

Factors Influence Investors Decision Making for Equity Portfolio Selection in Tanzania

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ABSTRACT

The study explored the relationship between investment market environment and diversified equity portfolio decision implies that the greater the awareness on the market environment, the more enhanced decision on diversification for investment portfolio selection in the Dar es Salaam region. The deviate from the typical rationale governing portfolio selection decisions through the analysis of their asset preferences and investment criteria. The population of the study was composed of 472 investor companies for general business in Dar es Salaam, Tanzania. The sample size has been taken 24 companies from the total number of general business investors who have invested and working with the Bank of Tanzania (BOT). The descriptive correlational research design was employed to answer the objective and test the hypothesis. Thus, for objective one, two and four was analyzed using descriptive statistics, objective three and five were analyzed using multiple regression analysis, Content Valid Index (CVI) and ANOVA. The level of significance (α) was 0.05. Results show that high return on investment (mean = 4.25), diversification (mean = 3.33, imitation and following (mean = 3.88) investment flexibility (mean = 3.04), investment status and prestige (mean = 3.13) were extremely adequate for equity diversified portfolio selection decision making. Findings reveal that there is a very high chance of investors to make more income out of their investments than they are presently making. There is a need to provide investors with information flow from the Banks in Tanzania and other financial institutions on investment portfolio selection. This study serves as an eye-opener to investors and managers of companies to plan for business projects and equity investments in Dar es Salaam.

Keywords: *Capital Marketing Investment; Equity Investment Growth; Market Environment; Dar es Salaam; Portfolio; Investor.*

1. Introduction

Decision making for portfolio selection is based on financial theory of modern Portfolio and capital asset pricing model that have long a shaped way in which academics and practitioners analyze investment performance. Whereby investors act rationally and consider all available information in the decision making process for efficiency reflecting all available information in security prices (Markowitz, 2005, and Sharpe, 2003). Researchers have uncovered a surprisingly large amount of evidence of irrationality and repeated errors in judgment. The field of performance of finance has evolved and attempts to better understand and explain how emotions and cognitive errors influence investors and the decision-making process. Kahneman and Tversky (2003), Shefrin and Statman (2003), Shiller (2004) and Shleifer (2000) shed light on the efficiency of financial markets as well as explain for many stock market anomalies. Further they discovered that the models within the traditional finance paradigm assume that investors act rationally and consider all available information in the decision-making process.

Investment market returns are believed to follow a random walk/march pattern; hence considered unpredictable. Underlying all these is the theory of arbitrage, which suggests that rational investors undo price deviation away from the fundamental, values quickly and maintain market equilibrium. As such, 'prices are right' reflecting all available information and there is no 'free lunch': no investment strategy can earn excess risk-free rate of return greater than that warranted by its risk (Fama, 2003). Also the basic facts about the aggregate stock market, the cross-section average returns and individual trading behaviour are not easily understood in this framework (McCue, 2002; Titman and Warga, 2005; and Liu and Mei, 2002).

Portfolio selection for investment has 'limits to arbitrage', which allows investor irrationality to be substantial and have long-lived impact on prices. To explain investor irrationality and their decision-making process, behavioural finance draws on the experimental evidence of the cognitive psychology and the biases that arise when people form beliefs, preferences and the way in which they make decisions from given their beliefs (Friedman, 2004, Barberis and Thaler, 2003). The financial theory based on Modern Portfolio Theory (Markowitz, 2005) and Capital Asset Pricing Model (Sharpe, 2003) has long shaped the way in which academics and practitioners analyze investment performance. The theory is based on the notion that investors act rationally and consider all available information in the decision-making process, and hence investment markets are efficient, reflecting all available information in security prices.

The trend of equity investors in Dar es Salaam has been largely affected by behavior and emotional decision-making characteristics, which shades light on belief that most investors invest after a push from influential partners or friend if not from market price. Performance of finance describes how investors actually behave, rather than how they should act for their investments. It recognizes that people sometimes act in for their own best economic interests, and that they sometimes not assuming that portfolio selection largely correctly describes the way markets operate Nyangarika (2016a).

Once the results are translated from the theory to practice, institutions like Capital Market Authority in Tanzania will eventually plan effectively. For instance, they will be able to know the Equity investor's behavior in order to improve on the kind of investment opportunities that exist in Tanzania. The study will be significant in the area of Investment since it will provide a guide on how to advice Equity investors based on their behavior. It is important to determine the effect of investor behavior on the type of choice they make while selecting portfolio for equity investment. It will also provide information on whether Equity investors make good portfolio selection or not. This study is significant since it will provide additional data on how Investor performance and portfolio selection have an effect on the type on their equity investment. The researchers will gain more knowledge in the field of financial market and how it influences Equity investors in Tanzania.

2. Materials and Methods

Prominent attempts to explain patterns in stock returns are Daniel *et al.* (2006, 2001), Barberis *et al.* (2006), and Hong and Stein (2005). The first paper attempts to explain patterns using overconfidence and self-attribution. Overconfidence about private signals causes overreaction and hence phenomena like the book/market effect and long-run reversals, whereas self-attribution (attributing success to competence and failures to bad luck) maintains overconfidence and allows prices to continue to overreact, creating momentum. In the longer-run there is reversal as prices revert to fundamentals as a consequence of Bayesian updating by agents. In a related paper Gervais and Odean (2001) formally model self-attribution bias in a dynamic setting with learning, and show that if this bias is severe, it may prevent a finitely-lived agent from ever learning about his true ability.

The Barberis. (2006) theory states that extrapolation from random sequences, wherein agents expect patterns in small samples to continue, creates overreaction (and subsequent reversals), whereas conservatism, the opposite of extrapolation, creates momentum through under reaction. Hong and Stein (2005) suggest that gradual diffusion of news causes momentum, and feedback traders who buy based on past returns create overreaction because they attribute the actions of past momentum traders to news and hence end up purchasing too much stock, which, when positions are reversed, causes momentum. While Brav and Heaton (2002) use a model with uncertainty about model parameters such as the asset value's mean and rational Bayesian learning to explain predictable return patterns, it appears that their explanation relies on the specific nature of the prior uncertainty and its resolution to generate over- versus under reactions. For example, if agents are concerned with structural change in the mean and it does not occur, there will be overreaction due to too much weight on recent data. On the other hand, if agents are unsure whether structure change has occurred and it indeed has occurred there will be under reaction.

Hong. (2005) suggest a model where agents use overly-simplified models to evaluate stocks, ignoring the true, more complex model. They use this notion to explain a variety of phenomena including momentum and asset bubbles. For example, an agent who believes in a particular model uses this model to make persistent forecast errors while ignoring a persistent but pertinent information signal, which leads to momentum. Further, an agent using a particular model while seeing a sequence of positive earnings, can drastically re-evaluate his beliefs after seeing the sequence being broken, leading to dramatic changes in stock prices.

A notable recent addition to theoretical thought is Barberis and Shleifer (2003), which argues that the tendency of investors to heuristically categorize objects can lead to the emergence of style-based mutual funds. Further,

assets within a style co-move more than those outside of that style. The paper by Barberis *et al.* (2005) follows up by documenting that S&P 500 betas of stocks go up when these stocks are added to the index, and, in effect, arguing that this co-movement, at least in part, is simply because investors treat S&P stocks as belonging to one category Nyangarika (2016b).

Other empirical evidence on the theories is preliminary at this point. For example, Kausar and Taffler (2006) provide evidence supporting the Daniel. (2006) arguments. They show that stocks initially exhibit continuation in response to an announcement (a going-concern audit report) that the firm is in distress, but later exhibit reversals. Chan. (2004), however, argue that momentum is due to slow diffusion of news, because they do not find any evidence that high momentum stocks reverse later. Doukas and Petmezas (2005) find support for the self-attribution hypothesis in the market for corporate control. Specifically, they find that managers earn successfully smaller returns in each successive acquisition, suggesting they become more and more overconfident with each successful acquisition.

Chan. (2003) find no evidence in favour of the Barberis. (2006) implication of extrapolation following a sequence of news events within returns data, but, using order flow data around earnings announcements, Frieder (2004) does. Hong. (2000) find that stocks with fewer analysts following them have greater momentum, suggesting that less analyst following, by causing slower diffusion of news creates more momentum, thus supporting the Hong and Stein.(2005) arguments. Doukas and McKnight (2005) show that, the Hong. (2000) results also hold in Europe, providing out-of-sample confirmation to the Hong and Stein (2005) theory.

In other attempts at modelling behavioural biases, Barberis. (2001) and Barberis and Huang (2001) have attempted to incorporate the phenomenon of loss aversion into utility functions. Loss aversion refers to the notion that investors suffer greater disutility from a wealth loss than the utility from an equivalent wealth gain in absolute terms. Barberis and Huang (2001) show that loss aversion in individual stocks leads to excess stock price fluctuations, i.e., more than that justified by fluctuations in dividends (*viz.* Shiller, 2005). This happens because, for example, agents' response to past stock gains is to increase their desire to hold the stock and thereby, in effect, lower the discount rate, raising the stock price still further Nyangarika (2016c).

Further, a book/market effect also obtains because stocks with high market/book are ones that have done well and thus require lower returns in equilibrium. Barberis. (2001) use similar arguments to justify aggregate phenomena of excess volatility. In essence, the high volatility leads excessive losses that, in turn, cause the investor to require a high premium to hold stocks, which leads to an explanation of the equity premium puzzle. Grinblatt and Han (2005) argue that loss aversion can also help explain momentum. Specifically, past winners have excess selling pressure and past losers are not shunned as quickly as they should be, and this causes under reaction to public information. In equilibrium, past winners are undervalued and past losers are overvalued. This creates momentum as the misvaluation reverses overtime.

Scheinkman and Xiong (2003) analyse the interaction of overconfidence and short-sale constraints. They show that agents with positive information may be tempted to buy overvalued assets because they believe they can sell that asset to agents with even more extreme beliefs. With short-sale constraints, negative sentiment is sluggish to get into prices, and this can lead to asset pricing bubbles.

Black. (2004) and Fama and MacBeth (2003) suggest a significant positive cross-sectional relation between security betas and expected returns, and this evidence supports the capital asset pricing model (Sharpe, 2004; Lintner, 2003; Mossin, 2003). However, Fama and French (2003) find that the relation between returns and market beta is insignificant. Internationally, Rouwenhorst (2005) finds no significant relation between average return and beta with respect to the local market index. Tests of the consumption-based capital asset pricing model (Breedon, 2003) have also led to inconclusive results; see, for example, Hansen and Singleton (2003). Jagannathan and Wang (2004) find a modest positive relation between conditional beta and expected returns when the market is expanded to include human capital.

According to Daniel and Titman (2006) argue that the book/market effect is driven by overreaction to that part of the book/market ratio not related to accounting fundamentals. The part of this ratio that is related to fundamentals does not appear to forecast returns, thus raising questions about the 'distress-risk' explanation based upon fundamentals. Brennan. (2006) find that investments based on book/market and size result in reward-to-risk ratios which are about three times as high as that obtained by investing in the market. These seem too large to be consistent with a rational asset-pricing model. Given the Euler equation for the representative investor, as Hansen and Jagannathan (2004) point out, a high Sharpe ratio implies highly variable marginal utility across states. Moreover, the returns of small and high book/market stocks would need to vary negatively

with marginal utility. This implies that the returns would need to be particularly high in good times when marginal utility is low and vice versa.

The firm size and book-to-market ratios predict returns in several emerging markets. Daniel and Titman (2004) also find that the common stocks of firms with higher book market ratios are more liquid than vice versa, so that the book/market effect cannot be justified by way of an illiquidity premium (Rouwenhorst, 2005). The strongest determinants of expected returns are past returns, trading volume and accounting ratios such as return on equity and price/earnings. They find no evidence that risk measures such as systematic or total volatility are material for the cross-section of equity returns (Haugen and Baker, 2004). Lakonishok. (2004) show that the return performance of glamour stocks (measured by high price/fundamental ratios such as market/book) is not impressive and value stocks do better. Optimistic investors generating volume and their optimism getting reversed in subsequent periods drive the negative relation between returns and past volume. Due to short-selling constraints, pessimism does not adequately get reflected

Diether. (2002) find that stocks with higher dispersion of analyst earnings forecasts earn lower returns than other similar stocks. They suggest this happens because while dispersion implies high optimism and pessimism, the latter does not get into prices because of short-selling constraints. Thus the negative relation between future returns and dispersion can obtain because the high optimism inherent in high dispersion gets reversed out in subsequent stock prices. Chen. (2002) provide a related argument by positing that low breadth of long ownership in a stock indicates that the short-selling constraint is binding, so that prices in these stocks become very high relative to fundamentals. This suggests that prices should reverse more in stocks experiencing reductions in breadth; they find some empirical support for this phenomenon.

Zhang (2006) argues that stocks with greater information uncertainty (e.g., those which are small and have low analyst following) exhibit stronger statistical evidence of mispricing in terms of return predictability from book/market and momentum within cross-sectional regressions. Nagel (2005) provides evidence that the mispricing is greatest for stocks where institutional ownership is lowest; here institutional ownership is a proxy for the extent to which short-selling constraints bind (the assumption is that short-selling is cheaper for institutions).

Hong. (2005) suggest a model where agents use overly simplified models to evaluate stocks, ignoring the true, more complex model. They use this notion to explain a variety of phenomena including momentum and asset bubbles. For example, an agent who believes in a particular model uses this model to make persistent forecast errors while ignoring a persistent but pertinent information signal, which lead to momentum. Further, an agent using a particular model while seeing a sequence of positive earnings can drastically re-evaluate his beliefs after seeing the sequence being broken, leading to dramatic changes in stock prices. Barberis and Shleifer (2003) indicated that the tendency of investors to heuristically categorize objects can lead to the emergence of style-based mutual funds. Further, assets within a style co-move more than those outside of that style.

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Grinblatt and Han (2005) argue that loss aversion can also help explain momentum. Specifically, past winners have excess selling pressure and past losers are not shunned as quickly as they should be, and this causes under reaction to public information. In equilibrium, past winners are undervalued and past losers are overvalued. This creates force as the misevaluation reverses overtime Nyangarika *et al.* (2020c).

Saunders (2003) documents that stock market tends to earn positive returns on sunny days and returns are mediocre on cloudy days. Shleifer and Shumway (2003) stated that this is evidence across a number of international markets. This suggests that investor mood affects the stock market, and that the effect is not due to the trading patterns of individual investors, thus leaving open the possibility that it may arise from the moods of market.

Kamstra. (2000) the returns around the weekend of the switch to standard time from daylight savings time are very negative, and suggest that induced depression from the switch amongst investors suffused with seasonal

affective disorder causes the negative return. Edmans. (2005) indicated that outcomes of sporting events involving the country as a whole impact the stock market of the country. It is hard to imagine what else but mood could cause this effect. Daniel. (2001) financial market prices are driven at least in part by irrational agents, of two issues: (i) why does arbitrage not remove any mispricing? (ii) why do irrational traders, who would lose money on average, not get driven out of the market in the long-run? Recently, progress has been made in answering both of the preceding questions. Shleifer and Vishny (2004) argue that arbitrage may be restricted because it is costly precisely when it would be useful in removing pricing inefficiencies. For example, because of marking-to-market, arbitrageurs may require more and more capital as prices diverge more and more from their efficient values. Furthermore, argue that owing to risk aversion, arbitrageurs may not be able to remove all systematic mispricing.

There are at least three counter-arguments to the notion that irrational traders would cease to be influential in the long run. Delong. (2004) argue that irrational agents, being overconfident, can end up bearing more of the risk and can hence earn greater expected returns in the long run. Second Kyle (2004) argue that even if agents are risk-neutral, overconfidence acts as a pre commitment to act aggressively, which causes the rational agent to scale back his trading activity. In equilibrium, this may cause overconfident agents to earn greater expected profits than rational ones. Hirshleifer. (2006) argue that when stock prices influence fundamentals by affecting corporate investment, irrational agents can earn greater expected profits than rational ones. This happens because irrational agents act on sentiment sequentially. Agents who act on sentiment early benefit from late arriving irrationals who push prices in the same direction as the early ones. If private information is noisy, this can result in situations where the irrationals as a group, outperform the rationales in terms of average profits. As we mention in the next section, however, if individual investors trade in financial markets just to obtain pleasure from trading as consumption good, they may continue to trade even if they lose money on average.

Shefrin and Statman (2002) stated that portfolio selection is a disposition effect among individual investors, which can be termed as a tendency to sell winners too soon and hold on to losers too long. Odean (2006) also stated that this is consistent with the notion that realizing profits allows one to maintain self-esteem but realizing losses causes one to implicitly admit an erroneous investment decision, and hence is avoided. Interestingly, past winners do better than losers following the date of sale of stock by an individual investor, suggesting a perverse outcome to trades by individual investors.

Barber and Odean (2002) find that investors who choose to make investments online are better performers than those who do not go online before the switch but worse performers after the shift. The idea is that overconfidence induces them to switch but then excessive trading after the switch dissipates their profits. Kumar (2006) shows that individuals appear to particularly prefer stocks with lottery-like characteristics Barber. (2005) indicate that individual investor trading has a significant systematic component, suggesting that the biases of individuals do not cancel in aggregate.

Hvidkjaer (2006) shows that small traders, on net, buy loser momentum stocks and subsequently become net sellers in these stocks, suggesting that by under reacting to negative information, they may create momentum. According to Grinblatt and Keloharju (2001) there are reference price effects, in that individuals are more likely to sell if the stock price attains a past month high. Kaustia (2004) finds that volume is lower if the stock price is below the offer price, and that there is a sharp upsurge in volume when the price surpasses the offer price for the first time. Furthermore, there also is a significant increase in volume if the stock achieves new maximum and minimum stock prices, again suggesting evidence of reference price effects. Such studies have added to our understanding of why people trade, but a calibration of a specific model that would deliver the magnitudes of volume observed in reality appears desirable to build a complete understanding of trading activity.

Bakshi. (2000) provide evidence that agents undertake clearly irrational actions like exercising options when it would be wealth enhancing to sell them, and that agents often trade in a manner that causes option prices to move in a manner inconsistent with comparative statics obtained from traditional assumptions of rationality. Coval, Hirshliefer and Shumway (2005) argued that proprietary traders on the Chicago Board of Trade exchange (which mainly trades derivatives) take more risk late in the day (as measured by number of trades and trade sizes) to cover their losses in the beginning of the day.

Barro (1990) shows that many empirical studies have related business investment to the ratio of the market's valuation of capital to the long-run cost of acquiring new capital. Empirically, movements in the market value of equity dominate changes in the market ratios; the changes in the market value of net debt and in the stock of capital at estimated reproduction cost are relatively minor. And further, he finds that the main reason for the results is that the equity component of the market ratio variable turns out to be only a rough proxy for stock market value.

The presence of cash flow variables, such as contemporaneous and lagged values of after-tax corporate profits, the stock market variable retains significant predictive power for investment. An overall interpretation of these results is that an exogenous disturbance (such as an increase in the prospective rate of return on capital) shows up contemporaneously as an increase in stock prices and corporate profits, and with a lag of a year or more as an expansion of investment expenditures and a further increase in profits (Barro, 1990).

Benartzi and Thaler (2001) show evidence of clearly irrational investor behavior where investors follow a "1/n" allocation rule across investment choices regardless of the stock-bond mix of the available choices. Goetzmann and Kumar (2003) reported that individual investors who are young and less wealthy hold more under-diversified portfolios, suggesting that they may exhibit stronger behavioral biases. Huberman (2001) indicates that investors have localized preferences for stock by documenting their preference for holding stocks in a regional telephone company in preference to other investments.

Coval, Hirshliefer and Shumway (2005) show that preference for local stocks extends to mutual fund managers in the sense that such managers tend to show a proclivity for stocks headquartered in the region that the managers are based in. mutual fund managers are more likely to buy stocks that other managers in the same city are buying, suggesting that one factor impacting portfolio decisions is a word-of-mouth effect by way of social interaction between money managers. They suggest that stock market participation is influenced by social interaction, agents that are more social, in the sense of interacting more with peers at collective gatherings such as at church, are more likely to invest in the stock market. More broad-based studies would doubtless shed reliable light on the important issue of precisely how portfolios are chosen.

Barber and Odean (2007) highlighted two common mistakes investors make: excessive trading and the tendency to disproportionately hold on to losing investments while selling winners. They argue that these systematic biases have their origins in human psychology. The tendency for human beings to be overconfident causes the first bias in investors, and the human desire to avoid regret prompts the second.

Barberis, Schleifer, and Vishny (2008) formulated a model of security price over and under-reaction to information when investor judgment is biased by conservatism and the representativeness heuristic. Chan (2001) found that a large stock price change, unsupported by news, on average was followed by a statistically anomalous price trend reversal over the next month. Further Chan illustrated the price trend reversals often occur when a majority of market agents follow the same investing strategy (buying or selling), unsupported by new information. Evidence of investor herding is presented.

Shiller (2000) the descriptions of overreaction and under-reaction are not likely to be good psychological foundations upon which to organize a general theory of economic behavior. Cognitive biases inadequately identify the behavioral motivations causing price anomalies. Any discussion of the theory of stock price behavior has to start with Markowitz (1952, 1959). The Markowitz model is a single-period model, where an investor forms a portfolio at the beginning of the period. The investor's objective is to maximize the portfolio's expected return, subject to an acceptable level of risk (or minimize risk, subject to an acceptable expected return). The assumption of a single time period, coupled with assumptions about the investor's attitude toward risk, allows risk to be measured by the variance (or standard deviation) of the portfolio's return. Thus, as indicated by the arrow in Figure 2, the investor is trying to go as far northwest as possible.

As securities are added to a portfolio, the expected return and standard deviation change in very specific ways, based on the way in which the added securities co-vary with the other securities in the portfolio. The best that an investor can do (i.e., the furthest northwest a portfolio can be) is bounded by a curve that is the upper half of a hyperbola, as shown in (Figure 1). This curve is known as the efficient frontier. According to the Markowitz model, investors select portfolios along this curve, according to their tolerance for risk. An investor who can live with a lot of risk might choose portfolio A, while a more risk-averse investor would be more likely to choose portfolio B. One of the major insights of the Markowitz model is that it is a security's expected return, coupled with how it co-varies with other securities, that determines how it is added to investor portfolios.

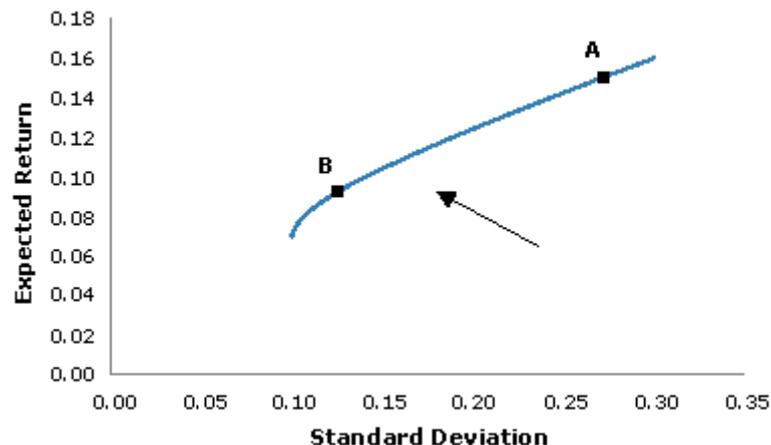


Figure 1. The Markowitz model

Building on the Markowitz framework, Sharpe (1964), Lintner (1965) and Mossin (1966) independently developed what has come to be known as the Capital Asset Pricing Model (CAPM). This model assumes that investors use the logic of Markowitz in forming portfolios. It further assumes that there is an asset (the risk-free asset) that has a certain return. With a risk-free asset, the efficient frontier in Figure 2 is no longer the best that investors can do. The straight line in Figure 2, which has the risk-free rate as its intercept and is tangent to the efficient frontier, is now the northwest boundary of the investment opportunity set. Investors choose portfolios along this line (the capital market line), which shows combinations of the risk-free asset and the risky portfolio M. In order for markets to be in equilibrium (quantity supplied = quantity demanded), the portfolio M must be the market portfolio of all risky assets. So, all investors combine the market portfolio and the risk-free asset, and the only risk that investors are paid for bearing is the risk associated with the market portfolio. This leads to the CAPM equation.

3. Methods

This study has employed descriptive-correlation research design, which concerns itself with describing situations as they are and hence aims at providing a description that is as factual and accurate as possible. On the other hand, the study used a correlation research design which helps to determine whether the degree of relationship exists between two or more variables. Thus descriptive and correlation research design will be used regressions and these are very pertinent for the completion of the study. The investors in Dar es Salaam are mostly composed by 472 companies for general business. The population of the study was composed by 472 investor companies for general business in Dar es Salaam, Tanzania. The sample size has been taken from the total number of general business investors who have invested and working with the Bank of Tanzania (BOT) Dar es Salaam Region. The researcher applied purposive sampling method to select 24 company investors that work with the BOT and from each company, one respondent was selected to respond to the questions of the study. The questionnaire is composed of both closed and open-ended questions, which was drawn in accordance with the set objectives of the study. Descriptive-co relational research design were used to answer the objective and test the hypothesis. Specifically, for objective one, two and four was analyzed using descriptive statistics. Objective three and five was analyzed using multiple regression analysis and ANOVA. The level of significance (α) was 0.05. The researcher used the Content Valid Index (CVI) which is a scale developed by computing or rating the relevant items in the instrument or questionnaire by checking their clarity, their meaningfulness in line with all objectives stated dividing by the total number of items. $CVI = \text{Relevant items} / \text{Total number of items}$. Handling reliability, it ensures the degree of consistency/stability; hence it involved examining several times, as the researcher checked for reliability in relevance, clarity and ambiguity of items in the instrument. In achieving this, a pilot study was conducted out in a different division so as to detect any major challenge likely to result from the research instrument to be applied.

4. Results

The data which was obtained from the field study was presented, analyzed and the findings discussed in related sections. It presents the findings of the study provided by the respondents collected within the study area. Table 1 show that majority (75%) of the equity investors sampled in Dar es Salaam have met their performance goals between 4% to 6%. 20.8% have put their goals at less than 2% while 4.2% have pegged their goals at between

2% and 4%. Table 4.1 show that 33.3% of the respondents reported to grow their assets fast with the intention of getting back investment capital as their investment goal; 25% have set growing assets as their goal; 20.8 percent have set getting income and growing their assets as an investment goal; the remaining 20.8% have set getting an income and protecting their assets as an investment goal.

The findings show that find that investors who choose to make investments online are better performers than those who do not go online before the switch but worse performers after the shift. The idea is that overconfidence induces them to switch but then excessive trading after the switch dissipates their profits. Nyangarika *et al.* (2020a) shows that individuals appear to particularly prefer stocks with lottery-like characteristics indicate that individual investor trading has a significant systematic component, suggesting that the biases of individuals do not cancel in aggregate. Results in (Table 4.1) revealed that 54.2% of the respondents strongly agree with the fact that the market can guarantee income from the investments on equity. 45.8% disagree that the market can guarantee some income from investment. Few of the respondents consider selling all or part of their investment. 45.8% of the respondents disagree with the idea of selling any of their investments, 33.3% of the respondents strongly disagreed with idea of selling any part of their equity investment, meaning that there is absolutely no chance of selling; 20.8% of the respondents were neutral, meaning that they can decide either way bearing in mind information regarding equity investments.

The results findings showing that irrational agents, being overconfident, can end up bearing more of the risk and can hence earn greater expected returns in the long run. Barber and Odean (2007) argue that even if agents are risk-neutral, overconfidence acts as a pre commitment to act aggressively, which causes the rational agent to scale back his trading activity. In equilibrium, this may cause overconfident agents to earn greater expected profits than rational ones. When stock prices influence fundamentals by affecting corporate investment, irrational agents can earn greater expected profits than rational ones.

Table 4.1: Performance Goals of Equity Investors

Variables	Frequency	Percentage
Performance Goals		
Less than 2%	5	20.8
2% to 4%	1	54.2
4% to 6%	18	75.0
Investment goal		
Income and protect assets	5	20.8
Income and grow assets	5	20.8
Grow assets	6	25.0
Grow assets fast	8	33.3

Source: Researcher's Analysis (2020)

From the data gathered in (Table 4.1)show that 54.2% of the respondents agreed that they are able to predict and get sufficient income from all the periodic investments made; 20.8% percent are neutral meaning that they are either not aware or have ignores it; another 20.8% disagree that they can predict and get sufficient income just as Barber and Odean (2007 and Nyangarika *et al.* (2020b) that investors use all available information to make decision; 4.2% of the respondents strongly disagree, meaning they feel that there is absolutely no chance of predicting and generating sufficient income. Majority (66.7%) of the respondents are not interested in long term investment, and (33.3%) by disagreeing with the notion that they want a return on their investments earliest within 15 years. Findings in (Table 4.1) show that 79.2% of respondents were more comfortable with short term investment done within 5 years; 16.7% indicate neutrality, 4.2% do not agree with the up to five years' investments. (Table 4.1) show that 33.3% of the respondents agreed and 20.8%strongly agreed with the notion that they have no knowledge of equity investments and subsequently rely on equity investment managers to give them information just as Barber and Odean (2007 said. 12.5% of the respondents were neutral while 4.2% and 29.2 % either disagreed or strongly disagreed. This means that majority of the investors and potential investors rely on the knowledge of equity investment managers.

Findings in (Table 4.2) indicate that 50.0% of the respondents agreed and 33.3% strongly agreed with the notion that they had some little knowledge on equity investments, but they did not have the desire to get involved in equity investments. 16.7% of the respondents strongly disagreed with this. What this suggests is that majority of the respondents either have not taken the equity investments seriously or do not just see the importance of equity investments in their lives. Majority 91.7% of the respondents strongly disagreed or disagreed meaning that none

of the respondents either has good knowledge of equity investments or follow the equity market developments. 8.3% of the respondents remained neutral. Majority 70.8% of the respondents indicated that they are neutral, meaning that they are not aware of whether they have excellent information or the ability to make proper equity investment decisions. On the other hand, 29.2% intimated that they did not have sufficient knowledge to make meaningful decisions.

Table 4.2: Investment Growth

Variables		Frequency	Percentage
Investment	Low	12	50.0
	Moderate	10	41.7
	Very high	2	8.3
High returns	Low	5	20.8
	Moderate	5	20.8
	High	6	25.0
	Very high	8	33.3
Diversified portfolio	Moderate	16	66.7
	High	8	33.3
Imitators and followers	Moderate	16	66.7
	High	8	33.3
High flexibility	Low	2	8.3
	Moderate	16	66.7
	High	6	25.0
Status and prestige	Very low	1	4.2
	Low	2	8.3
	Moderate	16	66.7
	High	5	20.8

Source: Researcher's Analysis (2020)

As shown in the (Table 4.2), evidenced by 50.0% of the respondents who felt that the rate of investment on equity is very low with, 41.7% saying that the rate of investment was moderate and 4.3% indicating that the rate of investment was very high. This means that there is a need of finding a way of promoting more investments on equity within the region. The results in Table 4.3 show interesting data that 33.3% of the respondents felt that the returns from equity investments is very high as compares to 25.0% who felt the returns are high and 20.8% who felt the returns are moderate. This implies that the rate of returns as indicated by the respondents is relatively high and profitable meaning that there is a need to encourage more people to invest on equity. (Table 4.3) it is indicated that there seems to be a moderate level of portfolio diversification as indicated 66.7% of the respondents felt that the level of diversification is moderate while 33.3% felt that the level of diversification is high. This point to a fact that at least there is a level of portfolio diversification, which gives the investors options in terms of investments.

The data collected suggest that there is an average degree of imitating and following in the investment market. This is evidenced the results in Table 4.2 showing that 66.7% of the respondents felt the level of imitation and following is moderate and the 33.3% of the respondents who feel that the level is high. What this suggests is that, most of the investment portfolios learn from each other and that most of the investors are keener on the price of investment rather than on the company invested on. It is no wonder most of the investors would prefer a situation where they get a return on their investment within 5 years. The level of flexibility in terms of

investments is moderate as evidenced by the data collected in (Table 4.3) indicating that 66.7% of respondents show that the level of flexibility is moderate, 25.0% indicate that the level of flexibility was high while 8.3% mentioned that the level is low. Looking at these figures it would be safe to suggest that the level of investment flexibility is relatively average as a total of 91.7% practice of level of flexibility. Majority of the respondents represented by 66.7% reported that they received moderate sense of status and prestige; 20.8% of the respondents got a high sense of feeling in terms of status and prestige; 8.3% got a low sense of satisfaction while 4.2% got very low sense of satisfaction.

Table 4.3: Factors influencing decision-Making for investment

	Frequency	Percentage
Factors influencing decision-making		
Brokers	4	16.7
Friends	5	20.8
Institutions	11	45.8
Others	4	16.7
Average amount of equity investment		
50,000,000 to 300,000,000	8	33.3
350,000,000 to 700,000,000	7	29.2
800,000,000 to 1,500,000,000	2	8.3
1,600,000,000 to 3,000,000,000	7	29.2
Return from Equity Investment Compare		
High	11	45.8
Medium	10	41.7
Low	3	12.5

Source: Researcher's Analysis (2020)

Findings in (Table 4.3) show that majority 45.8% of the respondents was influenced to undertake equity investments by Institutions such as banks, investment companies and other financial institutions. 20.8% of the respondents indicated that friends influenced them; 16.7% of the respondents were influenced by brokers while the remaining 16.7% were influenced by other variables and issues, such as advertisement etc. (Table 4.3), 33.3% the ability to invest an average of between Tshs. 50,000,000 and 300,000,000; 29.2% of the respondents either between Tshs. 350,000,000 or Tshs. 700,000,000 while the other 29.2% invest an average of between Tshs. 1,600,000,000 and Tshs. 3,000,000,000. 8.3% of the respondents invest an average of between Tshs. 800,000,000 and Tshs. 1,500,000,000. This means that the majority of the investors do not make large investments. (Table 4.4) indicate that majority 45.8% of the respondents, mentioned that they registered high returns from their equity investments. 41.7% of the respondents indicated registering medium returns while 12.5% indicated registering low returns on investment.

Based on these findings as showing in (Table 4.4), the study proffers various recommendations, founded on the best investment practices worldwide which will help in promoting the equity markets and enhance the growth of investment. There should be an investment authority that must be in charge of overseeing investments. The authority should take full charge of insuring that there is promotional materials and information to ensure that more and more Tanzanians are able to invest in equity market. Equity companies should be able to diversify their portfolios so as to attract more potential investors in the region. With a diversified market more and more investors will have options on what to invest for and promote citizens with smaller businesses to take part in equity investments. More companies must be encouraged to sell their shares so as to allow more people take part in the equity market and also make investments by trading in shares. More research is suggested inline of this study, specifically to analyze the relationship between equity market and investment growth in Dar es Salaam, as well as all the analysis of other factors that were not covered in this study.

Table 4. 4. Relationship between investment market environment and equity portfolio selection decision making

Market Equity Investment Environment	Diversified Equity Portfolio	Decision
Market Guarantee from Investment	.650**	
Predict sufficient income all periods of investment	.574**	
Long term Investment	-.500**	Reject the Hypothesis
Short term Investment	.340*	
Investment Managerial skills for equity investment	.442**	

*Correlation is significant at the 0.05 level(2-tailed) * Correlation is significant at the 0.01 level(2-tailed)

Source: Researcher's Analysis (2020)

5. Conclusion

The study findings indicate that majority of respondents reported that investment market environment was very adequate to guarantee income from investment (mean = 3.63), predict investment income during all the periods of businesses (mean = 3.25), for short term investment within 5 years (mean = 3.75), access to equity investment information (mean = 4), making proper decision on equity investment information (mean = 3.29) and adequate managerial skills (mean = 3.13). Results show that high return on investment (mean = 4.25) was extremely adequate for equity portfolio selection decision, diversification (mean = 3.33) and imitation and following (mean = 3.88) were very adequate for equity portfolio selection decision making, investment flexibility (mean = 3.04) and investment status and prestige (mean = 3.13) were adequate for equity diversified portfolio selection decision making. The very significant relationship between investment market environment and diversified equity portfolio decision implies that the greater the awareness on market environment, the more enhanced decision on diversification for investment portfolio selection. This study may serve as an eye opener to investors and managers of companies to plan for business projects and equity investments in Dar es Salaam. Findings reveal that there is a very high chance of investors to make more income out of their investments than they are presently making. There is a need to provide investors with information flow from the Banks in Tanzania and other financial institutions on investments portfolio selection.

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