

The effects of behavioral finance bias on business investment expansion decision during political crises: a case study of SME of Northwest region in Cameroon

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Purpose: This research aimed at assessing the effects of behavioral finance bias on investment decisions in small and medium size enterprises in Mezam Division. Most at times investors make decisions based on their physiology and emotions and this has often led to poor investment decisions. However, previous research has focused on the effects of these biases on the financial market. This research closes the gap as the effort was motivated by the need to not only look at the effect of the biases but evaluate how it affects individual investors involved in physical investment.

Method: A case study of SMEs in Mezam Division was used in this examination through 150 closed and open-ended questionnaires that were self-administered during a period starting from the Some questionnaires were administered online to the respondents, depending on the agreed media with the respondent. As a method of analysis, we use descriptive statistical and probit estimation techniques.

Findings: Results from data analysis reveals that overconfidence bias significantly increase the likelihood of SMEs to invest further by 94%, there is a negative and insignificant effect of anchoring bias on the decision to invest further and representative bias has a significant positive effect on the decision to investment by 69% on SMEs in Mezam Division. Overall, this study highlights the positive effects of behavioral bias on investment decisions in SMEs

Originality / relevance: This study contributes to the understanding of the of behavioral finance bias on investment decision in small and medium size enterprise in Cameroon during political crisis. This can help policy makers take appropriate measures to encourage entrepreneurship of youth that are victims of political instability.

Keywords: Behavioral Finance Biases, Investment Decision Making, SME

L'effet des biais comportementaux sur la décision d'expansion des investissements pendant la crise politique : Le cas des PME du Nord-Ouest Cameroun

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Résumé

Objectif : L'objectif de cette étude est de déterminer les facteurs comportementaux qui influencent les décisions individuelles d'investissement dans les petites et moyennes entreprises au Cameroun.

Méthodologie : Pour atteindre cet objectif, une approche qualitative a été choisie et les données ont été collectées auprès de 150 investisseurs dans la région du Nord-Ouest du Cameroun à l'aide de questionnaires structurés fermés. Comme méthode d'analyse, nous utilisons une statistique descriptive et une technique d'estimation probit.

Résultats : Après analyse, nos résultats montrent que le biais d'excès de confiance augmente significativement la probabilité des PME d'investir davantage de 94%, il y a un effet négatif et non significatif du biais d'ancrage sur la décision d'investir davantage et le biais de représentation a un effet positif significatif sur la décision d'investir de 69% sur les PME au Cameroun. Dans l'ensemble, cette étude met en évidence les effets positifs des facteurs comportementaux sur les décisions d'investissement dans les PME.

Originalité : L'objectif de cette étude est de déterminer les facteurs comportementaux qui influencent les décisions individuelles d'investissement dans les petites et moyennes entreprises au Cameroun pendant la période de crise politique. Ceci pourrait aider l'état à prendre des mesures appropriées en vue d'encourager l'entrepreneuriat des jeunes victimes de cette instabilité politique.

Mots-clés : Biais financiers comportementaux, prise de décision d'investissement, PME.

Introduction

In the realm of finance, decision making is influenced not only by rational considerations but also by behavioral biases (Kahneman & Tversky, 1979). In the realm of finance, decision making is influenced not only by rational considerations but also by behavioral biases. These biases can have significant repercussions for investors as they can detrimentally affect their financial well-being. Due to innate biases ingrained in the human brain and body, people tend to make decisions that are less than optimal (Gordon, 2011). Understanding how these biases impact investment decisions in small and medium-sized enterprises (SMEs) is crucial, as these enterprises play a vital role in driving economic growth and employment opportunities.

However, people are prone to experiencing behavioral biases during this decision-making process, which can influence their judgment and lead to irrational or suboptimal decisions, this is the reason while behavioral economists assert that people do not make choices deliberately and with full awareness of all potential options and their respective outcomes. Even though emotional and cognitive biases are ubiquitous among individuals, traditional finance tends to disregard them, assuming that people consistently make rational decisions. This neglect of behavioral biases is a critical oversight because it can significantly impact financial outcomes. Therefore, it is essential to acknowledge the presence of these biases and their potential effects to develop a more comprehensive understanding of decision making in finance. (Statman, 1995). Kehinde Adekunle, (2012). Multiple factors or behavioral biases can influence decision making in financial settings, which can lead to suboptimal outcomes. Behavioral finance has been studied by various scholars, and rich literature exists on this field like; Lindblom & Platan, (2002) who found that overconfidence was significantly responsible for the speculative bubble of the 1998 to 2000 as it led to the explosion of investments in Sweden.

Furthermore, Athur (2014) & Chandra & Sharma (2010), carried a study in Kenya and found that investment decisions were significantly affected by representative bias. Later, the study of Krishnamurti (2009), shows that investors have limitations in their ability to determine the value of inventories through fundamental and technical analysis. Luong and Ha (2011) demonstrate that investment decisions are affected by behavioral factors. Puspitaningtyas (2013), study conducted in Indonesia suggests that while accounting factors are considered by investors during investment decision-making, personal signals reflecting investor psychology have a greater influence on their decision-making process. However, most of these studies that have been conducted on the behavioral factors affecting individual investment decisions have focused on developed securities markets. Additionally, because of the political crises in Cameroon since 2016 in the two Anglophone regions that has almost discourage some of the investor, this research is needed in assessing individual investment behavior on small and medium size enterprises. This research therefore needs to understand investor behavior when taking any decision in investment. Thus, the objective of this study is to examine the effects behavioral finance bias on business investment expansion decision making in small and medium size enterprise in Cameroon.

1. Review of related literature

1.1. Conceptual literature review

The concept of behavioral finance has been defined by numerous scholars. According to Litner (1998), behavioral finance examines how individuals perceive and process information when making investment decisions. It focuses on the cognitive and emotional biases that influence financial behavior and seeks to understand how these psychological factors affect investment outcomes. Similarly, Sewell (2007) defines behavioral finance as a field that studies how psychological influences affect the actions of financial market participants and, consequently, market outcomes. Unlike traditional finance, which assumes full rationality, behavioral finance recognizes that investors often rely on intuition, emotions, and heuristics when making decisions. Furthermore, Barber and Odean (1999) emphasize that behavioral finance integrates psychological insights into traditional financial models to explain systematic deviations from rational behavior. Investors are often motivated by emotions such as regret avoidance, overconfidence, and loss aversion, which may lead to biased decision-making. Jagullice (2013) defines behavioral finance as the intersection of psychology and economics, aimed at explaining

why economic agents deviate from the rational assumptions of classical economic theory. In summary, behavioral finance explains how systematic cognitive biases and emotional factors influence financial decision-making. These biases arise from heuristics (mental shortcuts) and cognitive limitations that individuals use when processing information under uncertainty. Unlike traditional finance, which assumes rationality and objective analysis, behavioral finance acknowledges predictable departures from rational behavior. Understanding these biases is particularly important for SME owners operating in politically unstable environments, where uncertainty may intensify psychological influences on investment decisions.

1.2. Theoretical Background

The theories that lay the foundations for this research are market efficiency, the heuristic theory, and the prospect theory

1.2.1. Market efficiency theory

Efficient Market Hypothesis, developed by Eugene Fama (1970), serves as the benchmark rational framework in finance. It assumes that all available information is fully reflected in market prices, implying that investors make rational decisions based on complete and unbiased information processing. This theory is relevant to the present study because it provides a theoretical contrast: if SMEs were fully rational and processed information efficiently, behavioral biases would not significantly affect their expansion decisions. However, persistent empirical evidence of irrational behaviour suggests deviations from EMH assumptions, particularly in environments characterized by political instability and uncertainty.

1.2.2. Heuristic Theory

According to Kimeu, Anyango and Rotich (2016) Heuristics are simple decision-making rules that people use in situations characterized by complexity, uncertainty, and inadequate information. In these environments, heuristics are essential because they help individuals to make quick decisions when time is a limiting factor. Understanding heuristics is important in studying heuristic-driven biases, such as anchoring, overconfidence, and availability bias, which can significantly influence the decisions of individual investors by recognizing the role of heuristics in decision-making. Subash(2012) although decision-making rules of thumb can be successful in some situations; they often introduce bias into the investment process. While EMH assumes rational processing of information, Heuristic Theory explains how individuals actually make decisions under complexity and uncertainty. Developed by Daniel Kahneman and Amos Tversky (1974), the theory proposes that individuals rely on mental shortcuts (heuristics) to simplify complex judgments. This theory is particularly relevant to SMEs operating during political crisis, where information may be incomplete, unreliable, or rapidly changing. Under such conditions, business owners are more likely to depend on simplified rules of thumb, which may give rise to systematic biases such as overconfidence, anchoring, and representativeness. Thus, Heuristic Theory provides the behavioral mechanism through which cognitive biases emerge.

1.2.3. Prospect theory

Prospect theory, developed by German psychologists Daniel Kahneman and Amos Tversky in 1979, challenges the traditional utility function in investment decision-making. According to this theory, people evaluate investment choices by considering the potential gains and losses in relation to a reference point, such as the purchase price of the investment or the decision-maker's past experiences and expectations. The way people frame an issue or outcome can significantly influence their expected utility. Prospect theory suggests that individuals are more sensitive to losses than gains of equal amounts. As a result, people tend to focus more on avoiding losses than making gains, which can lead them to hold onto losing inventories in the hopes that they will recover their value. Ultimately, an individual's investment decisions are often anchored to their previous gains or losses. Understanding the implications of prospect theory is crucial for investors to make informed decisions that align with their investment goals and risk tolerance. Prospect theory asserts that people tend to value losses and gains differently, and this influences their investment decision-making process. When faced with two options, individuals tend to choose the one that offers potential gains rather than potential losses. To further explain decision-making under risk, this study draws on Prospect Theory (Kahneman & Tversky, 1979). Unlike traditional expected utility theory, Prospect Theory argues that individuals evaluate

outcomes relative to a reference point and are more sensitive to losses than equivalent gains (loss aversion). This framework is especially relevant in politically unstable contexts where SMEs face heightened risk. Business owners may frame expansion decisions in terms of recovering past losses or avoiding further decline rather than maximizing expected profit. Such framing effects may intensify behavioral biases and influence investment expansion decisions. Therefore, Prospect Theory explains how risk perception and emotional responses to gains and losses shape SME behavior during crisis

1.3. Behavioral Finance Biases and Investment Decision

1.3.1. Overconfidence Bias and Investment Decision

Kafayat (2014) discovered that investment decisions are negatively correlated with overconfidence, over-optimism, and self-attribution biases. This implies that individuals who exhibit these biases may make suboptimal investment decisions. The study suggests that a lack of self-awareness and the tendency to overestimate one's abilities can lead to poor investment decisions. Additionally, individuals who attribute their successes to personal factors rather than external ones may be more likely to take unnecessary risks. Ramiah et al. (2016) found that overconfidence bias influences investment decisions. Similarly, Qadri and Shabbir (2014) revealed that overconfidence and the "illusion of control" have a considerable positive impact on investment decisions. In addition, other biases, including anchoring, regret aversion, and loss aversion, were also found to affect investment decision-making. Hayat and Muhammad (2016) examined the impact of behavioral biases on investment decisions, with financial literacy as a moderating variable, using a sample of 180 investors. Their results revealed that overconfidence bias has a negative effect on investment decisions. Furthermore, Barber and Odean (2001) revealed that investors who trade more frequently achieve lower returns compared to those who trade less frequently. In another study, Barber and Odean (2001) found that men display higher levels of confidence than women, resulting in lower investment returns by approximately 2.5%. Investors often believe that their investment decisions will be successful due to their perception of expertise, which leads to an overestimation of the probability of success. According to Lim (2012), overconfidence, conservatism, and regret have a significant positive impact on investment decisions, whereas herding behavior does not significantly affect investors' decisions. The study suggests that investors tend to rely more on their own judgment and experience rather than following the crowd.

H1: Overconfidence bias significantly affects SME investment expansion decisions in Cameroon.

1.3.2. Representativeness Bias and Investment Decision

Representativeness refers to the degree to which an event resembles the overall population from which it is drawn (DeBondt & Thaler, 1995). Representativeness bias occurs when individuals base their judgments on how closely an event matches their mental image of a particular category. This bias can lead to an overreliance on recent experiences while ignoring long-term trends or statistical averages. For example, investors may give excessive weight to recent market trends when making investment decisions rather than considering historical performance or broader economic indicators (Ritter, 2003). This bias is commonly observed when investors assume that a company will maintain high long-term growth based on only a few quarters of positive performance (Nofsinger & Varma, 2014). Babajide and Adetiloye (2012) found that behavioral biases, including overconfidence, loss aversion, framing, and status quo bias, affect investment decisions. However, these biases have only a weak negative correlation with stock market performance. In financial markets, when investors purchase stocks that have recently performed well instead of those with poor performance, they demonstrate representativeness bias. This behavior may lead to investor overreaction (DeBondt & Thaler, 1995; Waweru et al., 2008).

H2: Representativeness bias significantly affects SME investment expansion decisions in Cameroon.

1.3.3. Anchoring Bias and Investment Decision

Anchoring bias is a cognitive bias that occurs when individuals place excessive emphasis on the first piece of information they receive or on pre-existing reference points when making decisions (Tversky & Kahneman, 1974). In the context of investment, investors may anchor their decisions to initial price values or preliminary financial calculations. Several studies have shown that anchoring, combined with

representativeness bias, influences investor behavior and adjustment processes (Kudryavtsev & Cohen, 2010). Qureshi et al. (2012) found that biases such as representativeness, gambler's fallacy, anchoring, overconfidence, availability bias, and risk aversion significantly influence investment decision-making in Pakistan. Similarly, Mbaluka et al. (2012) found that framing and regret affect investment decisions. Luong et al. (2011) reported that overconfidence, market factors, availability bias, anchoring, and prospect-related factors moderately influence investment decisions, with market factors having the strongest effect. Additionally, herding, prospect theory, and overconfidence were found to influence investment performance. In financial markets, anchoring bias occurs when investors become fixated on a specific value based on recent observations. They use this value as a reference point when making decisions, which may lead to underreaction to new information. This bias is often observed when investors define price ranges or income expectations based on historical trends. Anchoring is closely related to representativeness bias, as both involve reliance on recent experiences. For example, investors may become more optimistic during market upturns and more pessimistic during downturns (Waweru et al., 2008). Kengatharan (2014) found that herding, prospect, availability, and market factors have a moderate impact on investment decisions, whereas anchoring bias has a strong influence.

H3: Anchoring bias significantly affects SME investment expansion decisions in Cameroon.

2. Methodology

2.1. Sample and data collection

The study employs quantitative research design. Data were collected from 150 SME owners in the Northwest region of Cameroon using self-administered structured questionnaires. After data cleaning, 106 valid responses were used for empirical analysis. The dependent variable is a binary variable equal to 1 if the SME decides to expand its investment and 0 otherwise. Given the binary nature of the dependent variable, a Probit regression model was used as the primary estimation technique. The Probit model is appropriate because it assumes a normal distribution of the error term. To ensure robustness, a Logit model was also estimated, yielding consistent results. Control variables include debt capital, combined debt and savings financing, and education level.

2.2. Measurement of Variables

The variables of the study are presented in table 1 below

Table 1: variables linked to the behavioral finance bias

Nature of variables	Identity of the variables	Measures	Expected sign
Independent variables	Over confidence bias (OCB)	How confident the investor is	+
	Representing bias (RB)	How experienced the investor is	+
	Anchoring bias (AB)	How does information influences investor decision	+
Dependent variables	Business investment expansion decision making (BIEDM)	You consider expanding your present investment	(+/-)
Control variables	Debt capital (DC)	How does debt capital affect the business	(+/-)
	Debt and savings (DS)	How does it affect the business	(+/-)
	education (E)	Does the level of education affect the business	(+/-)

Source: Authors

2.3. Model Specification

2.4.

The model used in the study took the form of a linear model. This work derived its model from a normal econometric model. We begin with the mathematics derivation. Hence, we have:

$$\text{BIEDM} = f(\text{O.C.B, R.B, A.B,}) \dots \dots \dots (1)$$

The economic derivation

$$\text{BIEDM}_i = \beta_0 + \beta_1 \text{O.C.B}_1 + \beta_2 \text{R.B}_2 + \beta_3 \text{A.B}_3 + \beta_4 \text{D.C}_4 + \beta_5 \text{D.S}_5 + \beta_6 \text{E}_6 \dots \dots \dots (2)$$

And finally the econometric derivation

$$\text{BIEDM}_i = \beta_0 + \beta_1 \text{O.C.B}_1 + \beta_2 \text{R.B}_2 + \beta_3 \text{A.B}_3 + \beta_4 \text{D.C}_4 + \beta_5 \text{D.S}_5 + \beta_6 \text{E}_6 + e \dots \dots \dots (3)$$

Where;

$Y=f(x)$

Where:

β_0 : is the intercept of regression equations or the constant term

BIEDM= Business investment expansion decision making

OCB= Over confidence bias

RB= Representing bias

AB= Anchoring bias

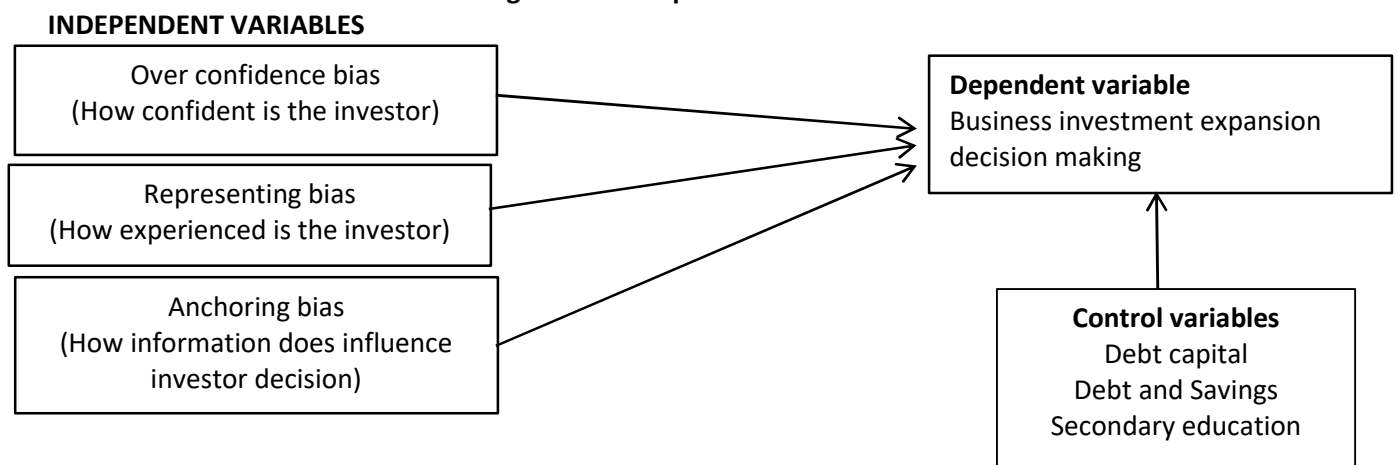
E = Education

DC= Debt capital

DS= Debt and Savings

Thus we can obtain the conceptual model as follow below:

Figure 1: Conceptual model



Source: Authors

3. Regression Analysis and Discussion of results

3.1.1. Descriptive Analysis

3.1.1.1. Demographic Characteristics of Respondents

Table 2: Demographic Characteristics

Variables	Categories	Frequency	Percentage
Gender	Male	64	60.4%
	Female	42	39.6%
Age	Less than 20	5	4.7%
	20 – 29	52	49.1%
	30 – 39	23	21.7%
	40 – 49	15	14.2%
	50 – 59	5	4.7%
	60 and above	6	5.7%
Education	FSLC	6	5.7%
	O/Level	13	12.3%
	A/Level	25	23.6%
	Degree	41	38.7%
	Masters and Above	17	16%
	Others	4	3.8%
Marital Status	Single	62	58.5%
	Married	41	38.7%
	Divorced	3	2.8%
Source of funds	Own savings	41	38.7%
	Borrowed funds	12	11.3%
	Both	53	50%

Source: Authors

According to the results from Table 2, a slight majority of the sample was made up of males, representing 60.4%, corresponding to 64 out of 106 respondents, as opposed to 39.6% females, corresponding to 42 respondents. Also, the results from the descriptive analysis show that 4.7% (5) of the respondents were less than 20 years old, 49.1% (52) were between 20 and 29 years, 21.7% (23) were between 30 and 39 years, 14.2% (15) were between 40 and 49 years, 4.7% (5) were between 50 and 59 years, while 5.7% (6) were 60 years and above.

In terms of education level, 5.7% (6) of the respondents indicated that they had an FSLC, while 12.3% (13) claimed to have an Ordinary Level certificate, and 23.6% (25) indicated that they had an Advanced Level certificate. Furthermore, 38.7% (41) of the sampled respondents declared that they had a degree, 16% (17) indicated that they had a master's degree and above, whereas 3.8% (4) reported having other qualifications. A large majority of respondents were single, as those who reported being single represented 58.5%, corresponding to 62 respondents out of the 106 sampled, as opposed to 38.7% (41) who were married and 2.8% (3) who were separated or divorced.

Furthermore, 38.7% (41) of the sampled respondents declared that their source of funds was personal savings, 11.3% (12) declared that their source of funds was borrowed funds, while 50% (53) declared that their source of funds was both personal savings and borrowed funds.

3.1.1.2. Behavioral finance biases characteristics

Table 3: Summary of Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
Investment decision (1 if expand investment)	106	0.8018868	0.4004714	0	1
Over confidence bias index	106	0.498198	0.2285479	0	1
Anchoring bias index	106	0.2979874	0.1964577	0	1
Representative bias index	106	0.5221824	0.1845278	0	1
Debt capital	106	0.1132075	0.3183515	0	1
Both debt and own savings	106	0.5	0.5023753	0	1
Secondary education	106	0.1792453	0.3853797	0	1

Source: Authors

The descriptive statistics of the sample reveal the following insights regarding investment decisions and behavioral biases. The mean value of Investment Decision is 0.802, with a standard deviation of 0.400, which is lower than the mean. This indicates moderate dispersion in investment decisions across the sample, with values ranging between 0 and 1. The Overconfidence Bias Index has a mean of 0.498 and a standard deviation of 0.229, suggesting moderate variability in overconfidence among respondents, also ranging between 0 and 1. Similarly, the Anchoring Bias Index has an average of 0.298 and a standard deviation of 0.196, indicating moderate variability around the mean. The Representative Bias Index exhibits a mean of 0.522 with a standard deviation of 0.185, reflecting moderate dispersion within the sample. Regarding financial sources, the mean value of Debt Capital is 0.113 with a standard deviation of 0.318, which is higher than the mean, revealing considerable variability in the use of debt financing among respondents. The combination of Debt and Own Savings has a mean of 0.500 with a standard deviation of 0.502, suggesting moderate dispersion around the mean. Finally, the descriptive analysis shows that respondents with Secondary Education account for an average of 0.179 of the sample, with a standard deviation of 0.385, indicating high variability in educational attainment within the sample.

3.1.2. Correlation analysis

Results of the pairwise correlation analysis are presented in table

Table 4: Correlation matrix

	ID	OBI	ABI	RBI	DEBT	BOTH	SEDUC
ID	1.0000						
OBI	0.2588	1.0000					
ABI	0.0216	0.4022	1.0000				
RBI	0.1426	-0.2042	-0.1977	1.0000			
DEBT	0.0282	0.1172	0.0810	-0.2989	1.0000		
BOTH	-0.2130	-0.1694	-0.0109	0.0255	-0.3573	1.0000	
SEDUC	-0.0146	0.1331	0.2260	0.0285	-0.0117	-0.1230	1.0000

Source: Authors

From the table above, it can be observed that there is no strong correlation between the variables. A low or very low positive and negative correlation was noted between all the variables included in the model. For instance, a low correlation (both positive and negative) was identified between several explanatory variables.

3.1.3. Discussion of Results and Hypotheses review

Objective One: What is the effect of overconfidence bias on business investment expansion decision-making in small and medium-sized enterprises in the Northwest region of Cameroon?

The first objective of this study was to examine the effect of overconfidence bias on SMEs' investment decisions. Results from the data analysis reveal that overconfidence bias significantly increases the likelihood of SMEs investing further. In other words, overconfidence bias was found to significantly encourage individuals to invest larger amounts of capital. This result aligns with a priori expectations and can be explained by the fact that an overconfident investor may underestimate the risks involved in a project. Excessive confidence may therefore lead to poor assessment of the project, both in terms of the cost of investment and the associated risks. This finding allows us to reject the first hypothesis of the study, which stated that overconfidence bias has no significant effect on investment decisions. The result is consistent with the findings of Lindblom and Platan (2002), who found that overconfidence significantly contributed to the speculative bubble from 1998 to 2000, leading to a surge of investments in Sweden. This outcome also aligns with prospect theory, which states that investors often view investment opportunities in terms of potential gains rather than prospective losses, particularly individuals with high levels of overconfidence. However, these results do not align with the study by Kafayat (2014), which found that investment decisions are negatively correlated with overconfidence. This implies that, in some contexts, individuals exhibiting overconfidence may still make optimal investment decisions. In the context of SMEs facing challenges due to the Anglophone crisis, some investors may develop self-awareness that enables better decision-making.

Objective Two: To examine the effect of anchoring bias on business investment expansion decision-making in small and medium-sized enterprises in the Northwest region of Cameroon.

The second objective of this study was to assess the extent to which anchoring bias affects SMEs' investment decisions. Results from the probit model indicate that anchoring bias has a negative but statistically insignificant effect on the decision to invest further. This result contradicts the findings of Subash (2012), who reported that behavioral biases significantly affect investment decisions. Individuals who suffer from anchoring and adjustment bias tend to rely on initial price estimates when making investment decisions. When they perceive a projected price as attractive, they may invest substantial amounts of capital before realizing that the actual market price is lower than expected. Therefore, we accept the second hypothesis of the study, which states that anchoring bias does not significantly determine investment decisions by SMEs in the Northwest region of Cameroon.

Objective Three: How does representative bias affect business investment expansion decision-making in small and medium-sized enterprises in the Northwest region of Cameroon?

The third and final objective of the study was to determine the effect of representative bias on SMEs' investment decisions. Data analysis indicates that representative bias has a significant positive effect on SMEs' investment decisions. Specifically, SMEs exhibiting representative bias were more likely to invest larger amounts of capital. Thus, we reject the third hypothesis of the study, which posited that representative bias has no significant effect on investment decisions. This outcome aligns with the findings of Athur (2014) and Chandra & Sharma (2010), who reported that representative bias significantly affects investment decisions in Kenya. Representative bias can lead investors to overestimate the probability of profitable outcomes, thereby motivating them to invest larger amounts of capital. However, this result was statistically significant at the 10% level. In opposite to the findings of Waweru et al. (2008), who reported a negative and insignificant effect of representative bias, our study illustrates that representativeness bias may not always impair investors' decision-making processes. In an unstable environment, such as the Northwest region of Cameroon, SMEs may choose not to base their decisions solely on past performance. This behavior prevents investor overreaction, as described by DeBondt & Thaler (1995).

Table 5: Probit results

VARIABLES	(1) Coefficient	(2) Marginal effect
Overconfidence bias index	2.214*** (0.821)	0.5315*** (0.188)
Anchoring bias index	-0.649 (0.840)	-0.1557 (0.199)
Representative bias index	1.380* (0.817)	0.3312* (0.198)
Debt capital	-0.248 (0.558)	-0.0653 (0.159)
Both (debt + savings)	-0.637* (0.354)	-0.1528* (0.083)
Secondary education	-0.349 (0.413)	-0.0932 (0.120)
Constant	-0.213 (0.648)	
Observations	106	

Note: Standard errors in parentheses; *** p<0.01, ** p<0.05, * p<0.1

Source: Authors

Results from Table 5 also indicate that the coefficient for both debt and savings is negative (-0.637). This signifies that using both debt and savings as capital discourages investment decisions by SMEs in the Northwest region of Cameroon. In terms of marginal effects, investors who rely on both borrowed funds and their own savings are less likely to invest further. Specifically, using both sources of funds reduces the likelihood of further investment by 15.28% among SMEs in the Northwest region. Additionally, this result was found to be statistically significant at the 10% level. This effect can be explained by the lack of daily operations of some SMEs during the crisis period.

Conclusion

The objective of this study was to investigate the behavioral factors that influence individual investment decisions in small and medium-sized enterprises (SMEs) in Cameroon. Using a sample of 150 business owners, the results revealed the following: Overconfidence bias significantly increases the likelihood of SMEs investing further by 94%. Anchoring bias has a negative but statistically insignificant effect on the decision to invest. Representative bias has a significant positive effect on investment decisions, increasing the likelihood of investment by 69%. This study contributes to the existing literature by extending behavioral finance research in Cameroon. It also emphasizes the importance of considering behavioral biases when making investment decisions during periods of political crisis. The study's recommendations can be considered from two perspectives, Informed Decision-Making: Individual investors should prioritize gaining comprehensive knowledge about the fundamentals of their business, including their educational profile. This will enable them to make well-informed investment decisions. Seeking educational resources, attending workshops or seminars, and conducting thorough research can enhance understanding and improve decision-making. Regulatory Framework: The state should implement regulatory frameworks that ensure transparency, protect investors from fraudulent activities, and promote fair practices in the investment industry. This includes enforcing disclosure requirements, monitoring investment advisors, and promoting ethical conduct among financial institutions. This research faced some limitations. Further studies could explore the impact of behavioral finance biases on investment decisions across different economic sectors or regions within Cameroon. This would help determine whether the effects of behavioral

biases vary across industries or geographical locations. The positive effect of overconfidence suggests that SME owners may underestimate the risks associated with political instability. While this may encourage entrepreneurial dynamism, it may also expose businesses to excessive risk. The finding regarding representativeness bias indicates a reliance on recent experiences rather than objective long-term analysis. These findings align with Prospect Theory, which suggests that individuals frame decisions relative to perceived gains and losses. In crisis contexts, psychological resilience combined with cognitive biases may strongly shape investment and expansion decisions.

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