FACTORS INFLUENCING RETAIL INVESTORS INVESTMENT DECISIONS IN KENYA'S BALANCED FUNDS

BY

JANE WANGARI NJIRU

MASTER OF SCIENCE IN COMMERCE (FINANCE & INVESTMENTS)

KCA UNIVERSITY

2019

FACTORS INFLUENCING RETAIL INVESTORS INVESTMENT DECISIONS IN KENYA'S BALANCED FUNDS

JANE WANGARI NJIRU

A RESEARCH DISSERTATION SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF MASTER OF SCIENCE IN COMMERCE IN THE SCHOOL OF BUSINESS & PUBLIC MANAGEMENT AT KCA UNIVERSITY

OCTOBER, 2019

DECLARATION

I declare that this research proposal is my original work and has not been previously published or submitted elsewhere for the award of a degree. I also declare that this research proposal contains no material written or published by other people except where due reference is made, and author duly acknowledged.

Student Name: Jane Wangari Njiru-Luchiri Reg. No: KCAU 16/05097

Sign……. Date……

I do hereby confirm that I have examined the master's dissertation of Jane Wangari Njiru and have approved it for examination.

Sign…… Date……

Dr. Michael Njogo
Dissertation Supervisor

ABSTRACT

The collective investment schemes industry has had a steady growth in Kenya growing from an assets under management of 13Bn in Dec 2009 to 61Bn in March 2019. However, 78% of the retail investors have placed their funds in the money market fund despite availability of other funds with potentially higher returns like the balanced fund with a 7% return per share. The purpose of this study was to establish the factors influencing retail investors' investment decisions in Kenya's balanced funds**.** The study was guided by the following objectives; to determine the influence of fund performance, fund manager's reputation, risk perception and management expenses on retail investors' investment decisions in Kenya's balanced funds. To achieve the research objectives of our study, descriptive research design was adopted and primary data was collected using a questionnaire. The target population was 1,210 retail investors who had invested in Balanced Funds with 6 fund managers licensed by CMA in Kenya. Using stratified sampling technique, a sample of 10% translating to 121 retail investors was selected. Data was analyzed using descriptive statistics and multiple regression analysis with the help of statistical package for social sciences (SPSS). Data analysed was presented using tables, pie charts and graphs. The regression results revealed that fund performance, fund manager's reputation and risk perception have a significant positive effect on the investment decisions among the retail investors while management expenses has a significant negative effect on the investment decisions among the retail investors. Thus, investors should consider fund performance, fund manager's reputation, risk perception and management expenses while making investment decisions in Kenya's balanced funds. Fund managers should continuously improve on their skills and knowledge to always generate high returns on the balanced fund through efficient asset allocation. Lastly, Fund managers must consider the changing perceptions, especially risk perception of investors while launching new products as this will significantly help towards growing the mutual funds industry.

ACKNOWLEDGEMENT

I wish to express my gratitude to my project supervisor Dr. Michael Njogo, for the guidance, timely feedback and patience while coming up with this research Study. I thank God for the strength granted this far. I also extend my gratitude to my family and friends for the support they have given me.

TABLE OF CONTENTS

DEDICATION

The project is dedicated to my husband, parents and friends and family for their continued encouragement, support and prayers throughout the study period.

LIST OF TABLES

LIST OF FIGURES

ACRONYMS AND ABBREVIATIONS

AMC	ASSET MANAGEMENT COMPANIES
AUM	ASSET UNDER MANAGEMENT
BAMC	BRITAM ASSET MANAGEMENT COMPANY
CIS	COLLECTIVE INVESTMENT SCHEMES
CMA	CAPITAL MARKETS AUTHORITY
CRSP	CENTER FOR RESEARCH IN SECURITY PRICES
EFAMA	EUROPEAN FUND AND ASSET MANAGEMENT ASSOCIATION
FMC	FUND MANAGEMENT COMPANIES
FSMA	FINANCIAL SERVICES AND MARKETS ACT
MPT	MODERN PORTFOLIO THEORY

OPERATIONAL DEFINITION OF TERMS

Balanced Fund Investopedia describes a balanced fund as a unit trust with a mix of different securities, including stocks, bonds and money market funds, aimed at achieving a higher return while leveraging portfolio risk.

CIS A collective investment scheme (CIS) is an investment fund used for collective investment by investors where their money is invested on a pooled basis by an investment manager in return for a fee. (FSMA 2000)

Financial Advisor This is a professional who reviews the financial needs of individuals with the aim of helping them with investments decisions (such as stocks and bonds) while at the same time assisting them plan for short-term and long-term goals, such as education, vacation or weddings among other expenses. They further make recommendations on which investments match the clients' goals.

Fund Manager A fund manager is responsible for implementing a fund's investing strategy and managing its portfolio trading activities.

Fund Performance Mutual fund performance is the gain measured over a specific period of time made on an investment portfolio. Which may have a single asset or multiple assets.

Heuristics Simple rules of the thumb which explain how people make decisions, arrive at judgments and solve problems when faced with complex situations or in cases where the available information is incomplete. (Gitau, Kiragu and Kamau ,2018)

Investment Decisions An Investment decision is the process through which an investor chooses to buy or sell a financial asset Stewart (1996). It is also described as the process by which investment alternatives are compared and a selection made (Sidney, 1970)

Portfolio	A portfolio is a grouping of financial assets such as stocks, bonds, commodities, currencies and cash equivalents, as well as their fund counterparts, including mutual, exchange-traded and closed funds. (Investopedia)
Prospect Theory	Kahneman and Tversky (1979) further demonstrated that an investor will feel the pain of financial loss more than they would feel the pleasure of a financial gain of the same amount. This will then result in a risk averse behavior or risk avoidance that is inconsistent to the expected outcome.
Reputation	This refers to the opinion that people in general have about someone based on past behavior or character.
Retail Investors	An individual who purchases securities such as mutual funds, balanced fund, government bonds and equities in much smaller amounts than institutional investors for their own personal account. (InvestingAnswers.Com)
Risk perception	Refers to people's subjective judgments about the likelihood of negative occurrences such loss of savings normally as a result of pas experiences.

CHAPTER ONE

INTRODUCTION

1.1 Background of study

Investment decisions is the process made by investors in selecting investments channels from among various investment vehicles. Virlics (2013) notes that investments are made to gain a profit and can be in the form of a fixed investment e.g. a building or monetary investment such as equities or government securities. A retail investor, also known as an individual investor, "is a non-professional individual who buys and sells securities or mutual funds through a fund manager or online brokerage firms for their own personal accounts is relatively smaller amounts as compared to institutional investors like pensions, endowments or mutual funds" (Hayes 2019). Investment decisions made by investors and investment managers have over time been influenced by the return, risk factors, flexibility, capital appreciation, safety and liquidity of the investment (Nelima & Chandra, 2016).

Growth in the financial markets has seen an influx of numerous investment vehicles available to retail investors. These investment vehicles can be categorized into low risk and high risk. Low risk vehicles include bank deposits and bonds while high risk vehicles include stocks, options and futures (Nelima & Chandra, 2016). Mutual funds are pooled investment vehicles created to hold investments on behalf of the beneficiaries of the trust (usually called unit holders). In Kenya today, the most common funds are; Money Market Fund, Equity Fund, Hybrid/Balanced fund and Bond Fund.

Data from the Investments Company Institute (2014), shows that as of 2013 the US accounted for 50% of the world's mutual fund industry while Europe and Asia accounted for 31% and 11% respectively. Africa on the other hand accounted only for 0.5%. A report by EFAMA (2016) further showed that 40% of worldwide investment fund assets were held in equity funds, 22% in bond funds, 18% in balanced funds and 12% in Money market fund. In the US, as at the fourth quarter of 2016 the balanced fund asset share was 7% of total

assets, while in the UK it has 14%. China and South Africa had 24% and 55% respectively.

Nelima and Chandra, (2016), studied various factors that affect mutual fund selection with balanced fund being among the funds studied. These factors include but are not limited to fund performance record, fund manager reputation, minimum initial investment, expense ratio among others. The study findings revealed that fund performance record was the most important variable followed by fund manager reputation and minimum initial investment was the least important.

Mburu (2016), gives an indication of the minimum investment set by fund managers for investors to invest in the balanced fund. He mentioned that Zimele Asset managers set a minimum of Ksh 250 while Genghis has a minimum of Ksh 500. Old Mutual on the other hand has set a minimum of Ksh 50,000 for the balanced fund while Britam Asset Managers has Ksh 10,000 as the minimum investment amount.

1.1.1 Retail Investors Investment Decisions

Kannadhasan (2015) defines a retail investor as an individual who purchases securities such as mutual funds, balanced fund, government bonds and equities in much lesser quantities than corporate investors for their own personal account. Vista Capital, (2008) found that in as much as retail investors were familiar with investments, a good number of them were not familiar with balanced funds as an investment product. Mahungu (2019) suggests that retail investors should make investment decisions that have a good mix of investments in different asset classes so that if one of their investments does not do well, it can be covered by a good performing investment in different asset classes. Retail investors can make investment decisions on whether to buy, hold or sell the available investment securities.

Mittal and Vyas, (2008) stated that investors have certain reasoning and emotional weaknesses which come in the way of their investment decisions. They note that over the past years, behavioral finance researchers have often shown that investors do not always act reasonably but have behavioral proclivity that at times lead to systematic error in the way they process information from different sources for investment

decision. Researchers for years have tried to group investors on the basis of their relative risk tolerance and the type of investment they make. Researchers also suggest that factors such as age, income, education and marital status affect an individual's investment decision. Individual investors differ from institutional investors when their investment profiles, investment horizons and the amount of funds channeled on an investment venture.

The traditional theory of finance assumes that investors act rationally on the quest of maximizing their returns, and that they follow the theory of risk and return in determining which ventures to spend money on. Consistent with traditional theories, economic theory affirms that active investors in investment industry are rational and objective in the decision-making process. However, various researchers who have examined investor behavior especially fund managers are for the view that biasness and emotions cloud the investors' judgement, and often negate the rules of rational economic decision making. Investors are in fact irrational and are largely influenced by behavioral factors that introduce biasness in their decisions.

1.1.2 Balanced Funds in Kenya

The balanced fund best suits those investors seeking both current income and capital growth with a medium risk appetite. Mburu (2016) suggests that the kind of fund an investor chooses to invest in will depend on their level of risk appetite. For an investor with a low risk appetite seeking return and capital preservation the money market fund would best fit them. A recent report from CMA (2017), indicates that most Kenyans have invested in the money market as opposed to the balanced fund. This may suggest that majority of Kenyans have a low risk appetite with their main investment goals being capital preservation and liquidity. Total unit trusts AUM as at September 2017 was at KES 56 billion.

In Kenya, the CMA has licensed 24 fund manager, 15 of them operate the balanced fund with investments standing at Ksh 2.4b. Based on how the balanced fund is structured, it should ideally generate

higher returns than the money market funds as it has a component of equities which given favorable economic conditions, should give high returns. However, due to the non-favorable economic conditions in Kenya, the equities markets have not been performing well, (NSE equities statistical reports) hence the balanced funds returns tend to be lower than the money markets. This coupled with the fact that the balanced fund is of a slightly higher risk appetite, the number of investors in the balanced fund in Kenya is low.

All licensed mutual fund companies in Kenya offer the option to invest in multiple types of mutual funds which offer different types of financial investments. Mutual funds in Kenya fall into six main categories. There is the Money Market Fund which is made up of short-term treasury bills and bonds, cash deposits and accounts. There is also Fixed Income Fund which invests in securities that give specific returns on specific dates i.e. treasury bills, bonds and cash deposits. Balanced Funds are also used to invest in a diversified portfolio of shares; Bond Fund invests in government and corporate bonds and Managed Fund pools. The investment objective of Balanced Fund in Kenya is to give investors a reasonable level of current income and long term capital growth. This would be achieved by investing in a wide spread of equities and fixed income securities available in the market and suits retail investor's needs. Balanced Fund exposes investors to all sectors of the market.

1.2 Statement of the Problem

As at the end of the fourth quarter of 2016, 40% of worldwide investment fund assets were held in equity funds, 22% in bond funds, 18% in balanced funds and 12% in Money market funds (EFAMA, 2016). In the US, as at the fourth quarter of 2016 the balanced fund asset share was 7% of total assets, while in the UK it was 14%. China and South Africa had 24% and 55% respectively. Kenya on the other hand, CMA quarterly statistical bulletin for 2017 indicates that the balanced fund had a share of 7% while Money Market, Equity Fund and Bond Fund had 78%, 12% and 2% respectively. In addition to the low penetration rate of mutual

funds in Africa,0.5% global market share (ICI,2014), majority of studies have focused on the quantitative aspect of the industry i.e. performance, risk and return. There is limited literature in Africa on the qualitative aspect or the psychological factors affecting investment decisions in the CIS industry. Behavioral finance and how it influences to the CIS industry has not seen significant research in Africa yet it would help explain retail investors and how they relate to investments and their investment decisions. "Behavioral finance examines psychological and sociological factors that affect decisions when individuals making investment decisions" (Divanonglu and Bagci,2018).

While studies on traditional finance are quantitative in nature e.g. measures risk using beta and standard deviation, behavioral finance on the other incorporates a qualitative aspect by looking at both subjective and objective factor, (Ricciardi, 2008). Awan and Arshad (2012) further suggest other attributes such as human capital, taxes, capital appreciation, diversification effect also influencing investor investment decisions. Shikuku (2010), while investigating the "effects of behavioral factors on investment decisions making by unit trust companies in Kenya", adds that heuristics, overconfidence and anchoring are behavioral factors that significantly influence investment decisions in unit trusts.

To be able to grow their AUM and remain competitive in the market it is important that fund managers understand investor behavior. The knowledge of investor behavior places them in a position where they are able to anticipate investor needs and align the fund's investment goals to that of an investor, (Imtiaz 2013).

Kimeu, Anyango and Rotich (2016) concludes that investment decisions are subjective to changes over time and further studies as time progresses are critical to ensure that the best investment decisions are made by both retail investors and fund managers.

This study will investigate the factors influencing retail investor investment decisions in Kenya's balanced fund and bridge the knowledge gap in behavioral finance in the CIS industry in Kenya by contributing towards a broader understanding of psychological factors influencing retail investors investment decisions.

The findings will help fund managers better understand retail investors behavior hence assisting them to expand the CIS industry by growing the balanced fund through aligning its attributes to investor needs.

1.3 Objectives of the Study

1.3.1 General Objective

To establish the factors influencing retail investor investment decisions in Kenya's balanced fund.

1.3.2 Specific Objectives

i. To determine the influence of fund performance on retail investor investment decisions in Kenya's balanced fund.
ii. To evaluate the influence of fund manager reputation on retail investor investment decisions in Kenya's balanced fund.
iii. To investigate the influence of management expenses on retail investor investment decisions in Kenya's balanced fund
iv. To probe the influence of risk perception on retail investor investment decisions in Kenya's balanced fund

1.4 Research Hypotheses

i. Fund performance has no significant influence on retail investor investment decisions in Kenya's balanced fund.
ii. Fund manager's reputation has no significant influence on retail investor investment decisions in Kenya's balanced fund.
iii. Management Expenses have no significant influence on retail investor investment decisions in Kenya's balanced fund.
iv. Risk perception has no significant influence on retail investor investment decisions in Kenya's balanced fund.

1.5 Significance of the study

1.5.1 Fund Managers

A broader understanding into the factors influence investor investment decision in Kenya's balanced fund will help the fund managers better evaluate as well as know and predict investor needs hence placing them in a position where they remain competitive by matching fund investment strategies to those of their clients and ultimately achieving a better penetration rate. The Fund Manager is guaranteed to benefit from a higher penetration rate since they will be able to increase their AUM and further increase their profits through higher management fees.

A fund manager may be assuming that an investor values fund performance record more than risk. This study will help the Fund Manager be more aware of what really matters to an investor and therefore focus their resources and skill to ensure that their investor needs are met.

1.5.2 Regulator

This study will also benefit the regulator and in extension the government. A better understanding of the influence of these four factors will help the regulator come up with regulation that will go towards protecting what matters to the investor most. Not knowing what an investor's uses to make an investment decision limits the regulator as to the extent to which they can make laws to protect them. This study of the balanced fund factors will bridge that gap.

1.5.1 Retail Investors

With the fund manager able to anticipate the investor needs, they will be likely to achieve a higher penetration rate into the balanced fund hence helping the more investors enjoy the benefits of investing in the balanced fund which include but are not limited to diversification of risk, steady income over a long period of time, since the balanced funds investments goals mostly look to the value and growth factors of the financial assets

rather than making huge gains overnight and minimum capital requirement among other benefits.

1.6 Scope of study

This study focused on the investor investment decisions in Kenya's balanced fund. In as much as the mutual fund industry has grown; the balanced fund has not seen a good number of investors buy into it. It currently has a share of only 7% in the market, yet the fund is less risky compared to the equity fund and has a steady income achieved over a long period of time. Behavioral finance has made significant impact in the finance field helping understand how psychological factors affect decisions. This study will therefore focus on understanding the influence of psychological factors on investment decisions in the balanced fund by studying how fund performance record, fund manager's reputation, management expenses and risk influence the investor's investment decisions in Kenya's balanced fund.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviews studies from other researchers on effects of Fund Performance, Fund Managers Reputation, Management Expense and Risk on investment decisions in Kenya's balanced fund. The chapter will cover theoretical framework, empirical and conceptual framework.

2.2 Theoretical Review

Theoretical review will be reviewing various behavioral finance theories under which the study will be founded upon. The researcher will review literature on herding theory, regret theory, prospect theory, rational choice theory, modern portfolio theory and heuristic theory.

2.2.1 Efficient Market Hypothesis Vs Behavioral Finance

Fama (1970) developed the theory of Efficient Market Hypothesis which states that the prices in the market always reflect all available information and as such no investor can predict a positive return on a stock/unit price leading to extra profits than other investors. Yildirim (2017), however, compared EMH to behavioral finance noting that the while both theories assume that investors get all available information in the market at the same time, behavioral finance goes further to state that psychological factors come into play such that investors interpret and understand this information differently due to different experience, culture, judgment, needs and perceptions.

Sayed et al. (2012) viewed efficient markets as markets where prices become not predictable but random such that no investment pattern can be discerned. A planned approach to investment, therefore, cannot be successful. He however pointed out examples in practical life where investors outperformed the market. Warren Buffett for instance, focused on undervalued stocks and thus outperformed the market with his active

strategy.

Titan (2015) while reviewing literature on EMH noted occurrences of contradictory conclusions. His review of Fama et al, (1969) revealed the conclusion that after release of certain information to the market, abnormal returns were recorded in the first 3-4 months after announcement.

Gupta, Preetibedi and Poonamlakra (2014) argue that the assumption of EMH that all individuals can have access to available information is flawed. They argue that from a theoretical point of view it is possible for all investors to access information on investments but in reality this is not practical since, first information circulates through different news channels e.g. websites, blogs, radio and TV that people have access to at different times and second people are not competent to accurately monitor and analyses markets. Behavioral finance on the other hand considers psychological factors of investors such as emotions, biases, and illusions hence they are irrational and second, it emphasizes that markets are inefficient.

Causi (2017) notes that while behavioural finance takes into consideration the psychological aspect of investments by analysing and showing how emotions can influence the investment decisions of individuals, studies on markets efficiency on the other hand focus on trends in the prices of the financial assets by looking at how fast and accurate information impacts, positively or negatively, the prices of financial instruments. Consistent with other literature he noted that the theory of efficient markets assumes that the investor is rational and has complete information that allows him to maximizes his expected utility.

Inadequacies in EMH have been replaced by the emergence of behavioral finance. Behavioral Finance studies the impact of human behavior on investing decision making. While focusing our study on how behavioral finance influences investment decisions, we will rely on the EMH theory as a base for what an investor can expect as compensation for taking risk by investing to get a return. While EMH emphasizes that no investor can outperform the market, we investigate how through behavioral factors an investor is able to outperform the market by through analyzing the extent to which risk, management expenses, fund manager's

reputation and fund performance influence their investment decisions.

2.2.3 Prospect Theory

Prospect theory was developed by Kahneman and Tversky (1979) who analyzed decision making under risk and found that investors make investment decisions by evaluating investment value in terms of profit and losses, rather than the final wealth level. They further argued that, unfortunately it is prevalent for investors to view these gains and losses while in an emotional or psychological mindset that further taints their ability to make realistic decisions. They further demonstrated that an investor will feel the distress of financial loss more than they would feel the pleasure of a financial gain of the same amount. This will then result in a risk averse behavior or risk avoidance that is inconsistent to the expected outcome. This loss avoidance can make investors to avoid investment opportunities that are more profitable in the long run just because they have retuned losses in the short run.

Lowies and Hall (2016) while looking at how emotions influence investment decisions observed that emotions may be manifested negatively as a feeling of regret or positively as a feeling of satisfaction both of which can lead an investor to make right or wrong investment decisions. They concluded that emotions do indeed influence the investment decisions of investors in either a positive or a negative way.

Velumoni (2017) states that prospect theory presents investment decisions as subjective, influenced by the investors' values rather than objective where investors are rational and calculate the risk and return carefully. He further notes that prospect theory incorporates regret aversion where investors will tend to avoid accepting investment mistakes and realizing losses by holding onto investments that are loss making. According to Schran (2013), regret begins to occur when an investor sees the value of an investment as dependent on both what he gains and what he could have gained had he chosen in a different way. Further to this. Van de Ven and Zeelenberg (2011) were of the opinion that investors are regret averse and would rather forego a direct material gain to prevent possible future regret.

Kramer, (2012) observed that investors tend to be hesitant in risk taking when there is a chance of making a profit and risk seeking for losses. In choosing between a guaranteed profit and a gamble that would potentially give a higher expected value, individual investors tend to choose the guaranteed gain. In choosing between a guaranteed loss or gamble with an equal economic loss, investors tend to prefer the chance.

When the prospect theory was applied to the Indian investment market by Chandra & Kumar (2011) they noted that investors preferred holding onto risky stock positions in the hope that prices will improve resulting to recouping of losses.

For a balanced fund investor, the fund performance factor in choosing the balanced fund plays a critical role in his choice. While a fund manager sells the fund to an investor, the focus should be on the gains made by the fund over a specified period. This is because according to the prospect theory, an investor will most likely put their money where they know the performance has been positive rather than negative over a period of time. The prospect theory is important for this study as it will be reference point for the researcher on retail investor behavior when it comes to the factors that influence their investment decisions significantly.

2.2.5 Modern Portfolio Theory

Harry Markowitz introduced the analysis of the portfolios of investments in his article "Portfolio Selection" published in the Journal of Finance in 1952. He suggested that rather than an investors examining investments individually and binding up portfolios using different financial assets, the investor would be better placed to make the optimal invest decisions when they consider how the financial assets returns relate to each other. Markowitz demonstrated how it might be possible to maximize on return on the portfolios by considering the correlation between the returns between the different financial assets.

While discussing modern portfolio theory as an investment tool, Omisore, Yusuf and Nwufo (2012) state that "investment portfolio theories guide the way an individual investor or financial planner allocates

money and other capital assets within an investing portfolio". They however conclude that the modern portfolio theory assumptions and direct correlation of risks and returns were identified as significant flaws.

Kierkegaard, Lejon and Persson (2006) state that MPT recommends that's fund managers and financial advisors diversify their assets in a portfolio with the aim of maximizing returns at given risk levels or at at a minimum generate the same results at a lower level of risk level. They further suggest that it is important for the mutual industry players ie the fund managers and financial advisors to understand how to use MPT to create portfolios that best align with investor's wishes and risk tolerances. It is also important that fund managers understand the drivers of portfolio risk and return so that they can know how best to manipulate these drivers for the maximum benefit of their clients. (Kierkegaard et al., 2006).

Jones (2015) observed that stocks are generally associated with high return. However, this comes with high risk leaving an investor exposing himself to too much risk. Bonds on the other hand are have moderate returns and lower risk. With this in mind, he further states that according to modern portfolio theory an investor can combine both stocks and bonds hence increasing his chances of getting a reasonable return at a relatively lower level of risk. In summary MTP encourages asset diversification to manage expected return at acceptable levels of risk.

Jones (2015) further notes that critics of modern portfolio theory believe that making investment decisions based on expected return and acceptable risk levels is not enough as this ignores additional benefit that would arise from market analysis and trends. Another critic of MPT, Rani (2012) notes that, yes there are many different reasons investors will want to invest in funds, growing their money being the ultimate motivation. However, basing an investment decision solely on return and risk is not sufficient and going by the fact that investors will diversify their investments by investing in different funds goes to suggest that there are other factors, in addition to return, and they must be considered.

Consistent with literature on MPT, Peter, Muli and Muema, (2017) note that the financial needs of an investor and risk factor should be the guide in determining among various options the type of a portfolio they would consider as viable for investment. For this, as advocated by the modern portfolio theory, a good sense of risk-return relationship between a given portfolios is important.

While trying to understand the relationship between fund managers reputation and investment decisions in the balanced fund, the MTP theory will form a basis that will help understand the importance to a retail investor of fund managers abilities in asset allocation and how well they understand their client financial needs so as to create a portfolio that best meets the investor needs.

2.2.6 Heuristic

Kahneman (2011) described heuristics factors as "simple rules of the thumb which explain how people make decisions, arrive at judgments and solve problems when faced with complex situations or in cases where the available information is incomplete". According to Shah and Oppenheimer (2008), heuristics are "mental short cuts" that simplify the decision making process making it easier for investors to make investment decisions. Heuristic factors include representative, availability, gambler's fallacy, overconfidence, anchoring and judgment; Representative heuristic occurs when an investor makes an investment decision based on familiarity i.e. if they previously know some aspects or factors. (Hilbi and Pohl, 2008), Availability which is when a decision is made when the information needed to make the decisions is easily available (Redelmeier, 2005), Epley and Gilovich, (2006) define anchoring and judgment where decisions are made after negotiations. Offers and counter offers are made between parties and eventually a decision that the investors considers will maximize their gain, Overconfidence heuristic occurs when an investor makes an investment decision to invest in one alternative that they are wholly familiar with despite the existence of a more justifiable alternative. (Jordan and Miller, 2008). For example, making an investment in debt instrument of a local company as

opposed to a debt instrument for a multi-national given that the investor is unfamiliar with it Dietrich (2010).

Marsden, Veeraraghavan and Ye (2008) also describe heuristics as a way in which investment decisions making are not made based on normative statistical analysis but through simplify complex tasks of assessing subjective probabilities.

Sarin and Chowdhury (2017) state that in as much as heuristics help in decision making they do not guarantee optimal solutions. However they can still be relied on for some accuracy that would otherwise be achieved from complicated decision rules useful in difficult decision making circumstances. On the other hand, Sarin and Chowdhury (2017) further suggest that complex decision rules involve gathering of information that may at times take long time resulting in delays and high costs, therefore it is simply acceptable to sacrifice decision quality by choosing a simpler, fast, and less expensive selection criteria.

Shabarisha (2015) notes that investors at times make investment decisions by trial and error and this leads to the development of rules of thumb. However in reality investor investments decisions based on the rule of thumb are not always rational because the investors have not collected the relevant information and objectively evaluated but have relied on the mental and emotional factors instead. He further notes that occasionally using the mental and emotional factors may be excellent, but many times it may result in poorer decision outcomes.

Contrary to supporters of heuristics, Bazerman & Moore, (2008) not that heuristics have produced good decisions severally. This they determine by observing that organizations that have created efficient ways for managers to dealing with complex problems through representation or anchoring have been successful. They however caution that heuristics can also lead managers to steadily make biased judgements leading to biases results.

While studying the factors influencing retail investor investment decisions in the balanced fund the

theory of heuristic will give us a broader understanding of relationship between the independent variables and investment decisions and further support the argument that behavioral finance continues to significantly influence decision making in the mutual fund industry.

2.3 Empirical Review

The objective of this section is to review available and relevant literature on the factors under study that influence retail investors investment decisions in balanced fund in Kenya.

2.3.1 Risk Perception and Investment Decisions

In his study on driving forces of investment decisions in mutual funds, Sindhu (2013) defines "risk perception as the way in which investors view the risk of financial assets, based on their concerns and experience, but not necessarily on objective data". Using a sample of 900 individual investors in Kerala invested in mutual funds, they collected both primary data collected through a questionnaire and secondary data from books and publication of various mutual fund organizations , he concludes that risk perception of investors is a significant factor that impacts the investment decisions confirming his research hypothesis that there exists a positive relationship between risk perception of investors and investment decisions.

Sindhu and Kumar (2014), while analyzing the influence of risk perception of individual investors on their investment decisions used descriptive and explanatory methods for their study. They further used both primary and secondary data and observed that the decision-making behavior of an investor is affected by their perception towards risk further indicating that different investors think differently about risk and associate differently with it hence resulting in making decisions differently. Additionally, they determine that mutual fund investors understand the principle that the higher the risk the higher the return and in addition the individual investors also know the value of having a diversified portfolio. In conclusion Sindhu and Kumar (2014) recommended that Asset Management Companies should consider the changing risk perceptions of

investors while launching new products and this would help them to capture a larger mutual fund market.

Nosic and Weber (2010) used descriptive statistics to evaluate how different investors take risks. By studying risk attitudes, risk perceptions and overconfidence they note that an investors intuition about financial risk can better be relied on when making investment decisions than mathematical measures such as variance and standard deviation. An investigation into "the influence of risk perception, risk tolerance, overconfidence, and loss aversion towards investment decision making" by Ainia and Lutfi (2018) revealed that the higher the level of perception of a person's risk, the lower the opportunity for the person to allocate funds to high risk assets indicating a negative relationship between risk perception and investment decisions. They used a sample of 400 workers in Surabaya and Jombang who were sent questionnaires. The data was analysed using Partial least square -Structural Equation Model.

Riaz and Hunjra (2015) while looking at how risk perception plays a mediating role in investment decisions, used a questionnaire and structural equation modelling found that in as much as risk perception is a subjective factor, it plays a significant role in selecting the best option among various available investment decisions. As such, investigating the extent to which it influences investment decisions in the balanced fund in Kenya will assist Fund Managers improves on their product and customer delivery services.

Deb and Singh (2016) carried out a study on the "Impact of Risk Perception on Investors towards their Investment in Mutual Fund" by analysing 252 bank employees in Tripura. Using both secondary data (from newspapers and magazines) and primary date collected through a questionnaire they found that an inverse relationship between risk perception and investment decisions in the mutual fund. In addition, consistent with other literature, they define risk perception as is the way in which investors think about the risk of an asset, based on their concerns and experience.

Researchers generally agree that there is a negative relationship between perception and decision making However, there are some inconsistencies about their relationship as some are of the opinion that

objective data on risk is more reliable than risk perception.

2.3.2 Fund Manager's reputation and Investment Decisions

Berk and Green (2004) define the mutual fund managers' reputation "as the market belief over the fund manager's ability".

To gain a better understanding of investment decisions made by investors in the NSE, Shihundu (2009) used a structured questionnaire to collect information from a sample size of 50 investors and observed that a fund manager's reputation ranked highly in investment consideration. He further concluded that investors choose stocks based on qualitative criteria rather than the traditional quantitative analysis leading to investment decisions. Consistent with this is Sindhu (2013), analyzed risk perception, investment attitudes, fund characteristics and fund manager's reputation using a sample of 900 individual investors in Kerala invested in mutual funds, they collected both primary data collected through a questionnaire and secondary data from books and publication of various mutual fund organizations and observed that investors were equally concerned with fund reputation or brand name as much as they were concerned with fund performance record, initial investments among other variables when making investment decisions.

In a study on "the role of mutual fund Family reputation in investment decisions" by Gerken, Yates and Starks (2012) note that mutual funds can be considered as experience goods where reputation of a fund provides a signal of fund quality which is an important attribute for an investor investment decision. Analysis of secondary data from database of mutual fund holdings in the US by Gerken, Yates and Starks revealed that investors do value fund reputation.

A study conducted by Donnor and Oxenstierna, (2007) on "the factors that investors value while choosing mutual fund" on Swedish market, a two part quantitative study was applied. One part analyzed data on fund characteristics while the second part looked at the investors' subjective reasoning and opinions on factors they considered relevant in their decision-making. They then discovered that the reputation of a fund

manager and their ease of access were more valued by inexperienced investors. An inexperienced investor lacks adequate knowledge and skill to determine which investment option is best. As such, they highly rely on a fund manager with a good reputation as this gives them the much needed confidence while trusting them with their money. The case for experienced investors was however different since they valued fund specific attributed and that a fund manager has good competitive position in a market.

Dhar, Salema and Saha (2017) wanted to identify the factors that affect mutual fund buying behaviour of individual investors in Dhaka city. Using a structured questionnaire and a sample of 103 respondents they analysed the data and determined that among other factors, fund manager's reputation was an important consideration for investors in the mutual funds. They further recommend that fund managers competing for investor funds should note that potential individual investors will go for the most attractive fund manager in terms of reputation and fund.

In consideration of the above review of various literature, we can confidently conclude and expect a positive relationship between the flow of funds in the balanced fund and the reputation of the Fund Manager.

2.3.3 Management Expense and Investment Decisions

Baber, dean, and Zheng (2005) analyze fees charges by fund managers affect the growth or otherwise of the mutual funds. Using secondary data from CRSP mutual fund data base, they analyze fees charged over several decades using time series regression. A look at how investors consider initial fees, commissions and operating expenses revealed that investors make investment decisions without fund operating expenses significantly influencing their purchase decision further supporting this by documenting a weak positive relation between operating expenses and fund purchases. They however recommended that investors cannot ignore a fund's operating cost ratio when buying a fund since the lower the expenses the higher the net return and the higher the expenses the lower the net return.

While examining how investors choose a mutual fund among various options, Wilcox (2003) put

together a group of investors and through a conjoint experiment notes that investors consider two key elements to influence the relative performance of mutual funds; ability or otherwise of a fund manager to allocate assets that will generate superior return and the second element being the management expenses charged to a fund. Considering that the ability of the fund manager to allocate assets well is not guaranteed, then ultimately the management expenses charged determined the fund's long-run relative performance. Wilcox (2003) therefore concludes that investors should be keen on the fee structure when making a fund selection. However, he further notes that based on various academic research, investors are not very keen or alert to management expenses charged as much as to past-performance while making fund selection.

In an extensive review of empirical literature in relation to selection criteria used by investors, Campenhout (2007) observes that fund expenses lower the net return to investors and they also don't convey immediate information on fund manager's skill and knowledge and the benefits of the fund e.g. the rate of return. As a result, investors shy away from funds with high expenses hence emphasizing on the negative relation between total fees and flows.

Rompotis (2014) investigated factors that affect performance, expenses ratios and flows using a sample of Greek equity funds between 2002 and 2005.Through descriptive statistics and regression analysis, he concludes that that fund flows and expenses are negatively related adding that the findings are as expected as most investors are cost averse and look for the highest return which is usually affected by the expense ratio. The management fee structure by a fund manager is important when making investment decisions in the balanced fund. This notion is further supported by the publication by international organization of securities commissions .FR09/16 (2016) which stated that investors who are active participants in balanced fund are always keen on the fees charged by fund managers based on the asset classes they have interest in as it affects the overall return and structure of the fund.

Ngode (2013) carried out a study on "behavioral biases on the mutual fund choices by investors in

Kenya" collecting data using a questionnaire and analyzing it using SPSS and finding that despite operating expense ratios being disclosed to investors, many investors overlook these expenses. In the study he notes that investors are less attracted to funds that have high fees whether intial or operating. This however is usually not as important as other factors like fund performance. He further suggests that since mutual funds with low operating expenses mean that the investors will earn a higher net return than mutual funds with high operating expenses, ignoring the expenses aspect of a fund will be counterproductive. Ngode (2013) study was inconclusive on how fund fees affect investor investment decisions and hence recommended further studies be done to determine how the fees affect how mutual fund investors make their fund choices.

In consideration of the above review of various literature, we can confidently conclude and expect a negative relationship between the flow of funds in the balanced fund and the fund expenses.

2.3.4 Fund Performance and Investment Decisions

A mutual fund's performance is expressed in terms of its total return, which is the difference between an investor's initial/principal investment and the value of investment after a defined period. While studying factors that affect fund performance of Greek equity funds between 2002 and 2005, Rompotis (2014), determines that funds' performance has a positive relationship with the flow of funds. However, when viewed against expenses the noted a negative relationship with performance. This indicates that high expenses will result into low performance. Hence fund managers with high expense ratios will have low return and attract less AUM.

An extensive review of literature by Mulder (2010) on a wide range of factors that determined investments flows in mutual funds reveals that investors would respond to good returns more than they would respond to bad return. This is to say that investors would buy more into mutual funds with good returns than they would into mutual funds with negative returns.

Wilcox (2003) used a group of investors to carry out a conjoint experiment aimed at examining to how

investors choose a mutual fund among various options. While noting that existing research shows that past performance has little to no ability to predict future returns, he finds that that past performance is very important to consumers in investment decisions. This he says is because as behavioral finance would explain, investors will always tend to focus more on information that is easily available and simple in the event that they are faced with complex options. In addition, while analyzing short term vs long term investors, Wilcox (2003) determines that that consumers short term investors pay more attention to past performance than long term investors do.

Raastus (2012) adopted descriptive research to investigate 11 fund managers engaged in balanced fund. His goal was to determine the effect of behavioral factors on investment decision making process by this group of fund managers. Using semi structured questionnaires to collect data and descriptive statistics, correlation analysis and SPSS he then analyzed the data collected from the fund managers. The results revealed that investment decisions by retail investors in the balanced fund are influenced by past performance of the fund and confidence the market. Herding behavior was also proven to be uncommon in the decision making process. However, Berk and Green (2004) argued out why past performance should not predict future performance They argued that a good fund manager should be able to generate excess return active portfolio management and a good understanding of economic players.

Consistent with empirical reviews, while examining the factors influence Malaysian investor to invest in mutual fund, Shafee (2018) distributed a questionnaire to 250 investors and potential investors, of which only 200 responded, and used SPPS to analyze the data. He found that past performance and diversification had a positive and significant impact on mutual fund investment decision making.

Nair,Sai and Pravitha (2015) find that prospective retail investors analyze past performance of mutual funds by looking at the NAV prices. This information, they established, is obtained from various sources among them “brokers, financial consultants, financial institutions, internet, TV channels and

magazines/newspapers". The conclusions made by them were drawn from carrying out descriptive statistics analysis on the data collected through a questionnaire from a sample of 200 mutual fund investors from two different cities in India.

We finally observe that based on earlier related research work we can expect a positive relationship between fund performance and investment decisions in Mutual Funds.

2.4 Conceptual Framework

Conceptual Framework as defined by Regoniel, (2015) is a researcher's map demonstrating how the particular variables in his study connect with one another. Thus, it identifies the independent variables and the dependent variable required in the research investigation. We will look at some of the variable as intervening variables whereby they sort of mediate relationships between two other independent variables. Risk and fund performance record, management expenses and reputation of the Fund Manager will be looked as intervening variables. On the other hand, we will also look at moderating variable which reduce the effect of another independent variable on the dependent variable. In this case fund performance record, management expenses and fund manager reputation will be considered as Moderating Variables.

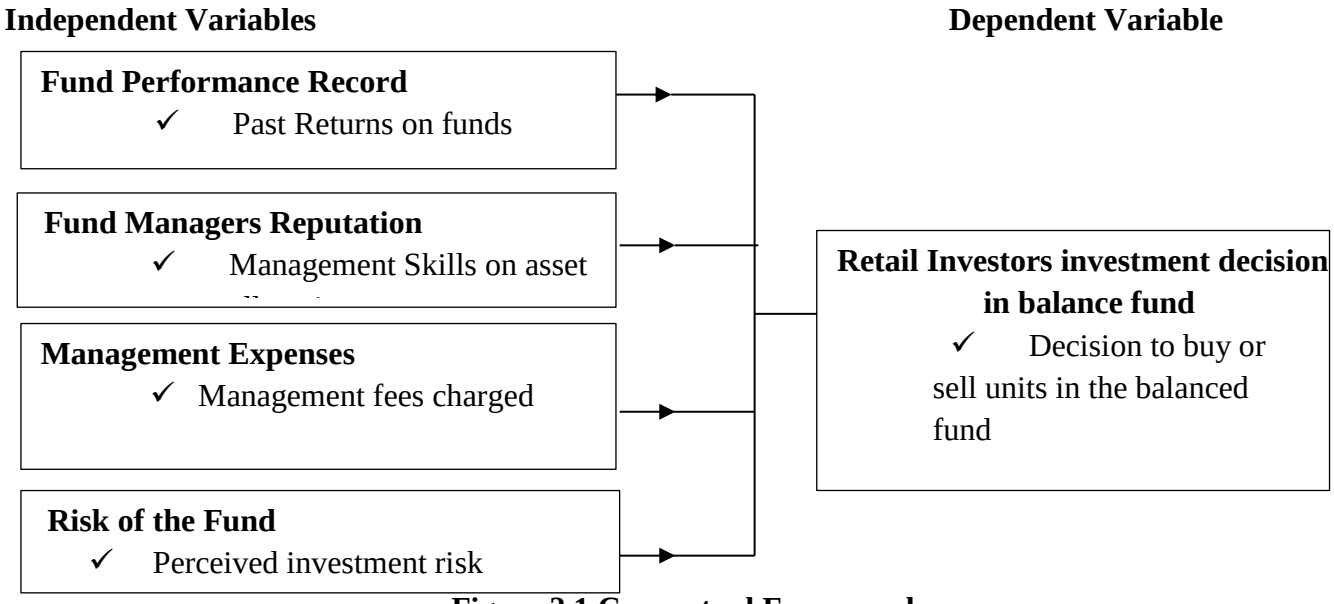


Figure 2.1 Conceptual Framework

2.5 Summary of Literature review

Studies have shown that risk plays a significant role when investors are making investment decisions. However, there are inconsistencies on whether investors determine level of risk from objective data or from subjective factors e.g. risk perceptions. For instance, Klos et al (2005) determine that risk perception of an individual investor is more reliable influencer of investments decisions than other risk measures e.g. probability and standard deviation. However, Hoffman, Post & Pennings (2015) find that investors are aware of risks associated with their investments since their actual risk on portfolios positively affects their risk perceptions. The study will allow us to determine the significance of actual risk on investment decisions and determine whether risk perception is of less importance than actual risk.

While Baber, Dean, and Zheng (2005) documented a weak positive relation between operating expenses and fund purchases, inconsistent with this is Rompotis (2014) who concludes that that fund flows and expenses are negatively related. This study will determine the extent to which management expenses influence investors investment decisions.

Fredrickson (2016) , in support of MPT concludes that diversification is key benefit that balanced funds offer. The equity portion of balanced fund aims to generate strong returns, while the bond portion's is important as it controls risk by reducing the volatility that comes with equities. He concludes that diversification keeps investors from overthinking and over analyzing the underperforming elements of the portfolio.

Most literature is in support of the positive relationship between fund manager's reputation and investment decisions with Sindhu (2013) observing that investors were equally concerned with fund reputation or brand name as much as they were concerned with fund performance record, initial investments among other variables when making investment decisions.

Raastus (2012) observed that investment decisions by retail investors in the balanced fund were

influenced by past performance of the fund and confidence the market. In addition, Rompotis (2014), determined that funds' performance has a positive relationship with the flow of funds.

Finally, most researches in Africa and locally have focused on quantitative studies that explain how investors make decisions based on quantitative factors of risk and return. However, these studies have been inadequate in explaining the psychological factors affecting investors when making investment decisions. The goal of this study is to add to the wealth of knowledge on in the behavioral finance and specifically on how it affects the CIS industry and help fund managers know how to best structure the balanced fund to meet changing client needs and get more investors in. This understanding of investor behavior is supported by Nelima and Chandra (2016) who state that "Unless mutual fund schemes are tailored to the changing needs, and the AMCs understand the fund selection behavior of the investors, survival of funds will be difficult in future".

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

Research methodology is the strategy that was applied by the study in order to collect and analyze information and come up with conclusions about the factors that influence investors in their Mutual Fund Selection in Kenya.

3.2 Research Design

Research design as described by Regoniel (2017) is the strategy that the researcher uses to guides them on the best approach to use so as to achieve the objectives of research. The strategy, he says "details the procedure and instruments for data collection, how the variables associated with the phenomenon should be measured, and the statistical analysis to be applied to the data obtained".

Kothari (2010) classified into three basic categories: quantitative, qualitative and mixed methods research. For a quantitative research, theories are tested using numbers then analysed using statistical techniques. Qualitative process of enquiry on the other hand aims at gaining a better understanding of a social or human problem from multiple perspectives.

This study was qualitative as it sort to understand investor behavior when it came to investments and adopted descriptive research design to evaluate the factors influencing retail investor's investment decisions in Kenya's balanced funds.

Descriptive research helps to correctly and analytically describe a populace. It assists to answer queries relating to the what, when, where and how aspects of the population under study. A descriptive research design can use a wide variety of quantitative and qualitative methods to study one or more variables (McCombes,2019). Considering that the population under study was a large number of investors over a large geographic area, descriptive statistics allowed us to be able to collect as much data as possible. In addition, it

was useful in this study as it allowed the researcher to explore relationships between the four independent variables and the dependent variables. A questionnaire was used as the survey instrument to assess thoughts and opinions of retail investors investing in the balanced fund in Kenya.

3.3 Target Population

As defined by Fraenkel, Wallen and Hyun (2012) a target population is the entire group of individuals or objects that is the focus of a study. They further emphasise that for a research to make, and generalize, an accurate statements about the target population, he must clearly define it very well such it is very easy for any random individual to determine with confidence if or otherwise a particular unit of analysis is a member of this population.

For this study, we randomly selected 6 fund managers out of the 24 fund managers licensed by the CMA to operate the CIS based on size of AUM from the June 2019 quarterly CMA statistical bulletin. We then obtained the total number of retail investors in all the funds and subsequently obtained the number of balanced fund investors in each which then constituted our target population that would facilitate our study of factors influencing investment decisions in the balanced fund in Kenya.

The table below shows the number of balanced fund investors for each of the selected 6 fund managers.

Fund Manager	**No. of Retail Investors Clients**	**Balance Fund Clients No.**
Britam Asset Managers Ltd	6,687	218
Co-op Unit Trust	835	75
Commercial Bank of Africa Unit Trust	695	67
Genghis Unit Trust Funds	1,800	320
Nabo Africa Funds	850	212
Old Mutual Unit Trust Scheme	4,758	318
Total	**15,625**	**1,210**

3.4 Sample size and Sampling Technique

Kothari (2010) defines a sample as a collection of units selected from the universe as a representative. While larger sample are deemed to be more representative of the population scores, Kothari (2010) further suggests that the sample should not be too large or too small. Fraenkel et al., (2012) extensively discuss the question of "what constitutes an adequate, or sufficient size for a sample". The suggest that for a population of 1,000 a sample of 2 or 3 percent would be too small and it represents on 2% of the population. A sample size of 250 representing 25% would on the other hand be too large given the amount of time and effort the researcher must put into obtaining it. They therefore recommend that for descriptive studies a sample with a minimum number of 100 representing 10% is sufficient.

After determining the number of balanced fund investors from each fund manager, we then used stratified random sampling technique, defined as a process in which the population is divided into certain subgroups based on demographics from which a sample is then randomly selected . For this study retail investors were grouped according to ages, education level and gender. A sample of 121 (10% of the target population) retail investors was selected as shown in the table below:

Fund Manager	**Balance Fund Clients No.**	**Sample Size (10% of Target population)**
Britam Asset Managers Ltd	218	22
Co-op Unit Trust	75	8
CBA Unit Trust	67	7
Genghis Unit Trust Funds	320	32
Nabo Africa Funds	212	21
Old Mutual Unit Trust Scheme	318	31
Total	**1,210**	**121**

3.5 Instrumentation

Yaya (2014) defines a research instruments as measurement tools e.g. a questionnaire through which a

researcher measures the variables or obtains information on characteristics of the variables from respondent on a topic of interest from research subjects. To adequately gather information on factors influencing retail investor's investment decision in Kenya's balanced fund, we made use of the questionnaire as the choice instrument. McLeod (2018) defines a questionnaire as a "research instrument consisting of a series of questions for the purpose of gathering information from respondents". He further says that a questionnaire "can be thought of as a kind of written interview carried out face to face, by telephone, computer or post". Use of the questionnaire allowed us to reach many people across a wide range of age and income. It also allowed the respondents room to respond at a convenient time within proposed timelines.

The questionnaire was developed to gather information on age, income brackets, knowledge and understanding of mutual funds in general and specifically the balanced fund. In addition, it has been designed to be simple for purpose of achieving a good response rate. The questionnaire aimed at gathering information on the four main factors under study.

3.6 Reliability & Validity

A pilot study can be defined as an initial step that helps the researcher to evaluate the reliability and validity of the data collection instruments and sampling techniques. It helps determine whether there are inadequacies in the research instruments that would affect drawing accurate conclusions prior to implementation of the full study (Hassan, Schattner and Mazza,(2006). It can also help in deciding which study would be best suited for the research for example using interviews rather than administering a questionnaire.

Primary data was used for this study and it was collected using a questionnaire. To test that the instrument of choice i.e. the questionnaire, captured all the necessary information so as to guarantee its validity and reliability a pilot study was conducted. We emailed the questionnaire to 10 retail investors in CBA unit trust and Co-op trust unit trust and adjusted as per the feedback received. For example we had not included

the level of education in the intial questionnaire, something that the respondents felt was important while responding to the statements.

3.7 Data Collection

Fraenkel, Wallen and Hyun (2012) define data as the information a researcher will obtain relating o the variables under study. Data was collected using a questionnaire that was emailed to the various respondents who were given adequate time to fill and respond. Where possible the questionnaires were delivered physically and collected after four days once he investors finished filling. The researcher made use of two college students to assist in collecting the physically delivered questionnaires who made use of recommendation letter from the university confirming that the researcher was a student at the university. The research assistants were instrumental in collection of data from different respondents. Reminders were sent twice to the respondents who were sent the questionnaire via email to fill and return the questionnaires.

3.8. Diagnostic Tests

Diagnostics help a researcher in verifying that their data have not violated the assumptions underlying OLS regression without which the findings may be misleading (Zhang 2016). The following diagnostic tests were conducted.

3.8.1 Normality Test

Normality test checks that residuals are normally distributed with a mean of zero and a constant variance Steven (2009) states that if residuals fit a normal curve, normality is not a problem. We used the Shapiro Wilk test to check for normality. The null hypothesis was: $H_{0:}$ residuals are normally distributed. H_0 is rejected if the P Value<0.05.

3.8.2 Linearity test

Mak and Ip (2017) define linearity test as a test that shows the significance of the linear relationship for a model. Linearity test was run on SPSS to determine if a significant linear relationship exists between the independent variables and dependent variable. The null hypothesis was:

$H_{0:}$ A significant linear relationship exists between the independent variables and dependent variable. H_0 is rejected if the P Value<0.05.

3.8.3 Heteroscedasticity Test

One of the assumptions of classical linear regression model is that the variance of the residuals is constant, homoscedasticity. Lani (2011) defines the presence of heteroscedasticity as when the size of the error term differs across values of an independent variable hence violating the homoscedasticity assumption. The null hypothesis was $H_{0:}$ Variance of the residual is constant. H_0 is rejected if the P Value<0.05.

3.8.4 Multicollinearity Test

Dormann et al (2012) defined multicollinearity as a situation where the predictor variables are not independent of one another. This then creates a problem where the variance of regression is inflated hence potentially leading to the wrong identification of relevant predictors in a statistical model.

To test for multicollinearity for this study the regression VIF values were used. Values between 1 and 10 will indicate no multicollinearity and values <1 or >10 will show presence of multicollinearity.

3.8.5 Autocorrelation test

Salkind (2010) defines autocorrelation as a situation where sample or population observations are related to each other across time, space, or other dimensions. To test for autocorrelation for this study we ran the Durbin-Watson test. The test statistic varies between 0 and 4 where 2 means there in no autocorrelation,0 to <2 means

that there is positive autocorrelation and values of >2 to 4 indicates negative autocorrelation. Test statistics of values in the range of 1.5 to 2.5 are relatively normal.

3.9 Data Analysis and Presentation

Once all the questionnaires were collected and the desired response rate achieved, they were evaluated for accuracy and completeness. The data was then arranged in a format in which it can be easily analyzed using both the quantitative and qualitative data analysis techniques with the help of SPSS. We then used multiple regression analysis to analyze the various factors that influence retail investors' investment in the balanced fund and determine their level of importance to the investors.

Multiple regression model is specified as follows: $Y= \beta_0+\beta_1X_1+ \beta_2X_2+ \beta_3X_3+ \beta_4X_4+\varepsilon$ Where;

Y=Retail investors investment decisions; $\{\beta_1, \beta_2, \beta_3, \beta_4\}$ are the co-efficients of the independent variables, X_1=Fund performance record, X_2=Fund Managers' reputation, X_3=Management expenses, X_4=Risk and ε=error term.

Analyzed data was presented using tables, pie charts and diagrams. In and Lee (2017) state that table presentation convey information through putting words or numbers into rows and columns and are usually the best while presenting individual and qualitative data. In addition they emphasize that diagrams/graphs are helpful for summarizing data and simplify complex information from data collected through images and data patterns.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND INTERPRETATION

4.1 Introduction

This chapter aimed at analysing the results of the respondents on factors that influence retail investor's investment decisions on balanced funds in Kenya. The data collected from the field was presented in tabular formats. The information analysed was interpreted in relation to the research objectives to ensure that it provided answers to the research questions and hence achieve the study objectives. Discussions of the findings were given under the information presented below.

4.2 Response rate

Samples of 121 retail investors in the 6 fund management companies were selected and questionnaires were either emailed or physically delivered. 96 questionnaires were received back of which 9 had not been answered exhaustively and were therefore were left out during final analysis. The number of valid questionnaires was therefore 87 representing a 71.9% response rate. The study made use of descriptive statistics and the valid questionnaires enabled the following findings. The results are presented in Table 4.1.

Table 4.1: Response Rate

Response Rate	Frequency	percentage
Response	87	71.9%
Non Response	34	28.1%
Total	121	100%

Source: Field Data (2019)

4.3 Demographic Information

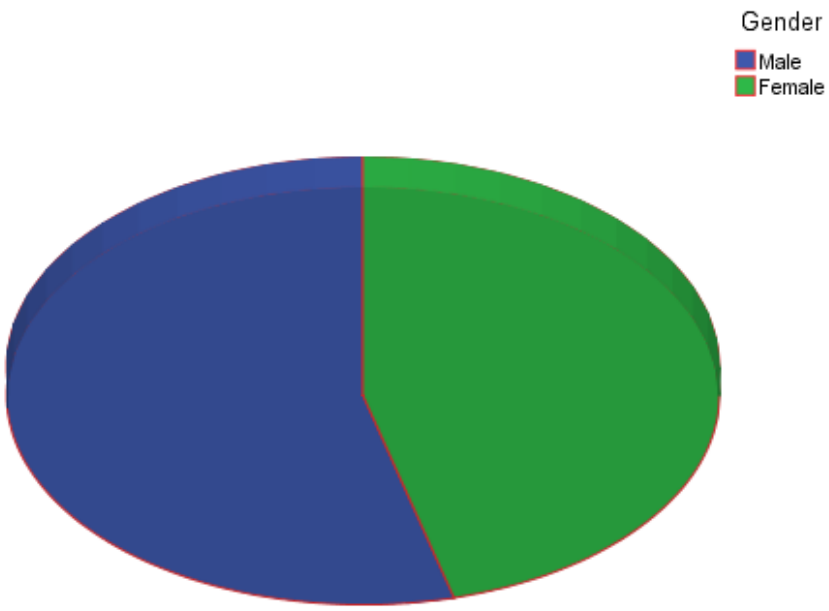
The section presents the demographic information of the respondents. The respondents' demographic

information gives a snapshot of some of the useful characteristics of a population which then are used as the foundation that the study can confidently access the relevant information. The respondents' information taken included : gender, age and level of education of the respondents.

4.3.1 Gender distribution

This section of the study sought to establish the gender of the respondents who took part in the study. The results are presented in Figure 4.1.

FIGURE 4.1: Gender of the Respondents



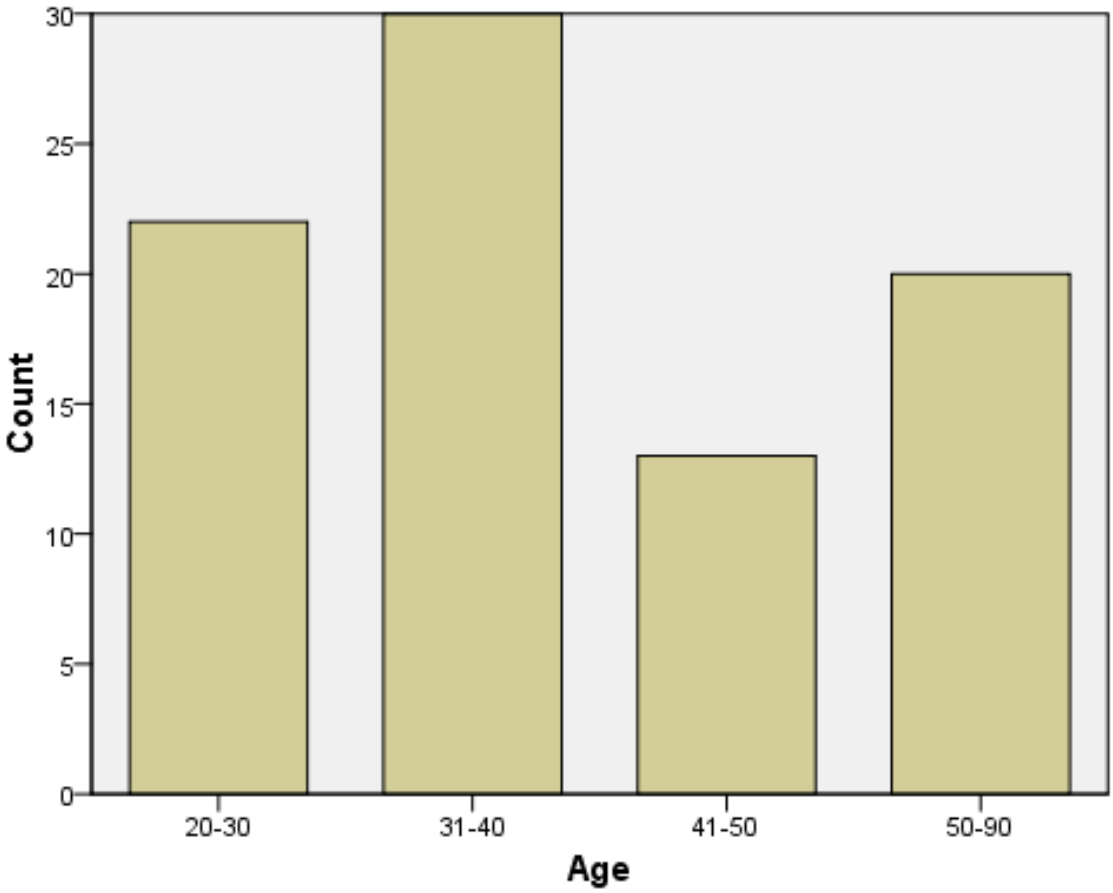
Source:Field data (2019)

The results in the Figure 4.1 show that most of the respondents 54.1% were male while 45.9% were female. This shows that the sample adequately covered both genders.

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. The results are presented in Figure 4.2.

FIGURE 4.2
Age of the Respondents



Source: Field Data (2019)

Results in figure 4.2 show that 25.9% of the respondents were aged between 20-30 years while 35.3% of the respondents were aged between 31-40 years. On the other hand, 15.3% of the respondents indicated that they were aged between 41-50 years while 23.5% were aged between 50-70 years. The results show that majority of investors in balanced funds were aged between 31-40 years. This implies that majority of the balanced fund

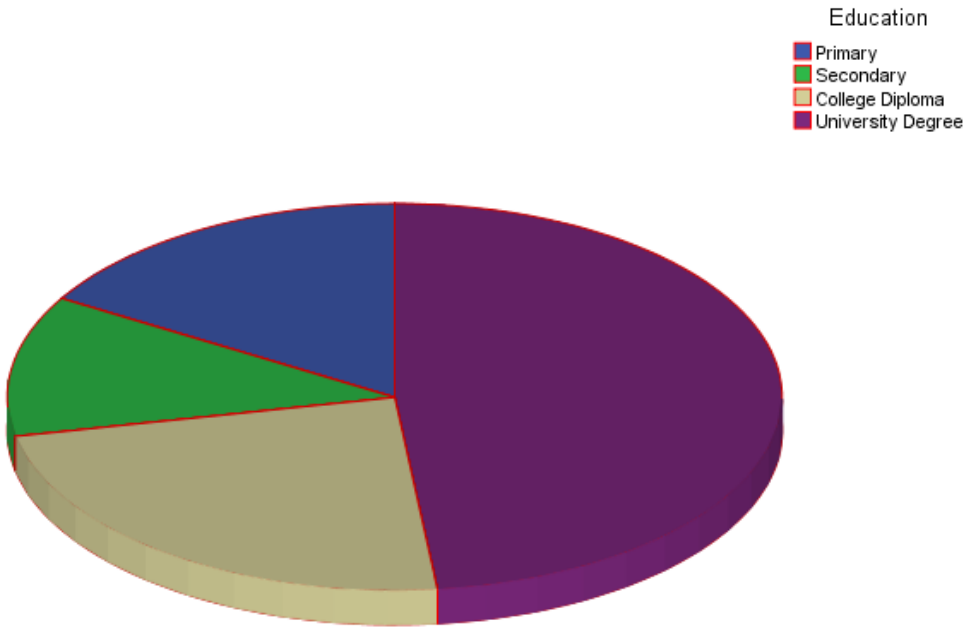
investors were middle aged. The results also show that there are a few elderly balanced funds investors who were approaching retirement age.

4.3.3 Respondents Level of Education

The respondents were asked to indicate the highest level of academic qualification they had attained. The findings are presented in figure 4.3

FIGURE 4.3
Level of education of the Respondents

.



Source: Field Data (2019)

The results show that 16.5% of the respondents had attained a primary O-level certificate as their highest level of education while 11.8% of the respondents had a secondary A-level certificate. On the other hand, 23.5% of

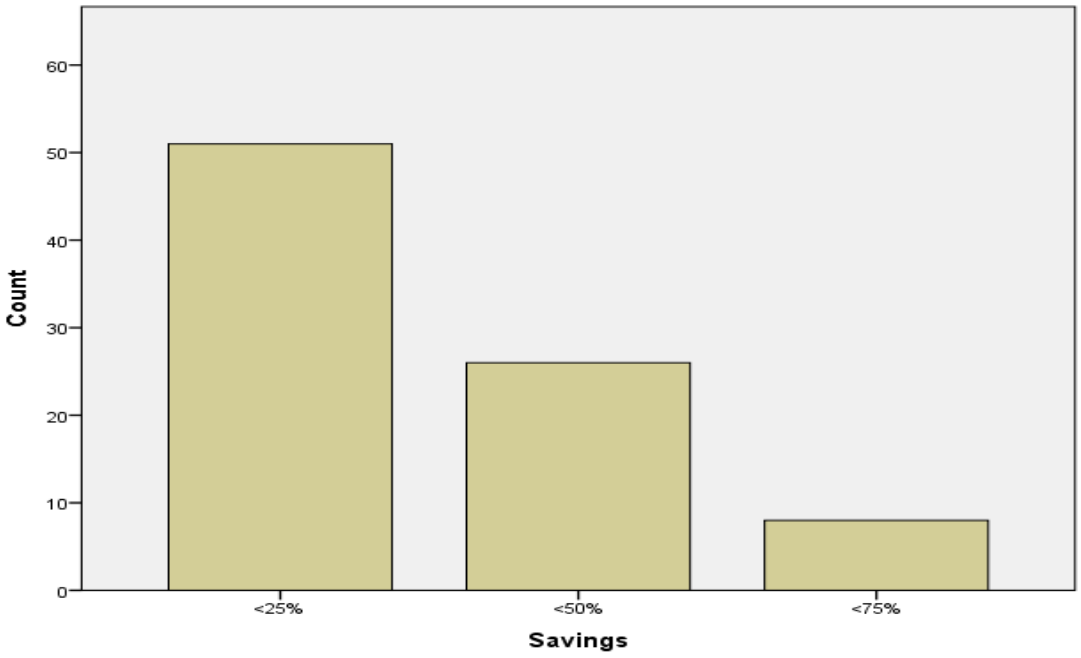
the respondents had attained a college diploma as their highest level of education and 48.2% of the respondents had attained a university degree. From the results, it shows that majority of the respondents had reached university level as their highest level of education. This implies that majority of the balanced fund investors were knowledgeable on the subject of the study thus the reliability of the information given and subsequently the results presented in this report.

4.3.4 Percentage of savings.

The respondents were asked to indicate the percentage of savings from their total income. The findings are presented in figure 4.4

FIGURE 4.4

Percentage of Savings



Source: Field Data (2019)

The results show that 60% of the respondents save 25% or less of their total income with is the largest frequency recorded of 51 while 30.6% save 50% or less of their total income and 9.4% of the respondents save

75% or less of their total income representing a smaller frequency of 8.

4.4 Findings for objectives

The following subsection outlined the findings from every objective as from the state at the ground

4.4.1 Fund performance and investment decisions

The first objective of the study sought to evaluate the effect of balanced fund performance on retail investors' investment decisions on balanced fund. To achieve this objective the study requested the respondents to rate statements related to fund performance using a five point scale ranging from 1 representing Strongly Disagree up to 5 representing Strongly Agree. The results were presented as frequencies in the table 4.1 below.

TABLE 4.1
Fund Performance and Investment Decisions

Statements on Fund performance	**1**	**2**	**3**	**4**	**5**	**Mean**	**Std. Deviation**
a) I invest in the balanced fund because it has consistent good returns in the past.	14	15	17	20	21	3.2183	1.4094
b) Good returns in the past are followed by good future balanced fund returns. This aids in making buying or selling decisions in the short run	21	22	11	12	21	2.8851	1.5282
c) Past returns of the balanced fund influence my investment decisions in the long run	22	17	17	8	23	2.9195	1.5418
d) I rely on easily available information on past performance to make investment decisions in the balanced fund.	11	19	7	21	29	3.4367	1.4603

Source: Field Data (2019)

The results in Table 4.1 show that a large number of retail investors invest in balanced funds as it has shown consistent good returns in the past with a frequency of 41 respondents who indicated agree to strongly agree

to this statement . The respondents gave an indication that they cannot rely on good returns in the past as a pointer of good returns in the future as 43 did not agree to this statement. Past returns of the balanced fund also did not seem to influenced investment decisions in the long run for retail investors as 56 of the respondents either disagreed or were indifferent. It also emerged that retail investors by far rely on easily available information on past performance of balanced funds to make investment decisions as indicated with a frequency of 50 respondents who were in agreement.

This implies that fund performance indicators, consistent return, past returns and the availability of information on past performance of balance fund influences retail investors investment decision making in balanced funds. These findings are in line with those by Mulder (2010), who analyzed a wide range of factors that determined mutual funds flow. His conclusion from the various studies was that investors would respond to good returns more than they would respond to bad return. This is to say that investors would buy more into mutual funds with good returns than they would into mutual funds with negative returns. The study findings also concurs with those by Wilcox (2003), who determined that past performance is very important to consumers in investment decision and that consumers short term investors pay more attention to past performance than long term investors do.

4.4.2 Fund Manager Reputation and investment decisions

The second objective of the study sought to evaluate the influence of fund manager reputation on retail investor investment decisions in Kenya's balanced fund. A five point scale and interpretation similar to the one in Table 4.1 was used and the results are presented in Table 4.2 below.

From the study findings in Table 4.2, a fund manager's reputation in terms of efficiency influences investment in balanced fund as 59 respondents indicated to agree or strongly agree. It is also emerged that the fund manager's reputational knowledge on the market trends influences investment decision with a frequency

of 49 respondents who indicated agree or strongly agree. Fund manager's reputation on asset allocation is important for retail investors when making investment decisions as it was highly ranked with a frequency of 63 respondents who indicated agree or strongly agree. This implies that a fund manager's general reputation in regards to knowledge on market, efficiency and reputation on asset allocation is important when making investment decisions by retail investors on balanced funds.

This finding are in line with those by Orodho & Kombo (2004) who define the mutual fund's reputation as the market belief over the fund manager's ability which gives investor's confidence in making investment decisions. The study further concurs with those by Sindhu (2013) who observed that investors were equally concerned with fund reputation or brand name as much as they were concerned with fund performance record, initial investments among other variables when making investment decisions.

TABLE 4.2
Fund Manager's Reputation and Investment Decisions

Statements on fund manager's reputation	**1**	**2**	**3**	**4**	**5**	**Mean**	**Std. Deviation**
a) A fund manager's reputation in terms of efficiency influences my investment decision making	10	12	6	23	36	3.7241	1.4198
b) The fund manager's reputational knowledge on market trends influences my investment decision	9	15	12	19	32	3.5747	1.4029
c) A fund manager with a poor reputation in their level of efficiency and knowledge makes me less confident in my investment decisions	6	23	9	14	35	3.5632	1.4199

d) A fund manager's reputation on asset allocation is important when making my investment decisions	6	13	5	28	35	3.8390	1.2928

Source: Field Data (2019)

4.4.3 Management Expenses and investment decisions

The third objective of the study sought to investigate the influence of management expenses on retail investor investment decisions in Kenya's balanced fund. The respondents were asked to indicate the extent to which the various third parties' opinion influenced the investment decision. Interpretation was done and the results are presented in Table 4.3 below.

The results in table 4.4 shows that management fee structure by fund managers is important when making investment decisions in the balanced fund for retail investors as 40 respondents indicated to agree or strongly agree with the statement. It is also evident that majority of the respondents consider the balanced fund management expenses charged to be minimal supported by a frequency of 68 respondents who indicated to agree or strongly agree. Balanced fund management fee structure constitutes a low percentage of the return on investment was also highly ranked on its effect on investment decision as indicated a frequency of 36 respondents agreed or strongly agreed. This implies that the management fee structure, management expenses charged and the percentage of fund management fee structure influences investment decision of retail investors on balanced fund.

The study findings are in line with Baber et al., (2005), who noted that investor purchases are relatively insensitive to a fund's operating expense ratio and further, documented a weak positive relation between operating expenses and fund purchases. They however highlighted that neglecting a fund's operating expenses when purchasing a fund would be counterproductive since mutual funds with low operating expenses tend to earn higher net returns than funds with high operating expenses. The findings also concurs with those by

Rompotis (2014), who concluded that that fund flows and expenses are negatively related adding that the findings are as expected as most investors are cost averse and look for the highest return which is usually affected by the expense ratio.

TABLE 4.3
Management Expense and Investment Decisions

Statements on management expenses	**1**	**2**	**3**	**4**	**5**	**Mean**	**Std. Deviation**
a) The management fee structure by a fund manager is important when making investment decisions in the balanced fund	17	19	11	28	12	2.9885	1.3766
b) Balanced fund management expenses charged are minimal. This influences my investment decision making	3	8	8	23	45	4.1479	1.1327
c) Balanced fund management Fee structure constitutes a low percentage of the return on investment	12	18	21	5	31	3.2873	1.4778

Source: Field Data (2019)

4.4.4 Investment Risk and investment decisions

The fourth objective of the study sought to probe the influence of risk perception on retail investor investment decisions in Kenya's balanced fund. The respondents were asked to indicate the extent to which risk influences their investment decisions. The results are presented in table 4.4 below.

The results in table 4.5 show that risk associated with the balanced fund is important when making investment decisions as it attracted a frequency of 46 respondents who agreed or strongly agreed .It is also evident that past experiences of investors in balanced funds on risk vs return on their investment influenced investment decisions as a frequency of 42 respondents agreed or strongly agreed to the statement .The principle

that the higher the risk the higher the return influences investment decisions of investors is true as indicated but a frequency of 45 respondents who agreed or strongly agreed. Moreover, risk associated with balanced fund is low as it is a diversified portfolio these was shown by a high frequency of 42 respondents who agreed or strongly agreed.

TABLE 4.4
Risk Perception and Investment Decisions

Statements on investment risks perception	**1**	**2**	**3**	**4**	**5**	**Mean**	**Std. Deviation**
a) Risk associated with the balanced fund is important when making investment decisions.	16	16	19	21	24	3.2413	1.4939
b) My past experiences on risk vs return on investment influenced my investment decisions	14	21	12	8	32	3.2643	1.5511
c) The principle that the higher the risk the higher the return influences my investment decisions	7	18	30	10	22	3.2528	1.2687
d) Risk associated with balanced fund is low as it is a diversified portfolio.	8	22	15	18	24	3.3333	1.3781

Source: Field Data (2019)

These implies that risk associated with balanced fund, risk vs return on investment on balanced fund and principle that the higher the risk the higher the return influences retail investors decisions to invest in balanced funds .These findings are in line with Riaz & Hunjra (2015) who commented that inasmuch as risk perception is a subjective factor, it plays a significant role in making a decision on the best alternative among different investment decisions. As such, investigating the extent to which it influences investment decisions in the balanced fund in Kenya assists Fund Managers improves on their product and customer delivery services. According to Nosic and Weber (2010), investors intuition about financial risk can better be relied on when

making investment decisions than mathematical measures such as variance and standard deviation. Hence, an investor is likely to evaluate the return offered by balanced funds in the past and use the positive or negative experience to make investment decision which will relatively be a reflection of the experiences.

4.4.5 Investment Decisions in Balanced Funds

To get information on the dependent variable about the nature of investment decision. To achieve this objective the study requested the respondents to rate statements related to fund performance using a five point scale ranging from 1 representing Strongly Disagree up to 5 representing Strongly Agree. The results were first interpreted using frequencies where the frequencies for Strongly Disagree and Disagree were combined while on one hand those of Agree and Strongly Agree on the other end were combined for ease of understanding.

The results were presented as frequencies in the table 4.5 below and show that fund performance influences retail investor's decision to buy more units in the balanced fund as it attracted a frequency of 48 respondents who either agreed or strongly agreed. It is also evident that poor fund manager's reputation influences investors decision to buy some units in the balanced fund as a fall back strategy to minimize risk of loses indicated a frequency of 38 respondents who either agreed or strongly agreed. Management expenses do not significantly influence retail investor's decision to buy more units in balanced fund as a frequency of 43 respondents either disagreed or strongly disagreed. It also emerged that balanced fund moderate investment risk influences investor's decision to buy more units in the balanced fund as it has proved to be a diversified portfolio supported by a frequency of 50 respondents who either agreed or strongly agreed.

TABLE 4.5
Investment Decisions in Balanced Funds

Statements on investment decisions in balanced funds	1	2	3	4	5	Mean	Std. Deviation
a) Consistent positive Fund performance influence my decision to buy more units in the balanced fund	6	19	14	21	27	3.5057	1.3195
b) Poor fund manager's reputation influences my decision to sell some units in the balanced fund	13	21	15	11	27	3.2069	1.4796
c) Low management expenses influence my decision to buy more units in the balanced fund	24	19	13	15	16	2.7701	1.4840
d) Balanced fund moderate investment risks influence my decision to buy more units in the balanced fund	15	19	11	17	33	3.2069	1.4952

Source: Field Data (2019)

The results show that investment decisions by retail investors in balanced fund are influenced by all our variables under study. Fund performance, fund manager's reputation and risk perception strongly influence investment decisions while management expenses were not as important. The research findings concurs with study by Nelima and Chandra (2016) who by investigating fund performance record, fund manager reputation, minimum initial investment, expense ratio among others as factors that affect mutual fund selection found that that among the 11 independent variables, fund performance record was the most important variable followed by fund manager reputation in second and management expenses in third.

4.5. Diagnostic Test

Diagnostic test helps to discover whether variables under study are associated to each other. The following diagnostic tests were conducted.

4.5.1 Normality Test

Shapiro Wilk test was used to taste for normality; the table 4.6 below indicated the analysis of normality.

TABLE 4.6
Tests of Normality

	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	Df	Sig.	Statistic	Df	Sig.
Fund performance	.160	7	.200	.935	7	.591
Fund manager's reputation	.209	10	.200*	.956	10	.738
Management expenses	.203	7	.200	.877	7	.215
Risk Perception	.205	6	.200	.961	6	.830

Source: Field Data (2019)

The null hypothesis for this test of normality is that the data are normally distributed; the null hypothesis is rejected if the p-value is < 0.05 (sig). In the above analysis we accept the null hypothesis since the p-value for fund performance, fund manager's reputation, management expense and risk perception are all >0.05 (sig). We can therefore conclude that the data is normally distributed

4.5.2 Linearity Test

Linearity test shows the significance of linear relationship for model. Analysis is run so as to determine if there is significant linear relationship that exists between the independent variables and dependent variable.

TABLE 4.7
Tests of Linearity on Fund Performance

ANOVA Table

			Sum of Squares	df	Mean Square	F	Sig.
Investment Decisions and Fund Performance	Between Groups	(Combined)	27.151	13	2.089	7.255	.000
		Linearity	23.800	1	23.800	82.681	.000
		Deviation from Linearity	3.351	12	.279	.970	.485
	Within Groups		21.013	73	.288		
	Total		48.164	86			

Source: Field Data (2019)

Table 4.7 shows output of analysis run to test for linearity on fund performance. The value sig. deviation from linearity of 0.485 is > 0.05. We can conclude that there is a linear relationship between investment decisions and fund performance.

4.5.3 Heteroscedasticity Test

Upon running test for heteroscedasticity using SPSS analysis tool, the output was interpreted below.

TABLE 4.8
Heteroscedasticity Test

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.270	4	.067	2.035	.097[b]
	Residual	2.716	82	.033		
	Total	2.986	86			

a. Dependent Variable: SqResidual

b. Predictors: (Constant), Fund Performance, Fund Manager Reputation, Management Expense, Risk Perception

Source: Field Data (2019)

Table 4.8 shows the output above test the P-value is .097 which is > 0.05 suggests that the study has not

violated the assumption of homoscedasticity hence confirms that heteroscedasticity is not present.

4.5.4 Multicollinearity Test

The test for multicollinearity to determine similarity between the independent variables produced the output below.

TABLE 4.9

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	.773	.340		2.273	.026		
	MIR	.217	.066	.218	3.289	.001	.623	1.606
	MME	-.136	.036	-.236	-3.816	.000	.714	1.400
	MFMR	.315	.063	.315	4.962	.000	.679	1.473
	MFP	.367	.058	.388	6.356	.000	.735	1.361

a. Dependent Variable: MID

VIF value should lie between 1 and 10 for there to be no multicollinearity . Values <1 or >10 indicates that there is multicollinearity. In the present study, Table 4.9 shows the VIF value for all the independent variables are above 1 and less than 10. We can therefore conclude that there is no multicollinearity between the independent variables.

4.5.5 Autocorrelation Test

The study conducted further statistical tests using multiple regression. The Durbin-Watson test was used to check the correlation. The test statistic varies between 0 and 4, and a value of between 1 and 3 indicates that errors are not correlated. In the present study, the Durbin Watson statistic for autocorrelation was 1.518 and we therefore can conclude that the errors were independent and thus the regression could be run.

Table 5.0

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.881[a]	.775	.764	.363242	1.518

Source: Field Data (2019)

4.6 Regression Results

The Analysis in table 5.0 shows that R^2 equals .775. This indicates that the independent variables (fund performance, management expenses, Investment risks and management reputation) explain 77.5 percent of the variation in retail investment decision. The p-value (0.000) < 0.05 in the ANOVA table 5.4 implies that the regression model is a good fit and statistically significant.

Table 5.1

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	37.344	4	9.336	70.758	.000[b]
	Residual	10.819	82	.132		
	Total	48.164	86			

a. Dependent Variable: Investment Decisions

b. Predictors: (Constant), Risk perception, Fund Performance, Management Expense, Fund Manager reputation

Source: Field Data (2019)

Further, the ANOVA results in table 5.1 show that the independent variable are statistically significant predictors of dependent variable. All the P-values of the independent variables in table 5.6 are less than 0.05. This means that fund performance (X_1), fund managers reputation (X2), management expenses (X3) and Risk perception (X4) are statistically significant predictors of retail investment decisions.

Table 5.2

Coefficient of Regression.

Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
(Constant)	.773	.340		2.273	.026
X_1	.367	.058	.388	6.356	.000
X_2	.315	.063	.315	4.962	.000
X_3	-.136	.036	-.236	-3.816	.000
X_4	.217	.066	.218	3.289	.001

a. Dependent Variable: MID

Sources: Research Findings

The multiple linear regression model was fitted as follows: $Y = 0.773 + 0.367X_1 + 0.315X_2 - 0.136X_3 + 0.217X_4$, the model recorded a constant or the y-intercept equivalent to 0.773. This implies that when the four independent variables are set to zero retail investments decision would stand at 0.773 units. The model recorded a $\beta 1 = 0.367$ which indicates that a unit increase in fund performance leads to 0.367 unit change in retail investment decision when other factors are held constant. The model also recorded a $\beta 2 = 0.315$ showing that a unit increase in fund manager's reputation leads to a 0.315 unit change in retail investment decision when other factors are held constant. Moreover, the model recorded a $\beta 3 = -0.136$ also show that a unit increase in management expenses leads to a -0.136 unit change in retail investment decision when other factors are held constant. Finally, the model recorded a $\beta 4 = 0.217$, Implying that a unit increase in risk perception leads to a 0.217 unit change in retail investment decision when the other factors are held constant.

The model further indicates that fund performance (B=0.367, p=0.000), fund manager's reputation (B=0.315, p=0.000) and risk perception (B=0.217, p=0.001) had a positive and significant effect on retail investment decisions at 0.05 significance levels. On the other hand, the model results show that management expenses had a negative but significant role on retail investments' decision (B= -0.136; p=0.000) at 0.05

significance levels.

The findings are largely consistent with literature reviewed. Fund performance and fund manager's reputation showed a positive relationship with investment decisions consistent with Mulder (2010) who concluded that investors are more drawn to funds with good returns and Sindhu (2013) who conclude that fund managers' reputation is equally as important as fund performance respectively.

Management expenses showed a negative relationship with investment decisions consistent with Rompotis (2014) who concluded that fund flows and expenses are negatively related. He however recommends that management fee structure by a fund manager should not be ignored by investors when making investment decisions in the balanced fund.

Risk perception on the other hand had a positive relationship. This is consistent with Sindhu and Kumar (2014) who determined that investment decisions of investors are very much influenced by their risk perception therefore concluding that fund management companies must consider the changing perceptions, especially risk perception of investors while launching new products as this will significantly help towards growing the mutual fund industry.

The study found a positive and significant relationship between fund manager's reputation and investment decisions in the balanced fund. This is consistent with study by Dhar, Salema and Saha (2017) who observed that fund manager's reputation was an important consideration for investors in the mutual funds and this therefore meant that fund managers competing for investor funds should note that potential individual investors will go for the most attractive fund manager in terms of reputation and fund.

CHAPTER FIVE
SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter provides a summarized discussion of the findings reported in chapter four, the conclusions of the study are drawn and recommendations made based on the objective of the study. The chapter further presents the suggestions for future research.

5.2 Summary of the Research Findings

The aim of this study was to establish factors influencing retail investors' investment decisions on Kenya's balance funds. The findings of the study revealed a strong correlation between the variables; fund performance, fund manager's reputation, management expenses and investment risk.

5.2.1 Risk Perception and Investment Decisions

The objective of the study was to assess the effect of risk perception on investment decisions in balanced fund among Kenyan retail investors. The study found out that the risk associated with balanced fund investment compared to other investment units influences the investment decisions to a great extent However, the study also revealed that most respondents are for the view that the risk associated with balanced fund is low as it is a diversified portfolio. The regression results confirmed that risk perception had a positive and significant effect on investment decision (B=0.217, p=0.001). This implies that retail investors' past experience on risk vs return on investment by far influences their investment decision. These confirms Nosic and Weber (2010) findings that an investors intuition about financial risk can better be relied on making investment decisions than mathematical measures such as variance and deviation. Furthermore, Weber(2004) observed that perceived risk if often significantly different from typical risk

indices such as the probability of a loss or the standard deviation of possible outcomes.

5.2.2 Fund Manager's reputation and Investment Decisions

The second objective of the study assessed the effect of fund manager's reputation on investment decision of retail investors. The study found out that the information on fund manager's reputation in terms of efficiency and knowledge on market trends influences investment decisions, The regression results show that (B=0.315, p=0.000) had a positive and significant role on retail investments' decisions. This indicates the level of objectivity fund managers have to operate in so as to win over the trust of the investors in balanced fund. The study also found that retail investors are keen on fund manager's reputation on asset allocation which determines return and security of their investment .These shows that fund managers should always have investor's needs over and above their own so as to ensure that they are continuously improving their knowledge on market trends to be able to create asset allocations that generate maximum return for their clients. Sindhu (2013) study confirms that investors were equally concerned with fund reputation or brand name as much as they were concerned with fund performance record, initial investments among other variables when making investment decisions.

5.2.3 Management Expense and Investment Decisions

The objective of the study was to evaluate the effect of management expenses on investment decision among retail balanced fund investors. The study determined that management fee structure by a fund manager had impact on investment decisions. However, the regression results show that management expenses (B= -0.136, p=0.000) had a negative but significant effect on retail investments' decisions. These supports Baber, Dean and Zheng (2005) who noted that investor purchases are relatively insensitive to a fund's operating expense ratio and further documented a weak positive relation between operating expenses and funs purchases. Furthermore, they highlighted that neglecting a fund's operating expenses when

purchasing a fund would be counterproductive since mutual funds with low operating expenses tend to earn higher net returns than funds with high operating expenses since the cost factor exposed on the fund is low.

5.2.4 Fund Performance and Investment Decisions

The objective of the study was to assess the effect of fund performance on investment decision among retail investors. The study established that most retail investors are keen on fund performance of balanced funds. The regression results confirmed that fund performance had a positive and significant effect on investment decisions (B=0.367, p=0.000). Based on Mulder (2010) findings who analyzed a wide range of factors that determined mutual funds flow and concluded that investors would respond to good returns more than they would respond to bad return. This is so to say that investors would buy more into mutual funds with good returns than they would into mutual funds with negative returns.

5.3 Conclusion

The study concludes that fund performance record influences retail investors' investment decision in balanced fund. The study also concludes that the investment decisions are also greatly affected by past performance of balanced fund as the investors are keen to make future better returns basing their confidence in past consistent returns. The study also concludes that information easily available on past performance of balanced fund to some extend affects retail investors' investment decision. These factors are important during the decision making in balanced fund investment by retail investors

It was deduced that the fund manager's reputation greatly affects retail investors' investment decision in balanced fund as it indicates the conduct of a fund manager with regards to level of professionalism. A fund manager's reputation in terms of efficiency and knowledge on market trends cumulatively create a perspective among retail investors in balanced fund investment. It was also noted that a fund manager's

reputation on asset allocation is equally important to retail investors as it acts as a metric for mitigating risk and maximizing returns in balanced funds. Further in relation to management and risk, the study concluded that management fee structure by a fund manager and risk associated with balanced fund both greatly influence investment decisions in balanced fund. However the statement that `balanced fund management expenses charged are minimal and principle that the higher the risk the higher the return' did not have an impact on retail investment decisions.

5.4 Recommendations of the Research

The study recommends that the fund managers should ensure that balanced fund investors have easy access to information such as fund performance record and general market outlook. They can do this by sharing weekly or monthly factsheets on balanced fund performance and asset allocation information. Fund managers additionally need to consistently work towards improving their knowledge on asset allocation and brand knowledge. This is so that balanced fund investors can gain confidence on their ability to generate good returns consistently. Efficiency in their dealings with the different client is very critical in building longtime good relation with all clients. FMC must always be up to date with current market trends to ensure they are consistently having an asset mix in the balanced fund that meet clients need for high returns at relatively low levels of risk. Knowledge and understanding of and market trends and skills in asset allocation will ensure that they stay at a high performing level and remain competitive. Moreover, the study recommends fund managers to maintain a standard fee structure on their balanced funds so as to be able to attract more retail investors who would be attracted to the returns in balanced fund. The study recommends that fund managers who operate balanced funds investment units should take the initiative to educate and inform their clients and other interested parties who in the long-run are potential clients on the importance of risk consideration when investing in balanced funds and strateties they adopt to make sure the risk is mitigated. These ensures balanced fund investors are confidence in their investments. Lastly, they must

consider the changing perceptions, especially risk perception of investors while launching new products as this will significantly help towards growing the mutual fund industry.

The study further recommends that policy making bodies such as Capital Markets Authority should always consider issues such as information disclosure and balanced fund awareness campaigns aimed at educating the public on benefits of the CIS industry in general.

Fund managers can use the above information to analyze retain investors in their portfolio and use the results as the basis of forecasting investor's behavior. However, other statistical analysis tools other than regression analysis should be used when doing further research of the effect of behavioral finance on investment decisions.

5.5 Limitations of the Study

The researcher encountered some limitation while trying to gather adequate information for the study. The first limitation was that in as much as the research had an introductory letter, fund managers were not comfortable sharing their client contact details specifically emails as this was against their privacy policy. Second, some retail investors who were contacted physically and through email were reluctant to fill and return the questionnaires as they wanted privacy and a clearer understanding of the goal of the research. As such a substantial amount of time was spent in reaching out to the respondents and assuring them that the questionnaires were anonymous, and that the findings would only be used to answering the questions raised in this research and not in any other way. These resulted in increased time taken to collect date through the questionnaire.

Third, due to time limitations, the researcher used a team of two campus students to hand deliver the physical questionnaires. This meant that data collection took longer than anticipated. Fourth, since the questionnaires only allows for limited responses it may not have adequately described the independent

variables and therefore the researcher had to completely rely on the information as provided in the questionnaire.

Another limitation was that the researcher noted that there are limited studies on behavioral finance within the mutual fund industry locally and Africa in general. Most of the studies done within the industry relate to the quantitative aspect and not the behavioral aspect of investment decisions making.

5.6 Areas for further Research

The study recommends that the Kenyan fund managers be trained on the best investment styles including the size of fund to hold, types of funds to invest in, frequency of change of investment style, methods of assessing fund performance among other investment style characteristics which goes a long was to effectively manage balanced fund and meet retail investors' expectations.

The study suggests the need for in-depth research on how the individual factors identified influence investment decisions. Moreover, it was noted that study on mutual funds especially balanced funds in Africa and our local market was on a limited scale as most research was quantitative based as opposed to qualitative which has an in-depth ground as it focuses on behavioural finance on mutual fund industry.

In addition, the study reached only 97 respondents out of the targeted 1,210 retail investors in balanced funds. Future research can attempt to reach a larger target, in order to better reflect the true dynamics of retain investment decision in balanced fund. Moreover, other analytical models other than regression analysis can be used to study the relationship between retail investors investment decision and behavioural finance factors.

REFERENCES

Ainia, N. S. & Lutfi L., (2018). The influence of risk perception, risk tolerance, overconfidence, and loss aversion towards investment decision making. *Journal of Economics, Business, and Accountancy Ventura* Vol. 21, No. 3, December 2018 – March 2019, pages 401 – 413

Akhtar, S. Z. (2008). *Topics in Rational Choice Theory: Altruism, Consequentialism, and Identity*. Department of Philosophy Duke University

Awan and Arshad (2012). Factors Valued By Investors While Investing In Mutual Funds-A Behavioral Context. *Interdisciplinary Journal Of Contemporary Research In Business.* May 2012 Vol 4, No 1.

Baber, dean, and Zheng (2005). Out of Sight, Out of Mind: The Effects of Expenses on Mutual Fund Flows. *The Journal of Business* 78(6):2095-2120

Bazerman, M.H. & Moore, D.A. (2008). Judgment in Managerial Decision Making. 7th ed. New York, USA: Wiley.

Berk and Green (2004). Mutual Fund Flows and Performance in Rational Markets. *Green Journal of Political Economy* Vol. 112, No. 6 pp. 1269-1295

Campenhout, V. G. (2007). Mutual fund selection criteria and determinants of individual fund flows. Tijdschrift voor Economie en Management, LI I (4), 617-671

Capital Markets Authority (2011). Collective Investment Schemes: Investor Education, *What You Should Know, ,* Nairobi Kenya.

Capital Markets Authority Quarterly Statistical Bulletin for Q1 (2019).

Causi G. L., (2017) *Theories of investor behaviour: From the Efficient Market Hypothesis to Behavioural Finance.* Tallinn University Of Technology. School of Business and Governance Department of Economics and Finance

Chakrabarti, A. and Rungta H., (2000). Mutual Funds Industry in India: An indepth look into the problems of credibility, Risk and Brand. *The ICFAI Journal of Applied Finance,* Vol.6, No.2, April, pp.27-45.

Chandra A. & Kumar R., (2011). Determinants of Individual Investor Behaviour: An Orthogonal Linear Transformation Approach. *Munich Personal RePEc Archive*. Paper No. 29722.

Deb & Singh (2016). Impact of Risk Perception on Investors towards their Investment in Mutual Fund. *Pacific Business Review International Volume 1,* Issue 2, July 2016

Dhar S., Salema S. M. & Saha A., (2017). Factors Affecting Individual Investor Behaviour: Empirical Evidence from Mutual Fund Investors in Dhaka City. *Management Development:* Vol 31 No 3&4, July–December, 2017.

Divanoğlu S. U. and Bağci H. (2018). Determining the Factors Affecting Individual Investors' Behaviors. *International Journal of Organizational Leadership* 7(2018) 284-299.

Donnor, O. & Oxenstierna, O. (2007). The Factors that Investors Value when Choosing Mutual Funds: Implications from a Market Dominated by Four Banks. *Stockholm School of Economics*

Dormann CF, Elith J, Bacher S, Buchmann C, Carl G, Carre G, et al. Collinearity: a review of methods to deal with it and a simulation study evaluating their performance. *Ecography (Cop)*. 2013;36: 27–46.

Dr. Hayat, M. & Shanza, A., (2012). Factors valued by investors while investing in mutual funds-a behavioral context. *Interdisciplinary Journal of Contemporary Research in Business.* Vol. 4, No 1

Epley, N., & Gilovich, T. (2006). The anchoring-and-adjustment heuristic. *Psychological Science,* 17(4), 311-318. DOI: 10.1111/j.1467-9280.2006.01704.x

European Fund and Asset Management Association (2016). International Statistical Release: "Worldwide Investment Fund Assets and Flows Trends.

Fama Eugene F., "Efficient Capital Markets: A Review of Theory and Emprical Work", The Journal of Finance, C.25, No 2, May 1970.

Farooq, A., & Sajid, M. (2015). Factors Affecting Investment Decision Making: Evidence from Equity Fund Managers and Individual Investors in Pakistan. *Research Journal of Finance and Accounting* 6 (9) Retrieved from www.iiste.org ISSN 2222-1697.

Frankel, J.R., Wallen N.E., & Hyun, H.H. (2012). *How to design and evaluate research in education* (8th edition). New York, NY: Mc Graw Hill Companies, Inc.

Gerken W. C., Starks L. T., & Yates M. (2018). *The Importance of Family: The Role of Mutual Fund Family Reputation in Investment Decisions*. University of Texas at Austin - McCombs School of Business

Gupta, E., Preetibedi, P. & Poona M.,f (2014) Efficient Market Hypothesis V/S Behavioural Finance. *IOSR Journal of Business and Management:* 2319-7668. Volume 16, Issue 4. Ver. IV (Apr. 2014), PP 56-60

Hakan, S. & Miranda, L. D., (2002). A Sensible Mutual Fund Selection Model. *Financial Analysts Journal,* Vol. 58, pp. 60-72.

Hassan Z. A. ,Schattner P. & Mazza (2006). Doing A Pilot Study: Why Is It Essential? *Malays Fam Physician. 2006; 1(2-3): 70–73.*

Hayes, A., (2019). Retail Investor. Available at: https://www.investopedia.com/terms/r/retailinvestor.asp

Hilbig, B.E., & Pohl, R.F. (2008). Recognition users of the recognition heuristic. *Experimental Psychology,* 55(6), 394-401. DOI: 10.1027/1618-3169.55.6.394.

Hoffmann, A. O., Post, T., & Pennings, J. M. (2015). How investor perceptions drive actual trading and risk-taking behavior. *Journal of Behavioral Finance, 16*(1), 94-103.

Imtiaz, H. (2013), *Investor Behavior in the Mutual Fund Industry*, Faculty of Humanity, Manchester Business School.

In, J. and S Lee.(Jun, 2017). "Statistical Data Presentation". *Korean Journal of Anesthesiology. Vol.* 70. No. (3).

International Organization of securities commissions Publication (FR09/16-August 2016). Good Practice for Fees and Expenses of Collective Investment Schemes

Investment Company Institute, (2014). Investment Fact Book: A review of Trends and Activities in the US Investment Company. United States of America.

Jones, S., (2015). Why Investors Decline Modern Portfolio Theory. Available at http://study-aids.co.uk/dissertation-blog/modern-portfolio-theory/

Jordan, B., & Miller, T. (2008). *Fundamentals of Investments*. McGraw-Hill.

Kahneman and Tversky (1979). An Analysis of Decision under Risk Author. *Econometrica*, Vol 47, No. 2

Kahneman, D. (2011). *Thinking, fast and slow*. New York: Farrar, Straus and Giroux.

Kahneman, D., and A. Tversky (1979). Prospect Theory: An Analysis of Decision Under Risk. *Econometrica*. 46 (1979), 171-185.

Kannadhasan, M. (2015). Retail investors' financial risk tolerance and their risk-taking behaviour: The role of demographics as differentiating and classifying factors. *IIMB Management Review*, *27*(3), 175-184.

Kierkegaard K., Lejon C. and Persson J. (2006) Practical application of the Modern Portfolio Theory. *Jonkoping International Business School.*

Kimeu, Anyango and Rotich (2016). Behavioural Factors Influencing Investment Decisions Among Individual Investors in Nairobi Securities Exchange. *The Strategic Journal of Business & Change Management.* Vol. 3, Iss. 4 (65), pp 1243-1258, Oct 28, 2016.

Klos et al .(2005). Experimental evidence on the relationship between common measures of risk aversion and portfolio choice. *Working paper, University of Mannheim, Mannheim, Germany* .

Kothari C.R., (2010), Research Methodology: Methods and Technique, New Delhi: New Age International Publishers

Kramer, M. M., (2012). Individual Investor Behavior and Financial Advice. *University of Groningen, Groningen, The Netherlands.*

Lani J., (2011). Homoscedasticity. Available at : https://www.statisticssolutions.com/homoscedasticity/

Lowies, B. & Hall J. H., (*2016*) Government Influences, Emotions, and the Investment Decisions of South African Property Fund Managers. Journal of Real Estate Literature: 2016, Vol. 24, No. 2, pp. 359-376.

Mahungu (2019) *Research methods. Nairobi*: Kenyatta University, Institute of Open Learning.Schoo of

business and economics

Mak and Ip (2017) Bidding Game Analysis Based on The Risk Characteristics of The Bidders. *Finance Econ 2010; 2: 61–63.*

Marsden, A., Veeraraghavan, M., & Ye, M. (2008). Heuristics of representativeness, anchoring and adjustment, and leniency: Impact on earnings' forecasts by Australian analysts. *Quarterly Journal of Finance and Accounting*, *47*(2), 83 - 102.

McCombes S., (2019). Descriptive research. https://www.scribbr.com/methodology/descriptive-research/

McLeod, S (2018). *Questionnaire. Simply Psychology.* Available at: https://www.simplypsychology.org/questionnaires.html

Mittal, M. & Vyas, R. K., (2008). Personality type and investment choice: An empirical study. *The ICFAI University Journal of Behavioral Finance*, Vol. V, No. 3, 2008, PP: 6-22.

Mugenda, O. M., & Mugenda, A. G. (2003). Qualitative and quantitative approaches. *Research Methods.* Africa Center for Technology Studies (Acts) Press. Nairobi Kenya.

Mulder (2010) Psychology, Financial, Decision Making, And Financial Crises. *Psychol Sci Public Interest 2009; 10: 1–47.*

Nair, A. B. A., Sai, A. P. & Pravitha N. R. (2015). A Study on Factors Affecting Investment on Mutual Funds and Its Preference of Retail Investors. *International Journal of Scientific and Research Publications*, Volume 5, Issue 8, August 2015

Neelima, S. Dr. Surya, D., (2016). "Factors Influencing Investors in Mutual Funds Selection" *Journal of Business and Management.* Volume 18. PP 41-49

Ngode O. B., (2013). The Effect of Behavioral Biases on the Mutual Fund Choices by Investors in Kenya. *University of Nairobi, School of Business, Department of Finance & Accounting*

Nosic, A. & Weber M.,(2010*).* How Risky Do I Invest: The Role of Risk Attitudes, Risk Perceptions, and Overconfidence. *Decision Analysis, Vol. 7, pp 282-301, 2010.*

Odean et al. (2007). Uncertainty and the evaluation of public investment decisions. *Journal of Natural Resources Policy Research*, *6*(1), 29-44.

Omisore I.,Yusuf M., Christopher N. (2012). The modern portfolio theory as an investment decision tool. *Journal of Accounting and Taxation Vol. 4(2), pp. 19-28, March 2012*

Orodho, A. J., & Kombo, D. K (2004). *Essentials of Educational and Social Science Research Method.* Nairobi Msola publishers

Oswald H., (2012). Risky Decisions: Active Risk Management. *Current Directions in Psychological Science, Vol. 21, No. 1 (February 2012), pp. 26-30. Sage Publications, Inc. on behalf of Association for Psychological Science*

Owen, S., (2002). Behavioral finance and the decision to invest in hightech stocks. *Working paper No.119,* school of finance and economics, University of Technology, Sidney.

Peter M. M., Muli S., & Muema W., (2017). Factors Affecting Investment Decision in Portfolio Management a survey of the listed companies in Nairobi Securities Exchange. *IOSR Journal of Business and Management p-ISSN: 2319-7668. Volume 19, Issue 9. Ver. III. PP 72-78.*

Popescu, D., (2008). *Behaviour finance, technical analysis defined and their relationships.* Paper presented to the Montreal CFA, May 21, 2008.

Rajeswari, T. R. & Prof. Rama, V. E. (2001). *An Empirical study on factors influencing the mutual fund/scheme selection by retail investors.* Sri Sathya Sai Institute of Higher Learning, Andhra Pradesh, India.

Rani A., (2012) The Modern Portfolio Theory as An Investment Decision Tool. *International Journal of Management Research And Review*. July 2012/ Volume 2/Issue 7/Article No-6/1164-1172

Redelmeier, D.A. (2005). The cognitive psychology of missed diagnosis. *Annals of Internal Medicine*, 142(2), 115-120

Regoniel, A. P., (2015). Conceptual Framework: A Step by Step Guide on How to Make 26 one. Available at: https://simplyeducate.me/2015/01/05/conceptual-framework27 guide/

Regoniel, A. P., (2017). Research Design: A Simplified Definition For Beginning Researchers. Available at: https://simplyeducate.me/ 2017/02/12/research-design/

Reilly.F.K & Brown .K.C , (2002) Investment analysis ;portfolio management 7th edition .Thomas South Western , Ohaio , USA

Riaz & Hunjr (2015) Relationship between Psychological Factors and Investment Decision Making: The Mediating Role of Risk Perception. *Pakistan Journal of Commerce and Social Sciences* 2015, Vol. 9 (3), 968-981

Ricciardi V. (2008). Traditional Finance Versus Behavioral Finance. *Handbook of Finance: Volume 3: Valuation, Financial Modelling, And Quantitative Tools, Frank J. Fabozzi, ed*., pp. 11-38, John Wiley & Sons, 2008

Rompotis (2014). Performance, Expenses and Funds Flows: Evidence from the Greek Mutual Fund Market. *International Journal of Management Excellence Volume 3* No.1 April 2014

Salkind, N., (2010). Encyclopedia of Research Design, Volume 2. SAGE publications. New York. United States of America

Saraoglu and Detzler, (2002) P. (2014). *Doing research in business and management: An essential guide to planning your project*. London: Pearson Higher Education

Sarin A. B., Chowdhury J. K., (2017) An Understanding of Role of Heuristic on Investment Decisions. *International Review of Business and Finance ISSN 0976-5891 Volume 9, Number 1 (2017), pp. 57-61.*

Saunders, M. N., & Lewis, P. (2014). *Doing research in business and management: An essential guide to planning your project*. London: Pearson Higher Education.

Saunders, M., Lewis, P., & Thornhill, A. (2007). *Research methods for business students, (*pp. 310-352). Harlow, UK: Pearson Education.

Schran (2013) *Determinants of individual investor behaviour: An orthogonal linear transformation approach*. MPRA, Paper No. 29722. Retrieved from mpra.ub.uni-muenchen.de.

Shabarisha, N., (2015). Heuristic and Biases Related to Financial Investment And The Role Of Behavioral Finance in Investment Decisions – A Study. *Zenith International Journal of Business Economics & Management Research*. Vol.5 (12), December (2015), Pp. 82-101

Shafee, N. B. B. (2018). Mutual Fund Investment Decision by Malaysian Investor. *International Journal of Academic Research in Business and Social Sciences*. 8(11), 607–615.

Shah, A. K., & Oppenheimer, D. M. (2008). Heuristics made easy: An effort-reduction framework. *Psychological Bulletin, 134*(2), 207-222.

Shihundu M. V., (2009) A Survey of the Factors Influencing Investment Decisions: The Case Of Individual Investors At The Nse. *University of Nairobi.*

Shikhuwa.M.L (2010), *Research methods for business students*, (pp. 310-352). Harlow, UK: Pearson Education. Tanzania business school and economics

Sindhu K. P. & Kumar S. R (2014) Influence of Risk Perception of Investors on Investment Decisions: An Empirical Analysis. *Journal of Finance and Bank Management June 2014, Vol. 2, No. 2, pp. 15-25.*

Sindhu K.L. & Kumar G.H.P (2014) Inherent Risk and Control risk Assessments. *Journal of Accountancy, 190 (3), 104-107. Journal extract*

Sindhu K.P. (2013). Driving forces of investment decisions in Mutual funds *Cochin University of Science and Technology*

Spyrou (2013). Investor sentiment, risk factors and stock return: evidence from Indian non-financial companies. *Journal of Indian Business Research*, *4*(3), 194-218.

Steven R., (2009). Do investor's emotions determine their investment decisions*? Drishtikon 2009; 6: 1–29.investors perspective on investment decision extract.*

Titan, A. G., (2015). The Efficient Market Hypothesis: Review of Specialized Literature and Empirical Research. *Procedia Economics and Finance.* Volume 32, 2015, Pages 442-449

Van de Ven N. & Zeelenberg M., (2011). Regret aversion and the reluctance to exchange lottery tickets. *Journal of Economic Psychology* Volume 32, Issue 1, February 2011, Pages 194-200.

Velumoni1 D. (2017) Analysis Of Prospect Theory On Equity Investment Decision Making – A Behavioural Perspective. *Indian J.Sci.Res. 14 (1): 211-215, 2017*

Virlics, A., (2013). Investment Decision Making and Risk. Procedia Economics and Finance 6 (2013) 169 – 177

Vista Capital, (2008) Perceptual Factors Influencing Investors buying Behavior Some evidence from an emerging market. *South African Journal of Accounting Research, 24*(1), 1-11.

Wilcox Ronald T (2003). Bargain Hunting or Star Gazing? Investors' Preferences for Stock Mutual Funds. *Th Journal of Business 76(4);645-664*

World Bank Group, (2015). *Mutual Funds in developing markets: Addressing Challenges to Growth*, 2015. The World Bank, Washington DC, USA.

Yaya J. A., (2014) Choosing the right measurement instrument for your project. *researchClue.com*, Home for Nigerian Researchers.

Yıldırım, H. (2017). "Behavioral Finance or Efficient Market Hypothesis?", Vol:3, Issue:11; pp:151-158 (ISSN:2149-8598). *International Journal of Academic Value Studies*

APPENDICES

Appendix I: Introduction Letter

I am a master's Student at KCA University undertaking MSC Commerce, Finance and Investments. My study is on factors influencing retail investors investment decisions in Kenya's balanced funds and you have been selected as a respondent. Kindly fill the questionnaire below by ticking the most appropriate response and writing in the blank spaces. Your response will be confidential and will only be used for the purpose of this study.

Yours sincerely

Jane Njiru-Luchiri

Appendix II: Study Questionnaire

1. Age in years

20-30 years ☐ 31-40 years ☐ 41-50 years ☐ Above 50 years ☐

2. Gender

Male ☐ Female ☐

3. Occupation

☐ Employed ☐ Self-Employed ☐ College

4. What is the percentage of savings from your total income?

☐ <=25% ☐ <=50% ☐ <=75% ☐ Others

5. State the extent to which you agree or disagree with the following statements on the influence of fund performance record on investment decision making in balanced funds where; 1= Strongly Disagree, 2= Disagree, 3= Neutral, 4= Agree, 5= Strongly Agree.

Statements on Fund performance	**1**	**2**	**3**	**4**	**5**
e) I invest in the balanced fund because it has consistent good returns in the past.					
f) Good returns in the past are followed by good future balanced fund returns. This aids in making buying or selling decisions in the short run					
g) Past returns of the balanced fund influence my investment decisions in the long run					
h) I rely on easily available information on past performance to make investment decisions in the balanced fund.					

6. State the extent to which you agree or disagree with the following statements on the influence of fund manager's reputation on investment decision making in balanced funds where; 1= Strongly Disagree, 2= Disagree, 3= Neutral, 4= Agree, 5= Strongly Agree.

Statements on fund manager's reputation	**1**	**2**	**3**	**4**	**5**
e) A fund manager's reputation in terms of efficiency influences my investment decision making					
f) The fund manager's reputational knowledge on market trends influences my investment decision					

g) A fund manager with a poor reputation in their level of efficiency and knowledge makes me less confident in my investment decisions					
h) A fund manager's reputation on asset allocation is important when making my investment decisions					

7. State the extent to which you agree or disagree with the following statements on the influence of management expenses on investment decision making in balanced funds where; 1= Strongly Disagree, 2= Disagree, 3= Neutral, 4= Agree, 5= Strongly Agree.

Statements on management expenses	**1**	**2**	**3**	**4**	**5**
d) The management fee structure by a fund manager is important when making investment decisions in the balanced fund					
e) Balanced fund management expenses charged are minimal. This influences my investment decision making					
f) Balanced fund management Fee structure constitutes a low percentage of the return on investment					

8. State the extent to which you agree or disagree with the following statements on the influence of investment risk on investment decision making in balanced funds where; 1= Strongly Disagree, 2= Disagree, 3= Neutral, 4= Agree, 5= Strongly Agree.

Statements on investment risks	**1**	**2**	**3**	**4**	**5**

e) Risk associated with the balanced fund is important when making investment decisions.					
f) My past experiences on risk vs return on investment will influence my investment decisions					
g) The principle that the higher the risk the higher the return influences my investment decisions					
h) Risk associated with balanced fund is low as it is a diversified portfolio.					

9. State the extent to which you agree or disagree with the following statements on investment decision making in balanced funds where; 1= Strongly Disagree, 2= Disagree, 3= Neutral, 4= Agree, 5= Strongly Agree.

Statements on investment decisions in balanced funds	**1**	**2**	**3**	**4**	**5**
e) Consistent positive Fund performance influence my decision to buy more units in the balanced fund					
f) Poor fund manager's reputation influences my decision to sell some units in the balanced fund					
g) Low management expenses influence my decision to buy more units in the balanced fund					
h) Balanced fund moderate investment risks influence my decision to buy more units in the balanced fund					

10. State other factors that influence investment decision making in balanced funds

……..

……..

……..

……..

…….

Thank you for your time and participation.