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Abstract:

This study sought to identify the behavioral factors that influence financial decisions by open-air-market traders in Kibuye market, Kisumu Town, in Kenya. Several behavioral finance studies have investigated the psychological and sociological issues that influence financial decision making processes. Most of these studies have, however, been done in reference to financial markets. This study adds to the literature by focusing on how individual open-air-market traders are affected by emotions and cognitive influences when making financial decisions. The findings show that financial decisions by individual open-air-market traders in Kibuye market in Kenya are significantly influenced by over-confidence, anchoring bias, loss-aversion, representativeness bias, risk-aversion and herd behavior in that order. A descriptive survey design was adopted for this study. The study population included 400 traders licensed by the county government of Kisumu to operate in Kibuye market as per the Kisumu County Ministry of Trade Registry data (2015). The study employed stratified random sampling technique to select the sample members. The study collected primary data using questionnaires containing a mixture of structured and a 5-point likert scale questions. Descriptive statistics and factor analysis were used to analyze the collected data with the help of SPSS 20.0 software.

Keywords: Behavioral influences; heuristics and prospect theories; financial decisions, open-air market, traders, Kibuye market