

A survey of psychological biases in investors decision among MBA students in school of business University of Nairobi Kisumu Campus, Kenya

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Abstract:

The purpose of this research was to determine the existence of psychological biases in investors' decision among investors in the University of Nairobi MBA students in school of business Kisumu campus. The major biases examined in this study were six namely, Availability bias, Representativeness bias, Disposition effect, Status quo bias, overconfidence bias and risk and loss aversion biases. The study focused on MBA students in the final stages of their study and preferably those specializing in finance. The research study adopted a survey design under the descriptive statistic approach. Purposive sampling technique was adopted in this study and was based on criterion other than sample representation. Self administered questionnaires were used to collect the primary data which were finally analyzed using descriptive statistics and cross sectional correlations employing the aid of statistical package for social sciences as well as Microsoft excel. The findings suggest that with regards to the high correlations between the biases in the demographic categories investors generally employ intuitive decision making techniques and may also find it easier to familiarize themselves with the behavioral biases knowing that one of them may result in inferior investment performances. The investors must therefore be aware of the known biases as possible, avoid them and consequently make appropriate investment strategies. In conclusion an investor can adopt certain intuitive decision making technique, and most likely accept others as well. This implies that sophisticated investors decisions are to some extent influenced by psychological biases and tend to behave in both consistently rational and intuitive manner. The findings established that biases exist moderately for sophisticated investors and as such make decisions in a consistent way in regard to stock market shares investments.

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