolstered the study discoveries of (Masomi & Ghayekhloo, 2011; Ogunlusi & Obademi, 2019; Pompian & Wood, 2006; Sadiq & Ishaq, 2014); Risk discernment has a noteworthy negative impact on the speculator choice, which implies that financial investor evaluates dangers may be presented to, and on the off chance that he feels that putting resources into certain stocks will cause misfortunes, around then he will quit investing. This outcome bolstered the study finding of (Zoghlami and Matoussi, 2009). While the behavioral finance factor (Herd) has an unimportant positive impact on the stock speculation choice of people's financial investor s, which implies that, investors don't follow the activities of different financial investors in the market, and this outcome bolster the outcome referenced over, that investors in the (NSE) are Overconfident.

## 5.. Conclusion and Recommendations

This study attempted to investigate the impact of the behavioral finance factors on stock investment decisions of individual financial Investors in (NSE) as one of the fundamental developing markets in Africa. In this study, a survey has been worked to gauge the impact of behavioral finance factors on stock investment choice. One hundred and forty (140) survey questionnaires was retrieved from the shared link on the NSE investors social media platforms, and only (120) of the questionnaires was correctly filled out of the 140 completed for the study. Cronbach's Alpha was utilized to test the validity of the instrument, then the Multiple Linear Regression techniques were analyzed the data and to test the hypothesis. Results demonstrated that behavioral finance factors (Loss Averse, Overconfidence, and Risk Perception) have a huge impact on the stock choice of individual financial Investors in (NSE), while Herd has an insignificant impact.

It is prescribed for future studies to take in thought the impacts of others behavioral finance factors which are excluded from this research work and to take a wide sample to affirm the momentum finding of this exploration. Moreover, it is prescribed to take other monetary components which may influence the choice of financial Investors close to the behavioral finance factors in (NSE).

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