Availability Bias and Investment Decisions of Selected Small and Medium Enterprises in Nairobi County

Chepngeno E. Maina[1], Nyamasege Dennis [2] & Kurere Cornelius [3]
Kisii University, Kenya

Abstract

Behavioral biases, especially availability bias, are recognized for their influence on decision-making. As a result, its effect on small and medium enterprises should be quantified given its influence. This study aimed at assessing the influence of availability bias on the investment decisions of selected small and medium-sized businesses in Nairobi County, Kenya. The study was grounded on Heuristics Theory and Behavioral Portfolio Theory. Based on positivist philosophy, employed a cross-sectional and survey research design. A sample of 426 was drawn from 18,872 small and medium enterprises registered with the Micro and Small Enterprises Authority using a proportionate stratified random sampling technique. From the trade and service enterprises, selected managers or proprietors were targeted as respondents. Descriptive statics and inferential statistics were used to analyze data collected from 372 respondents. Pearson correlation analysis results indicted a strong positive relationship between availability bias and investment decisions, evidenced by a coefficient $r = 0.964$ and a p-value of $0.000 < 0.05$ indicating a strong positive correlation which was statistically significant. Regression analysis results on the influence of availability bias on investment decisions indicated a statistically significant positive effect ($\beta = 0.158$, $p = 0.798$) which accounted for 92.9% of the variation in those decisions. It was concluded that availability bias was eminent among the respondents and its direct influence on investment decisions was significant, although other behavioral biases or contextual elements may have a more significant influence. From the results, it is recommended that small and medium enterprises implement organized decision-making frameworks and offer training to reduce dependence on readily accessible information.

Keywords: Availability bias, Behavioral biases, Investment decisions, Small and medium enterprises

1.0 Introduction

Availability bias leads to dependence on readily accessible information instead of performing objective financial analyses which results in suboptimal investment decisions characterized by either excessive risk-taking or undue risk aversion, ultimately impacting business sustainability introductory sentence and economic growth. Behavioral finance examines the psychological factors affecting financial decision-making, extending beyond conventional theories by analyzing the effects of emotions, cognitive biases, and heuristics on investment decisions. Mittal (2022) argues that heuristics streamline intricate judgments by employing cognitive shortcuts that may not consistently correspond with logical financial frameworks. Such biases may lead to inferior

decisions, particularly for investors operating in volatile market environments. Researchers such as Rasheed, Rafique, Zahid and Akhtar (2018) contend that heuristics affect both individual and professional investors in financial markets, frequently resulting in predicted errors in investment strategies and market conduct (Guercini, 2019).

Availability bias is a cognitive heuristic in which individuals evaluate the likelihood of an event based on the ease of recalling analogous instances (Tversky & Kahneman, 1974 cited in Suresh, 2021). Investors are frequently influenced by accessible information, resulting in an overestimation of the prevalence of specific events while neglecting infrequent yet potentially consequential occurrences. For instance, upon receiving information regarding a stock increase, investors may erroneously perceive that such occurrences are more common than they truly are, prompting them to invest in overvalued assets (Blankespoor, deHaan & Marinovic, 2020). Tversky and Kahneman's research emphasizes that salient and recent occurrences significantly influence decision-making, leading individuals to neglect less dramatic yet equally critical elements (Dervishaj, 2021). This dependence on immediate memories frequently results in investment behavior that is predominantly influenced by emotional responses rather than logical assessment, potentially detrimental to long-term portfolio performance. This cognitive bias is evident in the decision-making processes concerning investments in Small and Medium-Sized Enterprises (SMEs), as readily available information may distort investors' perceptions of SME potential and risk, especially in emerging markets such as Kenya.

Effendi (2022) contends that an investment decision involves the allocation of capital with the expectation of yielding profits or enhancing the value of the invested funds. Quynh (2023) adds that the criteria for investment selections are predicated on addressing essential problems that profoundly affect the distribution of strategic resources and the management of risk. Optimizing capital allocation necessitates balancing risk tolerance with anticipated rewards, which underpins strategic planning (Mun, 2022). Furthermore, Quynh (2023) asserts that strategically identifying the optimal timing for market entry and exit, informed by economic cycles and market conditions, is crucial for maximizing opportunities and mitigating risks. Consequently, selecting specific investments or markets that align with investment objectives necessitates a thorough evaluation of asset classifications, geographical considerations, and industry forecasts (Baker, Nofsinger & Spieler, 2020).

Quynh (2023) emphasizes that the criteria for making prudent investment decisions depend on essential inquiries related to resource allocation and risk management. Capital optimization necessitates a careful equilibrium between risk tolerance and anticipated returns, serving as the basis for strategic planning. This strategy is crucial for small and medium enterprises (SMEs) to proficiently maneuver through economic cycles and market conditions. Scardoi (2024) underscores the importance of comprehending market dynamics, engaging stakeholders, and using risk-sharing techniques to optimize portfolio performance and attain long-term financial goals. Investment decisions in SMEs transcend immediate profits; they focus on establishing competitive advantages and ensuring financial stability amid a dynamic global market.

A vital aspect of investment decision-making is identifying the most suitable asset classes and strategies. Baker et al. (2020) assert that the meticulous selection of assets necessitates a comprehensive study of risks, returns, and market forecasts. Sudacevschi (2021) observes that whereas alternative investments frequently provide enhanced diversity and returns, they also entail increased risks and complications. For SMEs, particularly those pursuing expansion, comprehending these intricacies is essential for making decisions that correspond with their financial objectives and risk profiles.

SMEs are essential to the global economy, fostering innovation, generating employment, and facilitating market growth, as over 90% of businesses globally are classified as SMEs and account for more than 50% of employment (Abisuga-Oyekunle, Patra & Muchie, 2020). In developing economies such as China and the United Arab Emirates, SMEs substantially influence Gross Domestic Product, with their contribution augmented when accounting for informal sectors (Kawira, Mukulu & Odhiambo, 2019). In Africa, SMEs constitute over 90% of enterprises, driving economic stability and employment generation despite obstacles such as inadequate infrastructure and intricate rules (Pulka & Gawuna, 2022). SMEs in Kenya are a vital economic engine, accounting for 40% of the GDP and creating 30% of annual employment, supported by government policies that promote their development (Kenya National Bureau of Statistics, 2022; Wakiaga, 2022). The contributions of SMEs at global, regional, and local levels are vital for sustainable economic development, underscoring the necessity of focused investment plans and supportive legal frameworks for their ongoing success. This study is important as it offers critical insights into the obstacles and opportunities encountered by SMEs in Kenya, aiding in the formulation of policy decisions and investment strategies. Furthermore, it enhances the

comprehensive understanding of how SMEs can be assisted to promote sustained economic growth and resilience.

2.0 Problem Statement

Availability bias leads SME owners to rely excessively on readily available information such as recent financial trends, personal experiences, or high-profile market events rather than conducting objective analyses based on fundamental financial indicators (Jackson, 2021). This bias often results in misjudgments; for instance, an entrepreneur who recently observed a competitor's rapid expansion may assume that the same strategy will yield similar success, disregarding contextual differences such as market saturation, financial capacity, or operational efficiency (Waweru, Munyoki, & Uliana, 2008). Likewise, heightened media coverage of a booming industry may create an illusion of high returns, prompting SMEs to overinvest in trending sectors without conducting due diligence (Rasheed et al., 2018).

Conversely, availability bias may also contribute to excessive risk aversion. Negative past experiences, such as economic downturns or abrupt policy changes affecting SMEs, may lead entrepreneurs to avoid otherwise profitable investment opportunities due to the ease with which past failures come to mind (Kimeu, Anyango, & Rotich, 2016). For instance, an SME owner who struggled with a failed expansion due to inadequate funding may develop an aversion to future growth opportunities, even when financial conditions have improved. This tendency to overweight negative past experiences can lead to underinvestment, limiting business scalability and competitiveness (Kommalapati, 2024). The dual effect of availability bias is either fostering overconfidence and excessive risk-taking or instilling fear-driven conservatism and/or poses a critical challenge to SME sustainability, as it disrupts rational investment decision-making and strategic financial planning (Polychronakis, 2023).

By distorting risk perception and profitability assessments, availability bias prevents SMEs from making evidence-based investment decisions, ultimately influencing their survival and long-term success (Pulka & Gawuna, 2022). Understanding this bias is essential for SMEs in Nairobi County, where dynamic market conditions and intense competition demand prudent financial decision-making. Addressing the effects of availability bias through financial education, data-driven investment strategies, and risk assessment frameworks could enhance SMEs' ability to make rational and sustainable investment decisions, mitigating the adverse effects of cognitive biases on business growth and economic development.

Despite the critical role of rational financial analysis in investment decision-making, SMEs in Nairobi County frequently rely on heuristics and cognitive shortcuts, leading to suboptimal financial choices. Availability bias which is a cognitive bias where individuals overemphasize recent or easily recalled events, significantly influences SME investment decisions by skewing risk perception and profitability assessments (Aziz & Khan, 2016; Waweru et al., 2008). Entrepreneurs often base investment decisions on recent market trends, personal experiences, or high-profile business successes, neglecting comprehensive financial evaluations. Conversely, negative past experiences may lead to excessive risk aversion, discouraging potentially profitable investments (Kimeu et al., 2016; Rasheed et al., 2018). Given that SMEs contribute over 40% to Kenya's GDP but face a high failure rate which is estimated at 46.3% within the first year (KNBS, 2019). Understanding the role of availability bias in investment decisions is essential. While existing literature has explored behavioral biases broadly, there were limited empirical research specifically examining the effect of availability bias on SME investment decisions in Nairobi County. This study, therefore, sought to bridge this gap by analyzing how availability bias influences investment choices among selected SMEs, providing insights that can enhance financial decision-making and business sustainability. The overall objective therefore became; to determine the influence of availability bias on investment decisions of selected SMEs in Nairobi County and the consequent null hypothesis was availability bias had no statistically significant influence on investment decisions of selected SMEs in Nairobi County.

3.0 Literature Review

Heuristics Theory was used to explain the independent variable; availability bias while Behavior Portfolio Theory was used to explain the dependent variable; investment decisions. Heuristics Theory, developed by Amos Tversky and Daniel Kahneman (1973), builds on the earlier work of Herbert Simon, who proposed the notion of bounded rationality (Cati, 2022). It posits that individuals rely on cognitive shortcuts, or heuristics, to simplify decision-making in complex situations. While heuristics allow for quick judgments, they also introduce systematic biases, such as representativeness, availability, and anchoring. Waweru et al. (2008) later expanded this framework by including overconfidence as an additional heuristic. These shortcuts reduce cognitive effort and time spent on decision-making but can also lead to errors due to the substitution of complex judgments with simpler ones (Doyle, Ojiako, Marshall, Dawson & Brito, 2021).

The theory assumes that decision-makers face cognitive constraints and that heuristics function as adaptive tools to cope with information overload. Key assumptions include attribute substitution, effort reduction, and rapid yet frugal decision-making. However, its limitations stem from its reliance on individual judgment, which lacks universal applicability (Ahmad, Shah & Abbass, 2021). The presence of biases may distort perceptions, leading to suboptimal investment choices, especially in uncertain environments. Additionally, Schirrmeister, Göhring and Warnke (2020) argue that the theory lacks explicit guidelines on when heuristics should be used and how biases can be mitigated. Despite its limitations, Heuristics Theory in this study explains the presence of behavioral biases in SME investment decisions in Nairobi County.

Behavioral Portfolio Theory (BPT), introduced by Shefrin and Statman in 2000, challenges the traditional assumption that investors solely aim to maximize returns. Instead, BPT suggests that investors construct portfolios based on psychological preferences and behavioral biases, forming layered structures with different risk levels (Majewski & Majewska, 2022). The pyramid framework in BPT explains how individuals allocate resources across low-risk investments for security and high-risk investments for potential wealth accumulation. This layered approach recognizes that investor behavior is shaped not just by rational decision-making but also by emotional and cognitive factors. Unlike traditional portfolio theories, BPT integrates elements of investor psychology into portfolio construction (Shefrin & Statman, 2002).

This theory is founded on several key assumptions, including mental accounting, which suggests that investors categorize their investments into distinct mental compartments, potentially leading to suboptimal decision-making (Majewski & Majewska, 2022). It also acknowledges bounded rationality, recognizing that investors' decisions are constrained by cognitive limitations and emotional influences. However, critics argue that the interdependence between portfolio layers is often overlooked, affecting the overall allocation of wealth (Sinha & Biswas, 2018). Additionally, Harrison and Ross (2023) note that the theory's reliance on individual preferences limits its broad applicability. Despite these limitations, BPT is highly relevant to this study as it explains how behavioral biases influence SME investment decisions.

Regarding empirical literature review Khan's (2017) study critically examined how availability bias and fear of loss bias influence investment decision-making, with a specific focus on the moderating role of risk perception. The study's empirical findings indicated that while both biases significantly affected investor judgments, the relationship was modest and negative for availability

bias. This suggests that although investors tend to overweigh recent or memorable information, it does not necessarily lead to improved decision-making. Similarly, Khan et al. (2022) explored the role of availability bias during the post-Covid-19 period, revealing a stronger influence on investment decisions among Pakistani investors, particularly as they shifted away from traditional investment avenues toward more speculative options. This shift in investor behavior highlighted how external shocks, like the pandemic, can amplify cognitive biases such as availability bias, leading to suboptimal investment choices driven by the perceived prominence of certain investment opportunities.

Moreover, studies by Rahim, Bangash and Khan (2022) and Koech (2023) further expand on these findings by examining the broader impact of availability bias in markets affected by uncertainty, such as during the Covid-19 pandemic. Both studies emphasized that, particularly in crisis situations, investors become more susceptible to cognitive biases, making decisions based on easily accessible information or short-term market fluctuations rather than sound financial analysis. Koech's (2023) research, in particular, highlighted how the availability bias mediates financial performance in SMEs, underlining the significance of addressing behavioral biases to improve long-term financial outcomes. The study found a positive relationship between availability bias and financial performance, though it was partially mediated by investment decisions, pointing to the need for more strategic and informed decision-making processes in small businesses.

Furthermore, the studies conducted by Nizar and Daljono (2024) and Salman, Khan, Khan and Khan (2021) offer additional insights into how availability bias, when combined with other factors like fear of missing out and external locus of control, shapes investment behaviors. The findings from these studies underscore the complexity of investor decision-making, where availability bias not only influences immediate choices but also interacts with emotional factors such as fear of missing out, which can drive more risk-seeking behavior. Salman et al. (2021) highlighted the influence of external locus of control in moderating how availability bias influences investment decisions, suggesting that investors with a more external outlook are more likely to be swayed by biases in unpredictable market conditions. These collective studies emphasize the critical need for investors to be aware of cognitive biases and for interventions aimed at mitigating their influence to improve decision-making and investment outcomes.

4.0 Methodology

A positivist philosophy approach was adopted in the research by focusing on objective and empirical knowledge obtained through scientific observation and statistical analysis (Saunders, Lewis & Thornhill, 2019). A cross-sectional and survey design were utilized to gather data at a specific moment, offering an overview of the relationships between behavioral biases and investment decisions among selected SMEs in Nairobi County (Mohajan, 2018). The research focused on owners and senior managers of SMEs engaged in decision-making, utilizing data from Nairobi's 18,872 registered SMEs, where the trade sector represented the most significant portion. Proportionate stratified random sampling technique was employed to select 426 respondents from trade and service sectors, ensuring adequate representation. Data was collected using semi questionnaire constructed on Likert scale with items that measured availability bias and investment decisions. The resultant data was analyzed using descriptive and inferential statistics.

5.0 Results and Discussion

A total of 372 questionnaires were duly completed and returned out of the total 426 originally sent translating to 87 percent response rate that was considered as adequate for analysis and conclusion. The first section of the questionnaire sought to identify the demographic data of the respondents and the first item referred to the distribution of the gender in the sample. The responses were analyze and represented by figure 1.

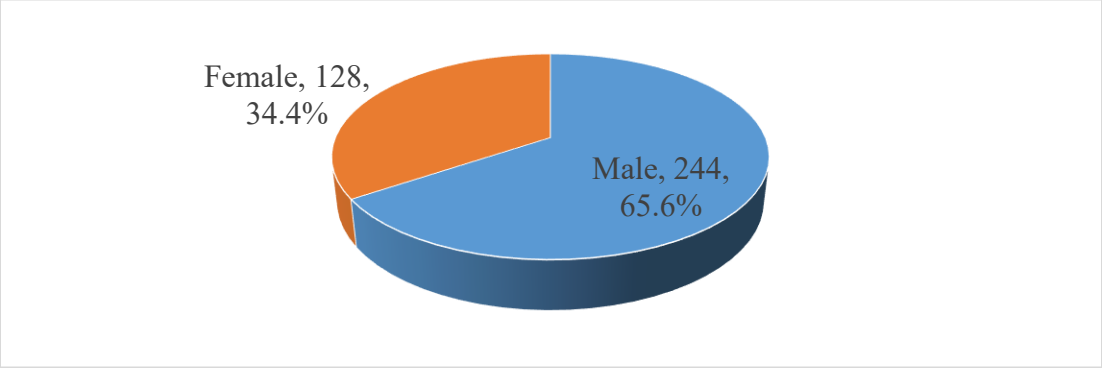

Figure 1 Respondents' Gender

Figure 1 indicates that 65.6% (244) of the study participants were male, whereas 34.4% (128) were female, demonstrating a male-dominated sample. This gender distribution may offer insights into possible gender-related inequalities in biases affecting investment decision-making. In reference to gender range difference, Sajid and Bhardwaj (2021) and Siddiqui (2018) assert that age influences investment methods, predominantly reflecting younger investors in the 25-34 (40.1%)

and 35-44 (29.0%) age brackets (see figure 2). The younger demographics are generally more receptive to novel investment options and possess advanced technology skills, which may result in distinct behavioral biases and a requirement for specialized financial knowledge. The survey exhibited inadequate representation from senior investors (ages 45-64, 22.9%), potentially affecting the conclusions.

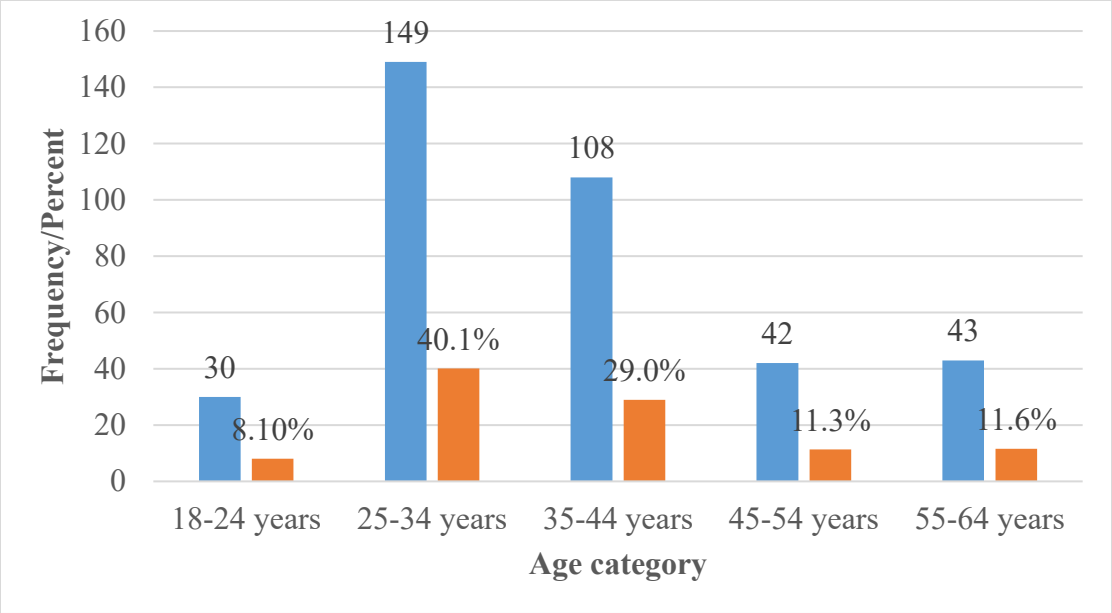

Figure 2 Respondents' Age Category

On the education level of the respondents, study results in Figure 3 indicates that 50.3% held a bachelor's degree, 16.4% possessed a master's degree, 14.0% had diplomas, and smaller proportions had secondary (10.8%) or primary (3.0%) education. Furthermore, 5.6% of participants possessed certificates, signifying that the majority of respondents had undergone specialized training. A significant percentage of bachelor's degree holders indicates that the sample comprised individuals with a robust comprehension of financial concepts, pertinent to the analysis of availability bias in investment decisions. The limited presence of respondents with primary or secondary education suggests that the study predominantly represents the decision-making processes of those with higher education. These findings show that most proprietors/managers of SMEs have specialized training which was most likely to aid in decision making.

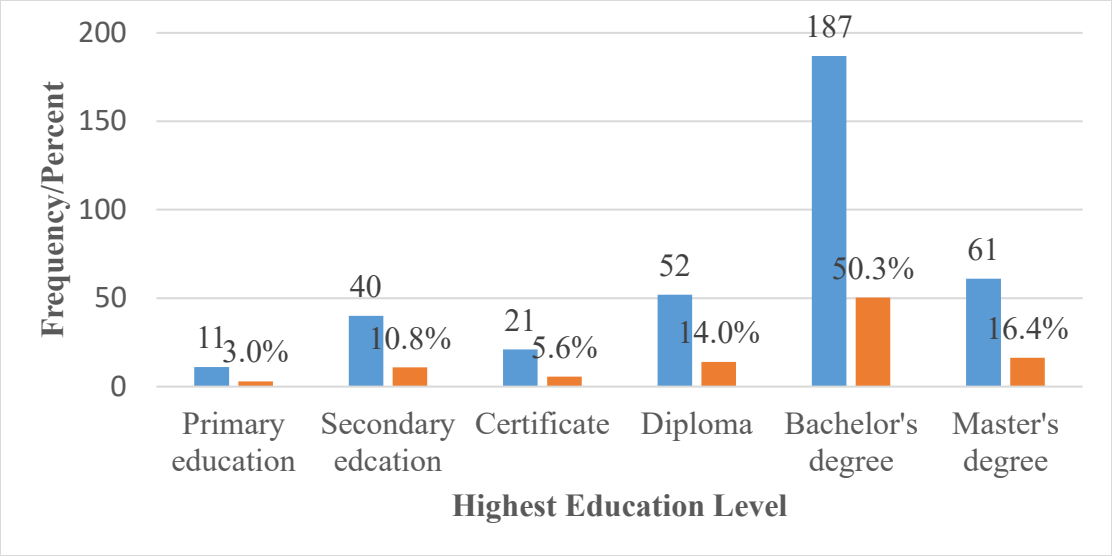

Figure 3 Respondents' Highest Education Level

Analysis of data obtained from the question that sought to find out about years of experience,

Study results revealed that 62.9% (234) respondents had above 5 years of experience, 15.9% had 3-5 years, and 11.6% had 1-3 years. The remaining 9.7% (36) possessed up to one year of experience, offering crucial insights into nascent patterns and preliminary decision-making. These findings indicate that the study's conclusions embody an informed and experienced viewpoint on investing selections.

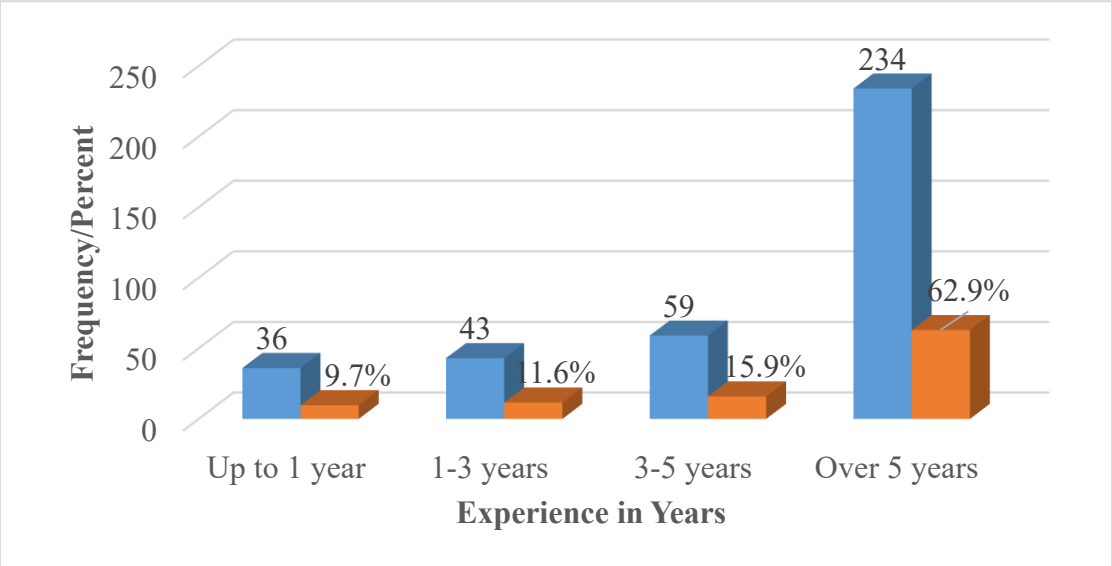

Figure 4 Respondents' Years of Experience

Descriptive statistics on the independent variable was done. Findings presented in Table 1 indicate that availability bias influences investment decisions to differing extents. The findings indicated that SMEs prioritized selecting assets readily accessible in the local market (Mean = 2.31, Standard Deviation = 1.18), while current market knowledge was considered essential for timely and strategic investment decisions (Mean = 2.05, Standard Deviation = 1.8). Respondents exhibited a preference for selecting readily accessible goods and services (Mean = 2.89, Standard Deviation = 1.49) and relied on previous experiences in their decision-making processes (Mean = 2.65, Standard Deviation = 1.44). Customer demand (Mean = 2.72, Standard Deviation = 1.48) significantly impacted sourcing decisions, while business knowledge had a lesser effect (Mean = 3.01, Standard Deviation = 1.49). The mean is 3.59 and the standard deviation is 1.56, indicating that investment decisions appear to place less importance on historical profitability. The experiences and insights of previous and present corporate leaders (Mean = 4.09, Standard Deviation = 1.06) received minimal attention, indicating that investors prioritized personal judgment and current market conditions over external expertise or historical performance.

The findings showed that availability bias substantially influenced investment decisions, as investors chose readily accessible and familiar options over more thorough analysis. The inclination towards locally accessible investments and dependence on past experiences suggest that familiarity was crucial in decision-making. Moreover, sourcing decisions shaped by client demand and industry networks underscore the need of accessible information. Although historical success was acknowledged, market information and expert insights were relatively undervalued, indicating a preference for personal familiarity over objective data. These results highlight the influence of availability bias in guiding SMEs towards familiar and accessible options, which may restrict comprehensive market evaluations and diversification.

Table 1 Availability Bias

Statements	N	Mean	Standard Deviation
My investment tactic places a high priority on selecting investments that are readily available in the local market.	372	2.31	1.18
I like to select products and services that are readily accessible within the local market.	372	2.89	1.49
The sourcing decisions we make are significantly influenced by customer demand.	372	2.72	1.48

My recent past experiences form basis for my decisions.	372	2.65	1.44
I prefer investing in businesses that are familiar or known to me.	372	3.01	1.49
Examining the historical/past profitability of the business is an important part of our investment decisions.	372	3.59	1.56
Having current market information/Knowledge enables individuals to make prompt and strategic investment choices.	372	2.05	1.28
The experiences and insights of previous and current business experts are held in high regard in assessing possible business opportunities for our firm.	372	4.09	1.06

Next data on investment decisions was analyzed. Results presented in Table 2 demonstrate that enterprises evaluated multiple criteria in their investment decisions. The minimal mean scores for evaluating risk and return profiles (mean = 1.85, standard deviation = 0.84) and investment diversification (mean = 1.92, standard deviation = 0.82) indicate that SMEs placed significant importance on risk assessment and diversification in their investment strategies. SMEs concurred on the need of diversifying assets across many industries for enhanced risk management (mean = 2.11, standard deviation = 0.93) and consistently evaluating investment objectives (mean = 2.13, standard deviation = 1.30). Additionally, the alignment of investments with long-term business objectives was reported (mean = 2.20, standard deviation = 1.15), as well as the influence of the competitive environment on investment decisions (mean = 2.33, standard deviation = 1.00). Businesses had a moderate level of consensus regarding capital allocation planning (mean = 2.75, standard deviation = 1.19), difficulties in identifying investment capital (mean = 2.83, standard deviation = 1.19), and assessment of investment duration (mean = 2.97, standard deviation = 1.28). Notably, there was minimal consensus about the existence of a clearly articulated investment strategy for all decisions (mean = 3.26, standard deviation = 1.18), indicating inconsistencies in structured investment planning. The findings indicate that capital planning and investment strategy creation are adversely affected, despite corporations emphasizing risk management and strategic alterations.

These findings indicate that organizations evaluated several elements in their investment decisions, placing significant importance on risk management and strategic reason. The emphasis on diversification, indicated by the highest mean scores for sector allocation and risk mitigation, highlighted its essential function in investing strategies. Furthermore, enterprises meticulously evaluated the optimal investment timeframe and the competitive landscape, acknowledging their

influence on financial results. Although risk-return assessments and market adaptation influence decision-making, companies encountered difficulties in capital allocation despite attempts to synchronize investments with long-term goals and do regular strategy appraisals. The data indicate that although competitive forces and strategic considerations affected investment decisions, risk diversification was the predominant factor shaping investment strategies.

Table 2 Investment Decisions

Statements	N	Mean	Standard deviation
The competitive landscape heavily influences our investment choices.	372	2.33	1.00
Our business carefully plans the amount of capital allocated to each investment.	372	2.75	1.19
We often face challenges in determining the appropriate amount of capital for investments.	372	2.83	1.22
We regularly evaluate the optimal duration for each investment we make.	372	2.97	1.28
Our business has a clear policy regarding the investment horizon for different projects.	372	2.79	1.30
Our investments are always aligned with our long-term business objectives.	372	2.20	1.15
We frequently review and adjust our investment objectives to match current business needs.	372	2.13	1.30
Our business follows a well-defined investment strategy for all investment decisions.	372	3.26	1.18
We adapt our investment strategies based on changing market conditions.	372	2.67	1.18
We thoroughly assess the risk and return profile of investments before committing funds.	372	1.85	0.84
Our business investment is diversified to minimize risk.	372	1.92	0.82
We believe in spreading our investments across different sectors to achieve better risk management	372	2.11	0.93

Inferential analysis began with a determination as to whether the independent variable had a linear relationship with the dependent variable. A two-tailed Pearson correlation analysis at a significance level of 0.01, as given in Table 3, showed a strong positive association between availability bias and investment decisions evidenced by $r = 0.964$ and a $p = 0.000 < 0.05$, signifying statistical significance. This implies that there was a strong positive correlation between availability bias and investment decisions in this study. This indicates that investors predominantly

depended on accessible or current information while making investment decisions, which may result in biased evaluations. This also means that as availability bias intensified, investment decisions were increasingly swayed by recognizable tendencies rather than thorough investigation.

Table 3 Correlation Analysis Results

N= 372		**Availability bias**	**Investment decisions**
Availability bias	r	1	.964
	Sig.		.000
	Sig.	372	372
Investment decisions	r	.964	1
	Sig.	.000	

Further, diagnostic tests were conducted to verify compliance with regression assumptions. The Kolmogorov-Smirnov and Shapiro-Wilk tests confirmed normality, with both producing p-values over 0.05 (availability bias P = 0.103, investment decisions p = 0.095), signifying a normal distribution of residuals. The Durbin-Watson test yielded a value of 2.055, indicating the absence of significant autocorrelation. Levene's test for homoscedasticity confirmed the equality of variances, yielding a p-value exceeding 0.05 (p = 0.131). The Analysis of Variance (ANOVA) test for linearity produced a p-value of 0.331, suggesting that the assumption of linearity was upheld. Ultimately, the assessment of multicollinearity was conducted through the tolerance factor (0.797) and the Variance Inflation Factor [VIF] (1.022), both of which fell within acceptable thresholds. This outcome substantiates the independence of the predictor variables and confirms the reliability of the regression analysis. Chan et al. (2022) assert that a tolerance value exceeding 0.1 and a VIF value under 10 indicate the lack of multicollinearity, with a more rigorous VIF threshold of 5 suggested for accurate identification.

The summary results of the regression analysis concerning availability bias as the independent variable and investment decisions as the dependent variable, as presented in Table 4, indicate a strong positive association between availability bias and investment decisions (r = 0.964). The R^2 score stood at 0.929, signifying that the model explained only 92.9% of the variability in investment decisions while the adjusted R^2 was 0.929, suggesting a strong level of explanatory power when considering the number of predictors involved. The standard error of the estimate was 0.27896, indicating the average deviation of actual investment decisions from the predicted values.

Table 4 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.964	.929	.929	.27896	1.979

a. Predictor: (Constant), Availability bias
b. Dependent Variable: Investment decisions

Coefficient estimate results indicate that, with availability bias held constant, investment decisions would be at 0.158 (See Table 5). An increase of one unit in availability bias would result in a 0.798 rise in investment decisions. This means that a unit increase in availability bias is associated with 0.798 increase in investment decisions when all other factors have been held constant with the constant of 0.158 representing the base of investment decisions level when availability bias is zero. These findings indicate that although availability bias existed, its influence on investment decisions was not negligible. Therefore, the null hypothesis (Ho_1), asserting that availability bias exerted no statistically significant influence on the investment decisions of selected SMEs in Nairobi County, was rejected due to a $p = 0.000 < 0.05$, signifying that availability bias had a low statistically significant positive influence on investment decisions.

Table 5 Coefficients of Estimates

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.158	.036		4.374	.000
	Availability bias	.798	.011	.964	70.094	.000

a. Dependent Variable: Investment decisions

Based on the regression results and the coefficients provided, the linear equation illustrating the influence of availability bias on investment decisions is articulated as follows:

$Y = \beta_0 + \beta_1 AB + \varepsilon$

Where:

Y = Investment decisions

β_0 = Constant term (0.158)

AB = Availability bias

β_1 = Coefficient for availability bias (0.798)

ϵ = Error term

Substituting the coefficients results in the equation:

$Y = 0.158 + 0.798AB + \epsilon$

These findings correspond with Heuristics Theory, which posits that individuals employ cognitive shortcuts, such as availability bias, to make judgments; nevertheless, these shortcuts may result in poor choices, particularly in uncertain contexts (Tversky & Kahneman, 1973 cited in Cati, 2022). The strong positive correlation suggests significant influence of availability bias on investment decisions and possible influence of additional characteristics, such as financial literacy, which may mediate or alleviate the impacts of these biases (Shefrin & Statman, 2000 cited in Majewski & Majewska, 2022). Consequently, additional research is necessary to examine the interplay of various behavioral biases and external factors, such as financial literacy, in shaping investment decisions, as proposed by Behavioral Portfolio Theory.

The findings of this study indicate that the influence of availability bias on investment decisions was high. The observed high association between availability bias and investment decisions indicates that other factors may have a more significant influence on investing behavior. The findings suggest that although availability bias affects judgments to a degree, its influence is high but not fully, necessitating more investigation into other biases or external factors to enhance the comprehension of investment decision-making.

From the study results, this study recommends that SMEs should adopt structured decision-making processes and employ decision-support systems to mitigate the impact of behavioral biases. This may involve employing more data-driven approaches for assessing investment prospects instead of depending on readily accessible information. It is also important that workshops and/or training sessions on availability bias and their possible effects on business decisions be carried out to enhance awareness and promote more rational decision-making inside SMEs. This study also recommends that investigation on other behavioral biases or external factors that influence investment behavior.

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