

DETERMINANTS OF INVESTMENT DECISION OF INVESTORS IN NEPAL

A Dissertation submitted to the office of the dean, faculty of management, TU in partial fulfillment of the requirements for the Master's Degree

By

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Certification of Authorship

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled “DETERMINANTS OF INVESTMENT DECISION OF INVESTORS IN NEPAL”. The work of this dissertation has not been submitted previously for the purpose of conferral of any degrees nor. It has been proposed and presented as part of requirements for any other academic purposes.

The assistance and cooperation that I have received during this research work has been acknowledged. In addition, I declare that all information sources and literature used are cited in the reference section of the dissertation.

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Report of Research Committee

Mr. Babita Raut has defended research proposal entitled “DETERMINANTS OF INVESTMENT DECISION OF INVESTORS IN NEPAL”, successfully. The research committee has registered the dissertation for further progress. It is recommended to carry out the work as per suggestions and guidance of supervisor Jhabindra Pokharel and submit the dissertation for evaluation and viva voce examination.

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Dissertation Viva Voce Date

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Approval Sheet

We have examined the dissertation entitled “DETERMINANTS OF INVESTMENT DECISION OF INVESTORS IN NEPAL” presented by Babita Raut for the degree of Master of Business Studies. We hereby certify that the dissertation is acceptable for the award of degree.

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ABBREVIATIONS

AM	Arithmetic Mean
ASE	Athens Stock Exchange
CV	Coefficient of Variation
KMO	Kaiser-Meyer-Olkin Measure of sampling Adequacy
NEPSE	Nepal Stock Exchange
NRB	Nepal Rastra Bank
NSE	Nairobi Stock Exchange
NYSE	New York Stock Exchange
PCA	Principal Component Analysis
SEBON	Securities Board of Nepal
SEC	Securities Stock Exchange
TSX	Toronto Stock Exchange
UAE	United Arab Emirates

ABSTRACTS

Individuals and institutional investors in Nepal now have investment opportunities thanks to the opening of the capital market. Usually, various decision-making tools are used to support investment decisions. The underlying presumption is that market variables and information structures systematically affect both individual investors' investment choices and market results. This study mainly focus on to analyze the impact of determinants of investment on investment decision in Nepalese stock market and determine the relationship between determinants of investment and investment decision in Nepalese stock market. Structured questionnaires that were given to and gathered from investors who made stock market investments were the main source of the primary data. The information gathered from the survey was coded for statistical analysis in order to facilitate data processing. The data were organized, significant connections were found, and differences or similarities with & between the various study variables were identified using the SPSS tool. A descriptive and analytical research approach has been used to achieve the study's goal. Analytical technique has been used primarily to examine the impact of affordability, information, and herding on investment decisions. Descriptive approach has been used primarily to identify the elements that influence individual investment decisions. The study discovered that one of the most useful tools for addressing issues and launching disciplinary proceedings in an organization has been the investment decision. This overconfidence bias affects how investors make investing decisions. Investors who are overconfident think they are superior to both their peers and a stock market index. Certain elements related to human psychology play significant roles in accurate assessment among the many components of investment decision measurement. All of the claims listed under categories like "overconfidence, anchoring, disposition, herding, and investment decision" were accepted by the study's respondents. It is important implication for Nepali investors to understand that psychological aspects such as herding, anchoring, overconfidence, and inclination play a big role in stock market investing decisions.

Key Words: *Investment Decision, Overconfidence, Anchoring, Disposition Effect and Herding*

Chapter I

Introduction

1.1 Background of the Study

A nation's manufacturing and commercial activity is a major factor in determining its economic development. Numerous scholars frequently contend that changes in the stock market have a direct impact on a country's economic growth. Because it serves as a trading platform for surplus fund units (investors) and deficit fund units (stock issuers), the stock market is crucial to an economy. In the contemporary economy, stock markets are a crucial source of cash required to conduct business and carry out industrial operations. Through the sale of shares, it raises money from domestic and international individuals and organizations to finance the corporation. Money moves from households to the different economic sectors. Additionally, it offers mutual fund managers and overseas institutional investors a venue for making investments (Fauzi & Wahyudi, 2016).

Investors must comprehend and control these psychological influences in order to reach their financial objectives and make reasonable, well-informed judgments. By utilizing techniques like diversification, clearly stated investment objectives, and a disciplined investment methodology, psychological biases can have a lessening effect on investment decisions (Septian 2022). Moreover, seeking advice from financial professionals and staying current with market fundamentals can provide enlightening insight and guidance (Gupta 2022).

The decision-making process while investing is heavily impacted by behavioral elements such as mental accounting, heuristics, cognitive dissonance, greed, and fear. According to research by Cao (2021) and Kahneman and Tversky (1974), anchoring bias is a cognitive shortcut that occurs when investors must estimate or choose a sum and have a tendency to modify their response depending on a value that was initially available.

Typically, decision-making tools assist with investment decisions. It is assumed that both the market results and individual investment decisions are systematically influenced by information structures and market conditions (Mehta & Chaudhari, 2016). As said in the

background, there is proof that a variety of factors, such as firm-related, macro environmental, and investor psychological aspects, have an impact on retail equity investors. Phansatan et al. (2012), on the other hand, found conflicting results when they concluded that institutional investors had informational advantages over other investor categories, improving their trade outcomes and performances, while retail traders generally had markedly poorer trading performance. Li, Wang, and Dong (2016), however, hypothesised that individual investors are adept at selecting equities.

The stock market in Nepal has a relatively brief history, originating with the establishment of the Securities Exchange Centre (SEC) in 1976, aimed at fostering the growth of the capital market, as documented by Gurung (2004). K.C. (2010) highlighted in their research the significant impact of financial development and the role of stock markets in driving the economic growth of Nepal (Bhattarai 2019).

Dao and Ton (2014) revealed the prevalence of behavioral factors among individual investors, which commonly influence their investment strategies. Obamuyi (2013) and Chalise (2020) observed in developing countries like Nepal that investors consider factors such as expected corporate earnings, a desire for instant wealth, stock market liquidity, and historical performance of firms' stocks, government ownership, and the establishment of structured financial markets.

Jagongo and Mutswenje (2014) discovered that individual investors in Nepal were more inclined to base their investment decisions on media and market trends, while professional investors relied more on technical and fundamental analysis rather than specific portfolio assessments. Kisaka (2015) demonstrated that market participants in Nepal were constantly exposed to a variety of information, including quantitative financial data and financial news in the media. The heavily weighted variables comprised financial coverage, internet-sourced information, recent stock index performance, the latest economic indicators, and recommendations from investment advisors (Adhikari 2020).

Kannadhasan (2015) noted that investment choices are influenced by various factors, including prominent market characteristics, individual risk profiles, and the disclosed accounting information. Wyatt and Frick (2010) highlighted that regardless of the accounting information disclosed, factors like sunk costs and asymmetrical risk preferences regarding gains or losses remain significant considerations. Additionally, Sultana and Pardhasaradhi (2012) indicated that while investors utilize various criteria for selecting stocks, maximizing benefits remains a crucial criterion. However, contemporary issues such as environmental track record, the scale of local or global operations, and the ethical stance of the firm seem to receive minimal attention. Moreover, a majority of retail investors tend to overlook the advantages of valuation models when evaluating stocks.

Minimizing risk and considering the opinions of friends or family members are not significant concerns for investors. Additionally, past studies, such as Yoseph (2015), have shown that investors' eagerness to achieve exceptional gains quickly is a major driving force behind equity selections, as evidenced in Ethiopia. Bennet et al. (2012) identified five factors influencing retail investors' attitudes towards investing in equity markets. These factors include investors' risk tolerance, media attention on the stock market, economic strength, political stability, and government business policies, all of which greatly influence retail investors' decisions regarding certain equity stocks. Srinivas (2013) found a degree of correlation between behavioral finance theory factors and previous empirical evidence regarding their influence on the behavior of average equity investors and individual behaviors of existing investors.

Geetha and Ramesh (2011) found that while there was moderate awareness regarding various investment options, there was limited awareness about specific aspects such as the stock market, equity, bonds, and debentures. Their study indicated that across all age groups, there was a greater inclination towards investing in insurance products, social security, and banks.

Viswanadham et al. (2014) identified the factors influencing investors' purchasing behavior in the Tanzanian equity market. The research highlighted that all listed companies placed

significant emphasis on quality management decisions, branding efforts, and transparency in settlement matters (Shrestha 2023).

Investment decisions often rely on decision-making tools, assuming that the structure of information and market factors systematically impact individuals' investment choices and overall market outcomes. Market behavior of investors is rooted in psychological principles of decision-making, explaining why people choose to buy or sell stocks. These factors delve into how investors interpret and respond to information when making investment decisions (Septain 2022).

While many capital asset pricing theories and portfolio theories are widely recognized in Nepal and have been extensively studied, the concept and importance of behavioral finance to Nepalese investors are still relatively novel and merit further exploration. Investigating the psychology of individual investors and their investment decisions in the Nepal Stock Exchange (NEPSE) is crucial for gaining insight into this aspect (Chalise 2023). This study focuses on psychological factors such as Anchoring, Mental Accounting, Herding, Overconfidence, Regret Aversion, and Loss Aversion, which are believed to significantly influence an individual investor's decision-making process when evaluating investments in NEPSE. These factors are categorized into emotional bias (overconfidence, regret aversion, and loss aversion) and cognitive bias (anchoring, herding, and mental accounting). Advocates of behavioral finance, as demonstrated by Bakar & Yi (2016), have successfully elucidated various psychological factors affecting investors' decision-making processes in the stock market.

1.2 Problem Statement

Investors in the stock market weigh their investment needs, objectives, goals, and constraints when making investment choices. However, achieving success in every investment decision is not always feasible. Conventional financial theories operate on two fundamental assumptions regarding investors' decisions in stock market investments: firstly, investors make rational decisions grounded in their investment strategies and considerations of risk and return; secondly, they possess a neutral outlook on future stock returns. Just as countless

decisions are made every minute in the corporate sector worldwide, the same holds true for investment decisions. A plethora of behavioral factors influence decision-making in investments. Among these, psychological factors play a significant role in shaping investors' financial behaviors. In Nepal, numerous studies have been conducted to deepen the understanding of investors and their decision-making processes.

Numerous studies in Nepal have delved into comprehending investor behavior and its impact on investment performance. For instance, investigations conducted by Thapa (2014), Dangol and Manandhar (2020) have unveiled how behavioral biases shape the investment decisions of Nepalese investors. Despite the extensive research on understanding investor behavior, the empirical examination of the relationship between investment decision-making processes and behavioral biases in Nepal remains scarce.

This research aims to ascertain whether investor behaviors and decision-making align with the theoretical framework of rational decision-making. It seeks to establish causal connections between each step of the decision-making process and three proposed behavioral biases. Additionally, the study explores the influence of various demographic variables on behavioral biases. Consequently, the research endeavors to pinpoint the behavioral factors impacting investment decision-making, particularly their effects on decisions made within the Nepalese stock exchange. Although numerous behavioral factors influence investment decision-making, their specific examination within the context of the Nepal Stock Exchange remains understudied (Shrestha, 2023).

Over the past few years, the Nepalese stock market has experienced notable expansion, drawing in numerous new investors who are keen to leverage investment opportunities. Nonetheless, despite the abundance of knowledge and financial education, a considerable number of investors still demonstrate behavioral biases that impact their stock choices. Improving investment results and market efficiency requires regulators, financial institutions, and individual investors to develop a thorough comprehension of these biases. This understanding is essential for crafting successful strategies and solutions, as highlighted by Kadariya (2012).

The primary objectives of this study are to improve investor security, market efficiency, and overall investment outcomes within the Nepalese stock market. The findings from this research will serve as the basis for designing targeted investor education programs and policy interventions focused on enhancing financial literacy and promoting more rational decision-making among Nepalese investors. Examining the behavioral factors influencing investors' behaviors at the Nepal Stock Exchange (NEPSE) is paramount, as emphasized by Kumar et al. (2022).

The prevalence of specific biases among Nepalese investors is affected by socioeconomic and demographic variables. In contrast to other developed countries, Asia has conducted relatively few studies on behavioral finance (Basu & Das, 2017). Behavioral finance operates under the assumption that the information environment and traits of market participants consistently shape the behaviors of individual investors and the market's performance (Barberis, Hung & Thaler, 2006; Hirshleifer, 2010). The study was guided by the following research questions

- i. What are the factors of investors that influence investment decision in Nepal?
- ii. How do overconfidence, anchoring, disposition effect, and herding bias relate to investing decisions made in the Nepal?
- iii. What is the impact of overconfidence bias, anchoring bias, disposition effect bias and herding bias on investment decision in Nepal?

1.3 Objectives of the Study

The study aimed to examine the determinants affecting investment choices among retail stock investors in Nepal. The investigation was structured around the following precise objectives:

- i. To examine the factors that influence investing decisions currently stand in the Nepalese stock market.
- ii. To association between the overconfidence, anchoring, disposition effect, herding bias and investment decisions in Nepal.
- iii. To analyze the impact of overconfidence, anchoring, disposition effect and herding bias on investment decisions of Nepal.

1.4 Rationale of the Study

The study made a sincere effort to add to the existing body of literature concerning the factors influencing investment decisions among retail investors in Nepal. The anticipated findings could potentially assist in shaping investment decisions among retail investors, leading to significant improvements. Stock brokerage firms involved in this study may gain insights to better advise and understand their clients. Additionally, the study has sparked a call for further research based on its recommendations. Recognizing and managing these psychological biases is crucial for making sound investment decisions.

Strategies such as diversification, maintaining focus, and adhering to a disciplined investment plan can mitigate the adverse impacts of psychological factors on individual investors. Seeking guidance from professionals and acquiring financial knowledge can also bolster long-term decision-making. Psychological factors exert a substantial influence on individuals' investment decisions. Despite the valuable insights offered by financial analysis and market research, emotions, biases, and cognitive shortcuts frequently shape how individuals interpret and respond to this information.

Individuals typically exhibit varying degrees of risk tolerance, which are influenced by their psychological characteristics, life experiences, and personality attributes. While some individuals may lean towards being risk-averse, others may tend to be more inclined towards taking risks. This perception of risk often plays a pivotal role in determining asset allocation and investment decisions.

Loss aversion describes individuals' inclination to experience the distress of losses more intensely than the satisfaction of gains. This psychological phenomenon can lead investors to hesitate in selling underperforming investments, even when it is logically advisable to do so, resulting in what is known as the "disposition effect."

Overconfidence bias causes individuals to overrate their capacity to forecast market shifts and investment results. Consequently, it may lead to increased trading activity, speculative tendencies, and suboptimal investment choices.

Anchoring bias manifests when individuals excessively lean on a solitary piece of information or reference point during decision-making. Investors may anchor their expectations on past performance or the purchase price of a stock, potentially resulting in less-than-ideal decisions.

In uncertain circumstances, individuals frequently observe the behaviors of others. Herding behavior in financial markets may ensue, characterized by momentum trading and the formation of asset bubbles, as investors opt to follow the crowd rather than conducting independent analysis.

1.5 Limitations of the Study

This study relies on primary data, implying that investors may not provide the authentic and necessary information to the extent anticipated. They may even choose not to respond to certain questions. In such instances, specific measures will need to be implemented:

- The sample size of in this study has only from the individual investors of NEPSE.
- The study mostly relied on primary sources of information about the factors that influence investors. As a result, the validity of the data supplied by the respondents determines how reliable the study's conclusions are.
- This study is not considering other biases such as mental accounting, representation bias and gambler fallacy.
- The findings of the study only based on cross-sectional data. Therefore, it may vary from others analysis.

Chapter II

Literature Review

This chapter examines the theoretical and empirical research that has been done in the past on the variables influencing equity stock investment decisions.

2.1 Theoretical Review

A topic related to behavioral finance, which contends that investors base their decisions on a variety of information sources, is comprehending the factors that influence investment behavior. Academics and professionals have traditionally based their analysis of investment success on the efficient market theory. The hypothesis is predicated on the idea that investors make decisions based on reason and take into account all relevant facts. However, Simon (1986) found that due to their limited ability to comprehend information, investors occasionally behave irrationally. Rather than the efficiency of the market, investor conduct is the main factor influencing this problem. As a result, the significance of investors' actions, attitudes, and perceptions in the decision-making process is not taken into account by traditional finance theory.

There have been several prior attempts to determine the kinds of information that investors utilize. In order to determine the elements influencing common stock investors' investment decisions, Ewing (1970) conducted research. The study found that the most effective elements in driving investors' investment decisions are dividend income, fast growth, deliberate investment as a safe haven for savings, and expert investment management. Studies have shown that, in addition to other characteristics like saving and long-term growth, profitability indicators like dividends, rapid growth, and quick profits are important considerations for investors when making decisions about their investments.

Similar to this, financial statement data is also used by investors to make decisions regarding their investments, and the majority of individual investors heavily rely on stockbroker consultations as their primary source of company information. Research (e.g., Baker & Haslem, 1974) has essentially determined how profitability factors—like dividends and expected returns—along with the financial health of the companies play a part in influencing the decision-making process of individual investors. According to mounting data, investors

view business reports as one of the most crucial sources of information when making investment decisions.

According to Krishnan and Booker's (2002) analysis of the variables influencing investor decisions, investors mostly rely on analyst recommendations when making short-term judgments on whether to sell or hold a company. Merikas et al. (2004) conducted an analysis of the factors that impact the behavior of Greek investors on the Athens Stock Exchange. The findings showed that people make decisions about which stocks to buy based on a variety of other factors in addition to economic considerations. Furthermore, Al-Tamimi (2009) examined two categories of profitability characteristics and historical stock price (return) utilizing 343 individual investors in order to determine the elements that influence the behavior of UAE investors. The following influencing elements were ranked in order of significance: government ownership, corporate earnings, get rich quick, stock marketability, past success of the company's shares, and the formation of the organized financial markets. Individual investors prefer to consider the media, newspapers, and market noise more when making investing decisions, according to research by Maditinos, Sevic, and Theriou (2007). Professional investors, however, would want to focus less on portfolio research and more on technical and fundamental analysis. Furthermore, their data shows that, based on accounting instruments, investors of all stripes rank price earnings ratio as their top priority, earnings per share as their second, net operating profit after taxes as their third, and return on equity as their fourth.

Gill et al. (2018) looked into the variables influencing the behavior of investors when making decisions by using information searches as a mediator. The study's findings demonstrated a strong and positive correlation between economic expectations and the conduct of investors while making decisions. However, the relationship turned sour and unimportant when information search was included as a mediator. In the event of economic expectations, the outcome therefore implied complete mediation.

There aren't many research that discuss behavioral finance in relation to Nepal. Nonetheless, a number of studies have made an effort to investigate the factors that influence investors'

decisions to make investments inside the Nepali stock market. Adhikari (2019), for instance, used information gathered from a self-administered questionnaire survey to investigate the investment behavior of Nepalese investors in the country's stock market. According to the study's findings, Nepalese investors bought shares for both personal and professional purposes. In the context of Nepal, the study also noted the significance of behavioral aspects in stock investment decisions. Similar to this, Kadariya (2012) examined the variables influencing the choices made by 185 stock investors in the setting of the Nepalese capital market. The average pricing technique and capital structure were shown to be the most significant determinants of investment decisions, followed by media and political coverage and financial literacy. The main finding of the study was that knowledge, both tangible and intangible, is a crucial component in influencing investment decisions in the Nepalese capital market.

Numerous elements influencing stock investors' decisions in the stock market have so been demonstrated by studies. These include, for instance, government policies, past stock trading volume, demographic factors, financial statements of businesses, accounting instruments, economic variables, discounted cash-flow tools, past stock price (return), consultation with various sources, second-hand information resources, public information from businesses, profitability variables, and government policies. Thus, this study aims to determine the key variables influencing stock investment decisions as seen by investors in Nepal's stock market based on the aforementioned difficulties. The study also makes an effort to determine the relative weight of demographic characteristics that investors consider when choosing stocks to invest in. This section centers on the diverse theories that serve as the foundation for the study; in particular, the agency theory, prospect theory, and reliability theory are highlighted.

2.1.1 Prospect Theory of Investment

Tversky and Kahneman proposed the prospect theory (1992). According to the hypothesis, people have different emotional reactions to wins and defeats. According to the hypothesis, people experience more stress when faced with potential losses than they do when faced with comparable rewards (Trepel, Fox & Poldrack, 2005). According to the hypothesis, profits appear smaller than losses, and money loses value as it gets deeper into people's wallets.

Prospect theory makes an additional attempt to explain why investors hang onto failing stocks by claiming that people frequently take greater risks in an effort to avoid losses than in an effort to make gains.

Applying this theory to the Indian market, Chandra & Kumar (2011) discovered that investors, like lost gamblers who boost the ante to try to recover their losses, willfully hang onto hazardous stock positions in the hopes that prices will rise. Furthermore, using this theory, Jagongo and Mutswenje (2014) found that people tend to value their possessions more than the price they would typically be prepared to pay for them, despite their reasonable desire to reap the rewards of the risks they take. The prospect theory played a significant role in explaining why retail investors, believing that today's losers would soon surpass today's gainers, prefer to hang onto their losing securities and sell their winning ones. The idea was appropriate for the study since it is common for investors to chase market action by purchasing options that are in the spotlight or drawing greater attention.

2.1.2 Reliability Theory

Gavrilov and Gavrilova presented the theory of reliability (2005). The chance that a system will successfully carry out its expected function or functions within a certain time frame is described by this theory (Gavrilov and Gavrilova, 2005). Businesses have utilized the theory as a model to determine lucrative rates to charge their clients. According to the theory, risk assessment and control are the main factors that influence investment decisions. According to the hypothesis, weak organizational structures result in higher costs since they provide more significant output (Kinney, 2005).

Gavrilov and Gavrilova (2005) assert that identifying an organization's shortcomings is primarily a judgement call. According to the hypothesis, comparing the process and system dependability estimates with historical financial data may offer a more trustworthy foundation for determining how a firm's system affects the income risk of that particular firm. Using this theory, Kannadhasan (2015) showed the strength of reliability theory in their study by highlighting its direct relationship to an organization's demands for control risk

assessment and understanding organizational system. Other researchers that produced comparable outcomes.

Because reliability theory is predicated on the idea that a system that is constructed should be able to fulfill its expected function, it was relevant to our investigation. The idea focuses on how risk assessment affects a company's financial performance and how this might influence retail investors in Nepal's investment selections.

2.1.3 Regret-Theory of Investment

It describes the emotional roller coaster that occurs when someone realizes they made a mistake in judgment. When investors are faced with the possibility of selling a stock, the price at which they bought the stock affects them emotionally. In order to escape the embarrassment of reporting a loss and the remorse of having made a poor investment, they choose not to sell it. The regret theory may also apply to investors who discover that the value of a stock they had contemplated purchasing has increased. Certain investors adhere to the prevailing opinion or the principle of doing what their peers do.

Therefore, an individual investor rationalizes his or her action by buying only stocks that other investors are buying in order to reduce the potential of experiencing this regret (Jagongo & Mutswenje, 2014).

2.2 Empirical Review

Numerous investigations have been conducted to identify the variables influencing equities stock investment decisions. As a result, the section discusses relevant literature in light of the goals and research questions of the investigation.

Ndiege (2012) explored a study on Factors influencing investment decision in equity stocks at the Nairobi securities exchange among teachers in Kisumu Municipality This study examined the variables influencing Kisumu Municipality teachers' decisions to invest in equity stocks at the Nairobi Stock Exchange. A descriptive survey design was used in the investigation. Two thousand five hundred and thirty instructors were the target population. Ten percent of the target population, or twenty-five three people, were chosen for the sample.

Questionnaires were used to gather data, which was then subjected to factor analysis and descriptive statistics. The survey found that the financial literacy of Kisumu Municipality teachers is low. Most of them would rather invest in other asset classes, such real estate, even if many of them regard equity stocks as an investment similarly to others. Just 28% of the target population reported having any stock market investments. The findings showed that behavioral and economic factors had an impact on equity stock investment decisions. Expected dividends, capital appreciation, and share affordability were determined to be the main economic factors affecting decisions to invest in equities stocks. Among the behavioral characteristics were overconfidence, which is reflected in the respondents' perception that they are superior to others and forms the basis of self attribution bias, and herd behavior, which is represented by the choice to invest based on the opinion of friends and coworkers or shares in high demand.

Hunjra (2012) analyzed a study on factors affecting investment decision making of equity fund managers. The study is an attempt to investigate the effect of behavioral factors such as heuristics, risk aversion, use of financial tools and firm level corporate governance on the decision making of equity fund managers of Pakistan. The study collected response from 327 equity fund managers of insurance companies, commercial banks, and equity investment companies applying stratified random sampling technique. The results of the study demonstrate that a positive and significant relationship exist among heuristics, use of financial tools, risk aversion, firm-level corporate governance, and investment decision making. The results further demonstrate that firm-level corporate governance plays a pivotal role and is an important factor affecting investment decision making. Equity fund managers of institutions apply heuristics and financial tools while formulating their decisions. Equity fund managers of institutions are also found to be risk averse. Regulatory authorities and stock exchanges may use the results of the study. Regulatory authorities and exchanges may also use the results to create awareness by educating investors about the importance of behavioral factor and firm-level corporate governance. It may help to increase investors' confidence.

Sultana and Pardhasaradhi (2012) conducted empirical analysis on influence of varied factors on individual equity investors' decision making and behavior in India. Factor analysis was used in the study, which reduced 40 qualities to ten factors. Individual eccentricity, societal obligations, wealth maximization, risk minimization, financial prospects, brand perception, accounting disclosures, government and media cooperation, economic outlook, and advocate guidance were the categories used to group these elements. The factors were expected to impact market participants' investment decisions to differing degrees.

Ali (2013) conducted a study on factors affecting individual equity investor's decision making in Pakistan. The main objectives of the study is to examine the influence of economic, and behavioral, factors in shaping the investment behavior of individual equity investors in Pakistan. Survey Method with the distribution of 400 questionnaire in three stock exchange and 254 response were receive. The study discovered that advocate recommendations, neutral information, and self-image/firm-image synchronicity all had a significant impact on the decision-making of individual equity investors.

Obamuyi (2013) sought to determine the factors influencing investment decisions in capital market in Nigeria. According to the study's findings, the five most important elements that influence investing decisions are the dividend policy, predicted firm earnings, projected security capital bonus, past performance of the company's stock, and the get-rich-quick attitude. The study found that factors such as religious affiliation, family member opinions, hearsay, brand loyalty to the company's services, and potential losses on other investments had no influence on investment decisions. The study also found that the gender, age, marital status, and level of education of retail investors, among other demographic, social, and economic characteristics, had a statistically significant impact on their investing decisions.

Aroni, Namusonge and Sakwa (2014) explored the effect of financial information on investment in shares through a survey of retail investors in Kenya. The primary data used in the study came from 311 respondents who were chosen at random among 836 investors who were registered members of the Nairobi Securities Exchange as of March 2013. Analyses of the data included both descriptive and linear regression. The findings demonstrated that, in

Kenya, decisions on share investments were significantly and favorably influenced by financial information.

Gunathilaka (2014) examined the equity investment decision process of retail investors in Sri Lanka using an analysis of data from 168 respondents who revealed that the perceived firm value had the largest influence on equity choice decisions. Accounting data, advocate recommendations, and self-image/firm-image were revealed to be major homogenous categories of the elements influencing stock selection. The study concluded that the risk and past pricing were the second order components in the process. The study also concluded that expectations for political stability, the state and prospects of the economy, and effective governance all impacted decision-making. The study found that public news, dividend distribution, liquidity, and the firm's goodwill were minor factors influencing investment decisions. It was discovered that factors such as religious convictions, family history, advocates' opinions, and the information contained in the annual financial records had no bearing on the decision-making process.

Deo (2015) analyzed a study on Factors Influencing Investment Decisions of Individual Investors. The main objectives of the study is to determine the most influencing factors on investment decisions of investors. The study focuses on the factors influencing investment decisions of investors in the Indian capital market, with a sample size of 250 respondents using ANOVA, factor analysis, and t-test for hypothesis testing. The findings indicate that the following elements have the most influence on investors' decisions to make investments: financial needs, suggestions and counsel, company reputation, share price, dividend appeal, macro and micro analysis, potential for higher returns, and industry performance.

Farooq and Sajid (2015) examined the factors which affect investment decisions using evidence derived from equity fund managers and individual investors in Pakistan. The purpose of the study was to assess how behavioral elements that influence investment decision-making, including risk aversion, heuristics, the use of financial tools, and internal corporate governance. One hundred research questionnaires were distributed to managers of equity funds as well as individual investors in order to gather data for the study. The study

found that the use of heuristics, internal corporate governance, and financial instruments all significantly and favorably impacted investment decision-making. However, the study discovered that risk aversion had a considerable, albeit unfavorable, influence on investing decision-making. Furthermore, there was a clear positive correlation between all behavioral characteristics, internal company governance, and investor decision-making.

Annamalah (2019) examined the empirical study on the determinants of an investor's decision in unit trust investment. The aim of this research is to examine the variables that affect an investor's choice to buy a unit trust. This work seeks to close this research gap by examining the hypothesized statistically significant influences of investment revenue, risk-taking behavior, financial position, and associated information on an investor's decision to invest in a unit trust. The empirical study used a quantitative research methodology, and 202 participants' survey data were sampled using a practical sampling strategy. Primary data are analyzed in this cross-sectional study using primary data. Multiple regression analysis has been used in data analysis. Empirical study indicates that investors' investment habits in unit trusts are highly influenced by their financial situation, risk-taking behavior, and information sources. The assertions that investment return and revenue have a statistically significant correlation with investors' unit trust investing behaviors, however, were not sufficiently supported by the available data. The research's conclusions will have a significant impact on financial institutions and investors. However, this also enables businesses to more effectively target their clientele and convince them to invest in unit trusts, which in turn enables them to manage their wealth with lower risk and greater long-term returns.

Risal (2019) examined the attitudinal factors influencing herding behavior in order to manage the fluctuations, bubbles, and bursts in the Nepali capital market. The study has chosen to use a descriptive and analytical research design. Five hundred investors in Nepal's securities market completed a structured, self-administered questionnaire, which was used to gather qualitative data. There are only 407 valid answers to the questionnaires. To examine the data and arrive at conclusions, statistical procedures such as mean, percentages, correlation, and regression analysis were used. Consequently, it has been determined that age, experiences,

and decision correctness are not significant. The analysis's conclusion showed a strong correlation between rash decisions and herd behavior.

Dewan and Dharni (2019) studied on herding behavior in investment decision making: a review. The study illustrated that herding denotes how individuals act together in a group without any centralized direction. Herding is a phenomenon that has garnered a lot of attention due to its ability to cause asset values to deviate from their underlying worth. It has also raised worries about volatility, market instability, and increased financial market fragility. This paper offers a succinct overview of the herding literature. Different kinds of herding are covered, along with their importance, frequency, and drivers. A review of several herding measurement techniques has been conducted. A review and analysis are conducted on the relationship between herding and other variables such market conditions, volatility, and liquidity. 79 publications spanning more than three decades were studied in order to prepare the review study. For the advantage of academicians, researchers, and policymakers, further prospective study directions are presented.

Yusuff (2020) explored the moderation effect of gender and product knowledge (PK) on the relationship between information sources (IS) and Islamic unit trust investment decision (IUTID). Muslims who own investments in Malaysia were selected as study participants. Partial Least Square Structural Equation Modeling was used to assess the relationship between the variables (PLS-SEM). Our findings demonstrate that the association between information sources and the choice to invest in Islamic unit trusts is moderated by both gender and product expertise. The findings show that, in cases when Muslim investors lack product knowledge, information sources have a significant impact on their decision to participate in Islamic unit trusts. Furthermore, the results show that information sources have a greater impact on female investors' decisions to invest in Islamic unit trusts than they do on male investors.

Din et al. (2021) investigated the impact of behavioral biases on herding for Islamic financial products with the mediation of shariah literacy. Data was gathered using a questionnaire that was borrowed from multiple published studies. 410 respondents provided the data, which

were then analyzed using Smart PLS. While shariah literacy had a negligible effect on herding, the results for the direct impact indicated that self-attribution, the illusion of control, and information availability have a favorable and significant impact on herding for Islamic financial instruments. The results of the mediation revealed that when shariah literacy was included as a mediating variable between the perception of control, self-attribution, information availability, and herding, the previously large and favorable impact became inconsequential. The study would theoretically add to the corpus of knowledge already available on financial decision-making from a shariah literacy point-out. However, investors may find the study's conclusions helpful in avoiding herd mentality in the Islamic financial markets. Using shariah literacy as a mediating factor, the authors summarize the contribution behavioral finance research have made to the understanding of herding behavior in Islamic financial products. One of the study's main limitations is that the data were gathered from three areas in Pakistan's Punjab province.

Cao (2021) investigated a study on behavioral factors on individual investors' decision making and investment performance: a survey from the Vietnam stock market. The study mainly focus to clarify the relationship between financial behavior and investment decisions as well as its impact on investment results. The main analytical methods used are Exploratory Factor Analysis (EFA), Confirmatory Factor Analysis (CFA), and Structural Equation Modeling (SEM). According to research findings, investing decision-making is directly and favorably impacted by heuristics, prospects, markets, and herding. Additionally, the aforementioned elements directly and favorably impact the success of investments. The Prospect element, in particular, has the biggest impact on the choice and performance of investments.

Gupta (2022) examined the herding and loss aversion in stock markets: mediating role of fear of missing out (FOMO) in retail investors. The purpose of the study is to comprehend how herding and loss aversion affect retail investors' investment decisions. The research also assesses how retail investors' fear of missing out (FOMO) influences these relationships. Retail stock market investors in India provided data for the study via a questionnaire survey. 323 data points in all were gathered. The Smart PLS was used to analyze the gathered data.

To achieve the study's goals, factor analysis and partial least square structural equation modeling were used. The study's findings showed that FOMO, herd mentality, and loss aversion all have a big impact on retail investors' investment decisions. Analyzing how herd behavior and loss aversion affect investment decisions in the presence and absence of FOMO revealed that FOMO mediates these relationships to some extent. Because FOMO enhanced the impact of loss aversion and herd mentality on retail investors' investing decisions, the mediation was complimentary in nature. Many anomalies in stock markets can be attributed to behavioral tendencies. Therefore, it is important to understand how these biases influence investment choices. The findings of this study will assist investors and financial planners in being aware of the various ways that their choices may be skewed and in trying to avoid them.

Septian (2022) explored the impact of behavioral factors among Indonesian individual investor towards investment decisions during Covid-19 pandemic. The purpose of the study is to determine how Indonesian individual stock market investors behaved during the COVID-19 outbreak. The foundation of behavioral finance theory is covered in the first section of this study, after which the hypothesis is investigated through the collecting of questionnaires from 295 respondents. Using LISREL 8.80 software, data were analyzed using a structural equation model (CB-SEM). The findings show that, during the COVID-19 pandemic in Indonesia, heuristic and market behavioral bias have a positive impact on individual investors' investment decisions, while behavioral bias factors like prospects and herding have a negative impact.

Vukovic and Pivac (2023) examined the impact of behavioral factors on investment decisions and investment performance in Croatian stock market. The present study investigates the behavioral aspects and personality qualities that influence investing decisions and, in turn, the performance of investments. An examination of a survey involving 310 investors in Croatia was carried out. The results were obtained using structural equation modeling with partial least squares. Herding has a detrimental impact on investing decisions, while the overconfidence heuristic, prospect theory components, emotions, and stability and plasticity (the two main personality factors) have a beneficial impact. Investment decisions have a

favorable impact on the satisfaction with investment success, as seen by the preference for long-term investments.

Table 1

Summary of Empirical Review

Authors/ Years	Title	Objectives	Methodology	Findings
<u>Hunjra</u> (2012)	Factors affecting investment decision making of equity fund managers.	The study is an attempt to investigate effect of behavioral factors such as heuristics, risk aversion, use of financial tools and firm level corporate governance on the decision making of equity fund managers of Pakistan.	Survey Method Design and regression analysis	The results of the study demonstrate that a positive and significant relationship exist among heuristics, use of financial tools, risk aversion, firm-level corporate governance, and investment decision making. The results further demonstrate that firm-level corporate governance plays a pivotal role and is an important factor affecting investment decision making.
Ndiege (2012)	Factors influencing investment decision in equity stocks at the Nairobi securities exchange among	This study examined variables influencing Kisumu Municipality teachers' decisions to invest in equity stocks at the Nairobi Stock	A descriptive survey design	The findings showed that behavioral and economic factors had an impact on equity stock investment decisions. Expected dividends, capital appreciation, and share affordability were determined to be the main economic factors affecting decisions to invest in equities stocks.

	teachers in Exchange. Kisumu Municipality			
Qureshi (2012)	Factors Affecting Investment Decision Making of Equity Fund Managers	To investigate the effect of behavioral factors such as heuristics, risk aversion, use of financial tools and firm level corporate governance on the decision making of equity fund managers of Pakistan	The study collected response from 327 equity fund managers of insurance companies, commercial banks, and equity investment companies applying stratified random sampling technique.	The study's findings show that heuristics, financial instrument use, risk aversion, firm-level corporate governance, and investment decision making are all positively and significantly correlated.
Sultana and Pardhasaradhi (2012)	Influence of varied factors on individual equity investors' decision making and behavior in India.	To analyze the factors influencing individual equity investors decision making.	Factors analysis and regression.	According to the study's findings, the five most important elements that influence investing decisions are the dividend policy, predicted firm earnings, projected security capital bonus, past performance of the company's stock, and the get-rich-quick attitude. The study found that factors such as

				religious affiliation, family member opinions, hearsay, brand loyalty to the company's services, and potential losses on other investments had no influence on investment decisions.
Ali (2013)	Factors Affecting Individual Equity Investor's Decision Making in Pakistan	To examines the influence of economic, behavioral, in shaping the investment behavior of individual equity investors in Pakistan	Survey Method with the distribution of 400 questionnaire in three stock exchange and 254 response were receive.	The study discovered that advocate recommendations, neutral information, and self-image/firm-image synchronicity all had a significant impact on the decision-making of individual equity investors.
Obamuyi (2013)	The factors influencing investment decisions in capital market in Nigeria.	To analyze the investment influencing factors in capital market in Nigeria.	Opinion survey and casual analysis method.	The study found that factors such as religious affiliation, family member opinions, hearsay, brand loyalty to the company's services, and potential losses on other investments had no influence on investment decisions.
Aroni (2014)	The Effect Of Financial Information On Investment In Shares - A	To examine the effect of financial information on investment shares for Kenyan retail investors,	Primary data was collected from 311 respondent s randomly sampled form	The findings showed that the financial information variable, with a p-value of.000 ($p < 0.05$), significantly influenced decisions to invest in shares.

	Survey Of applying the the population Retail behavioral finance of 836.250 Investors In theory. investors Kenya participating at the Nairobi Securities Exchange as at March, 2013.
Gunathila ka (2014)	The equity To examined the Survey method The study found that public investment factors influencing and regression news, dividend distribution, decision the investment analysis liquidity, and the firm's process of decision process. goodwill were minor factors retail influencing investment investors in decisions. It was discovered that Sri Lanka factors such as religious convictions, family history, advocates' opinions, and the information contained in the annual financial records had no bearing on the decision-making process.
Farooq (2015)	Factors To investigate the This study use The study comes to the Affecting impact of questionnaire conclusion that risk aversion Investment behavioral factors technique for has a negative and large impact Decision such as heuristics, primary data on investment decision making, Making: risk aversion, use collection from while heuristics, the use of Evidence of financial tools equity fund financial tools, and firm level from Equity and firm-level managers and corporate governance have Fund corporate individuals positive and significant impacts. Managers governance on who invested and investment in commercial

	Individual Investors in Pakistan.	decision making.	banks, insurance companies and stock exchanges of Pakistan	
Deo (2015)	Factors Influencing Investment Decisions of Individual Investors	To determine the most influencing factors on investment decisions of investors.	The study focuses on the factors influencing investment decisions of investors in the Indian capital market, with a sample size of 250 respondents using ANOVA, factor analysis, and t-test for hypothesis testing.	The findings indicate that the following elements have the most influence on investors' decisions to make investments: financial needs, suggestions and counsel, company reputation, share price, dividend appeal, macro and micro analysis, potential for higher returns, and industry performance.
Annamal ah (2019)	An Empirical Study on the Determinants of Investor's Decision in Unit Trust	This paper aims to narrow this research whereby financial status, risk taking behavior, investment	The empirical study uses a quantitative research approach whereby survey data	The study concludes that investors' investing behaviors in unit trusts are highly influenced by their financial situation, risk tolerance, and information sources. The assertions that investment return and revenue

	Investment	revenue and have been have a statistical link to related information sampled from investors' unit trust investing are hypothesized 202 habits, however, were not to exert participants sufficiently supported by the statistically using a available data. significant convenient influences on the sampling investor's decision technique in unit trust investment.		
Dewan and Dharni (2019)	Herding behavior in investment decision making: a review	To analyze the herding behavior in investment decision making process.	Review analysis and correlation method with Casual research design	The study found that the herding is a phenomenon that has garnered a lot of attention due to its ability to cause asset values to deviate from their underlying worth. It has also raised worries about volatility, market instability, and increased financial market fragility.
Yusuff (2020)	Information Sources And Investment Decision Among Malaysian Investors: Clarifying The Role Of Gender And Product	The study aimed to investigate the impact of behavioral biases on herding for Islamic financial products with the mediation of shariah literacy	Partial Least Square Structural Equation Modelling (PLS-SEM).	The findings show that, in cases when Muslim investors lack product knowledge, information sources have a significant impact on their decision to participate in Islamic unit trusts. The results also show that female investors are more influenced by information sources when making investment decisions in Islamic

	Knowledge			unit trusts than are male investors.
Din (2021)	Behavioral Factors on Individual Investors' Decision Making and Investment Performance: A Survey from the Vietnam Stock Market	To investigate the impact of behavioral biases on herding for Islamic financial products with the mediation of shariah literacy.	The main analytical methods used are Exploratory Factor Analysis (EFA), Confirmatory Factor Analysis (CFA), and Structural Equation Modeling (SEM). The sample is 250 investors.	The study's main conclusions indicated the significance of heuristics, prospects, markets, and herding in relation to investment performance and decision-making. The decision-making process for investments was most influenced by prospects ($\beta = 0.275$). The effects of Heuristic ($\beta = 0.257$) and Herding ($\beta = 0.202$) were the strongest and smallest, respectively, followed by Market ($\beta = 0.189$).
Cao (2021)	Behavioral Factors on Individual Investors' Decision Making and Investment Performance: A Survey from the	To clarify the relationship between financial behavior and investment decisions as well as its impact on investment results.	The main analytical methods used are Exploratory Factor Analysis (EFA), Confirmatory Factor	According to research findings, investing decision-making is directly and favorably impacted by heuristics, prospects, markets, and herding. Additionally, the aforementioned elements directly and favorably impact the success of investments. The Prospect element, in particular,

	Vietnam Stock Market		Analysis (CFA), and Structural Equation Modeling (SEM)	has the biggest impact on the choice and performance of investments.
Gupta (2022)	Herding and loss aversion in stock markets: mediating role of fear of missing out (FOMO) in retail investors	The study aims to understand impact of aversion herding investment decision of retail investors. The study further evaluates the mediating role of fear of missing out (FOMO) in retail investors on these relationships.	The study employed questionnaire survey to collect data from retail investors of Indian stock market. Total 323 data were collected. The collected data were examined using SmartPLS. Factor analysis and partial least square structural equation modeling were employed for fulfilling the objectives of the study.	The study's findings showed that FOMO, herd mentality, and loss aversion all have a big impact on retail investors' investment decisions. Analyzing how herd behavior and loss aversion affect investment decisions in the presence and absence of FOMO revealed that FOMO mediates these relationships to some extent. Because FOMO enhanced the impact of loss aversion and herd mentality on retail investors' investing decisions, the mediation was complimentary in nature.

Septian (2022)	Impact of Behavioral Factors among Indonesian Individual Investor towards Investment Decisions during Covid-19 Pandemic	To identify the behavior of individual investors in the stock market in Indonesia amid COVID-19 pandemic.	In this study begins with the basis of behavioral finance theory and then the formulation of the hypothesis tested through the collection of questionnaires which have been obtained 295 respondents. Data were analyzed using a structural equation model (CB-SEM) with the help of LISREL 8.80 software	The findings show that, during the COVID-19 pandemic in Indonesia, heuristic and market behavioral bias have a positive impact on individual investors' investment decisions, while behavioral bias factors like prospects and herding have a negative impact.
Vokovi and Pivac (2023)	The impact of behavioral factors on investment decisions and investment	This research explores which behavioral and personality traits affect investment decisions and,	A survey analysis was conducted on a sample of 310 investors in Croatia. Partial least squares	The overconfidence heuristic, aspects of prospect theory, emotions, and stability and plasticity—the two main personality traits—all have a beneficial impact on investing decisions, whereas herding has

performance consequently, structural a negative one. Investment in Croatian investment equation choices, as evidenced by a stock market performance. modeling was preference for long-term used to obtain investments, subsequently the results. improve investor satisfaction with investment results.

2.2.1 Review of Literature in Nepalese Context

Thapa (2014) examined the investment behavior of individual investors in the stock market of Nepal: A survey. Understanding individual investors' investment behavior in the Nepalese stock market was one of the study's primary goals. The entire study's foundation is a structured questionnaire survey completed by 138 Kathmandu residents. According to the study, investors' confidence levels decline as investment sizes increase. The size of an investment has a major positive impact on the degree of involvement and a negative impact on investors' optimism; investors with larger investments tend to be less willing to take risks, but those with greater professional expertise are more likely to do so.

Amatya (2015) conducted a research on present status of debt securities market. The study pointed out the problems of debt securities market in Nepal. This study set out to examine the current state of the debt securities market in Nepal as well as the issues surrounding it. The study used a descriptive and analytical research design. The majority of the study's data came from secondary sources. In addition, primary data were employed. The analysis discovered that financial institutions and insurance companies held a disproportionate amount of government securities and T-bills. While it was rising, individual participation was still insufficient. During the observation period, T-bills showed a growing tendency, and the forecast indicates that this trend will continue. Throughout the observation period, the development bond trend was likewise rising, but in the final years of the study, the national saving bond trend was falling.

Tamrakar (2017) examined the study on development of financial instruments in the Nepalese capital market. The study's objectives were to list the various investment options, assess how they are doing currently, and examine how these options have evolved within the Nepalese capital market. The majority of the study's data came from secondary sources. In addition, primary data were employed. The study employed rank, correlation coefficient, and t-test as analytical techniques. While preference shares and debentures are limited, the majority of investors are interested in investing in corporate sector shares. Mutual funds and limit plans are used a lot more than they are. While unemployed investors prefer to put their savings in real estate rather than corporate assets, employed investors prefer to place their savings in corporate securities.

Darhsandhari (2018) analyzed the investor's preferences in financial instruments in Nepal. The purpose of the study was to determine the function of financial instruments in Nepal as well as to examine investor preferences for certain financial products. For the analysis of the study, the researcher mostly employed secondary data from a variety of published and unpublished sources. Through questionnaires, the necessary primary data and information supporting the study were acquired. The most popular investment category was common stock; investors are less inclined to favor debt and preferred stock. The right to participate in earning is the cause of the popularity. The study found that the banking industry was the most favored investment sector, with finance coming in second. Similarly, other investment sectors such as insurance, hotels, trading, manufacturing, and processing all happen concurrently. The investors' goals in investing in these areas were to reduce potential risk, increase return, and improve social status.

Dhungana (2018) examined the behavioral factors influencing individual investor's decision making and performance: a survey at Nepal stock exchange. The primary aim of the research was to investigate the behavioral determinants that impact the decision-making and performance of individual investors. The research was limited to five large cities, and 350 samples were selected at random from various brokerage houses. According to the study, there is a correlation between an investor's age, gender, and marital status and how long they have invested.

Bhattarai (2019) examined the practices of money market and its instruments in Nepal. The study's objectives were to list the different money market instruments, investigate participation in the Nepalese money market, and look at the money market instruments' trading process and yield idea. In this investigation, secondary data were primarily employed. The tabular format required by the debt management group of Nepal Rastra Bank was used to convey the collected data. The research's findings were also shown using comparison bar graphs and diagrammatical methods. Repurchase agreements are exclusively transacted with local commercial banks by the NRB. A repurchase agreement has a regulatory requirement that Nepal Rastra Bank be the only party conducting it, either to satisfy NRB requirements or to satisfy a commercial bank's shortfall of funds. Though the number of banks producing non-negotiable CDs has increased recently, very few have been discovered to use them as short-term funding sources. Non-negotiable Certificate of Deposit interest rates are trending upward as well. Most money market products are often issued on a discount at par, while certificates of deposit are typically issued using straightforward interest return procedures.

Rana (2019) attempted to explore the factors associated with individual investors' stock investment decision in the context of stock market in Nepal. The study also intends to investigate how investors, according to their demographic attributes, view the relative relevance of various aspects while making investment decisions. The research makes use of a sample of 106 individual investors' responses to a structured questionnaire survey that was conducted between January and April of 2019. To identify the common characteristics influencing the sample investors' stock investing decisions, the study uses exploratory factor analysis. The factor analysis results indicate that the common factors influencing the stock investment decisions of the sample investors in Nepal are six: fundamental market factors, industry competition and size factors, goodwill and market share factors, corporate governance and positioning factors, earnings and image factors, and decision-making factors. The findings also demonstrate that, in the opinion of the sample investors, Fundamental Market elements have a high relative value among the six elements that were retrieved. Nevertheless, due to its numerous flaws, shortcomings, and inaccuracies, Rana's paper was only used for evaluation because there aren't many research on the variables influencing individual investment decisions conducted in Nepal.

Risal (2019) examined on herding behavior in Nepali stock market: empirical evidences based on investors from NEPSE. The goal of the study paper is to control the ups and downs of the Nepali capital market by looking at the attitudinal elements driving herding behavior. The study has chosen to use a descriptive and analytical research design. Five hundred investors in Nepal's securities market completed a structured, self-administered questionnaire, which was used to gather qualitative data. Age, experiences, and decision correctness have not been found to be significant. The analysis's conclusion showed a strong correlation between rash decisions and herd behavior.

Chalise (2020) explored the secondary capital market of Nepal: assessing the relationship between share transaction and NEPSE index. This study aims to evaluate the current state of the secondary capital market and investigate the relationship between the NEPSE index and share transaction quantity. Regression analysis is the method utilized for analysis, and the study period spans from 2009–10 to 2018–19. The findings indicated that the secondary capital market in Nepal significantly contributes to the mobilization of financial resources. Furthermore, share transactions have a notable beneficial impact on the NEPSE Index in the secondary capital market of Nepal.

Ojha (2020) conducted research on the expectations and preferences of Nepalese investors about financial products. The purpose of the study was to assess investors' attitudes toward financial instruments and learn about their expectations regarding the purchase of securities. NEPSE reports, SEBON reports, NRB reports, reports on issues like managers, etc. are the study's secondary data sources. On the other hand, primary data is gathered via the questionnaire in order to understand the investors' preferences. It was also discovered that the preferences of various investor sizes and categories were similar. For all of them, common stocks seemed to be the most favored instrument. The financial and banking sectors are preferred by investors above other industries such as manufacturing and processing, trading, and hospitality, according to the results. The most favored industries were determined to be commercial banks, financial firms, hydropower corporations, and other groups. The majority of those surveyed knew nothing about government securities. Because they don't carry any risk, the majority of investors in government securities have made their investments.

Adhikari (2020) investigated the variables affecting individual investors' stock exchange of Nepal investment decisions. The study's primary goal is to identify the variables that affect individual investors' stock exchange of Nepal decisions. 214 individual investors' responses were used for the study, which was carried out using a random sample technique. Respondents were given a structured questionnaire to complete in order to gather data for the study. The findings of this study will help investors comprehend the various choices they must make based on the variables at play and the potential repercussions of each choice.=

Pokharel (2020) examined the behavioral factors and investment decision: A case of Nepal. This study's primary goal is to investigate the beliefs and actions of investors in the Nepalese stock market. Based on primary data gathered from 120 respondents who have invested in shares of NEPSE-listed businesses, this study is an empirical investigation. The correlation analysis's findings demonstrated that the market component significantly affects how well investments perform.

Chhetri (2022) examined the decision making behavior of individual stock investors' in Nepal. To investigate the variables affecting Nepalese stock investors' individual decision-making practices and to assess the proportionate impact of these variables in relation to different socioeconomic and demographic traits. The study uses an exploratory, descriptive, and quantitative approach to research design. A survey was carried out in 2021 from March to May, yielding 505 valid replies. The research suggests that, despite the fact that investors are impacted by a variety of factors when choosing stocks to invest in, traditional wealth-maximization parameters, the use of fundamental analysis, and predicted earnings and dividends remain crucial for individual investors.

Sapkota (2023) examined the emotional biases and equity investment decision of individual investors. Examining the impact of emotional biases on equity investment decisions is the study's goal. Based on a quantitative research methodology, this study included 385 individual investors in its sample. Nevertheless, only 68.31% of the sample had a useful answer, despite the study's response rate of 79%. The results of this study indicate that there is a substantial correlation between equities investment decisions and emotional prejudices

among the Chitwan district's private investors. In a similar vein, this study discovered that emotional biases have a major influence on stock investment decisions. This study provided evidence that emotional biases had a major impact on individual investors' equity investment decisions in the Chitwan district, leading to illogical decisions.

Shrestha (2023) analyzed the effect of financial literacy on individual investment decisions in the Kathmandu Valley. This study aims to quantify the influence of financial literacy on individual investment choices made in the Kathmandu Valley. For this investigation, a causal and descriptive study was created. Structured questions were created and utilized in a questionnaire survey to gather data. According to the study, investment decisions are significantly influenced by financial behavior, financial attitude, financial awareness, and financial skill. In order to improve financial results for both people and society at large, policymakers should support financial literacy and investor protection.

Maskey (2023) used a case study of listed life insurance companies on the Nepal stock exchange to investigate the particular factors that influence share prices. Scholars have endeavored to comprehend and ascertain the correlation among diverse elements impacting the market value of stocks. Similar research has solely looked at the banking industry in Nepal. This article, however, seeks to examine the variables influencing the market share prices of life insurance businesses listed on the Nepal Stock Exchange (NEPSE). A sample of all life insurance companies listed on the Nepal Stock Exchange with panel data from 2012/13 to 2017/18 was used for the research. Descriptive and inferential statistics were used to evaluate the data, and regression coefficients based on the findings of the multiple regression model in this study were used to test the hypothesis. The study found that the main factors influencing share price are dividend yield, age of the company, price-earnings ratio, earnings per share, and dividend yield. The study comes to the conclusion that dividends are important to Nepalese investors. Furthermore, it was discovered that the companies' dividend policies significantly influence the choices made by Nepali investors.

Karmacharya (2023) examined the determinants of investor awareness in Nepalese capital market. The study's primary goals are to investigate the level of awareness among regular

stock investors and examine the factors that influence their knowledge of the Nepalese capital market. The study employed a survey research approach, and 250 samples were obtained from different brokerage houses in the Pokhara valley by convenience sampling. Utilizing a standardized questionnaire, data were gathered. The association between an investor's awareness and its determinants was investigated using a variety of analytical techniques, including path analysis and confirmatory factor analysis. Additionally, the results of the path analysis demonstrate that the majority of independent factors have a large and positive influence on the dependent variable investor awareness. These elements include social learning and motivation, technical and fundamental analysis, and the appraisal of investment choices.

Sapkota and Chalise (2023) researched on the behavior of investors and their choice of equity investment was investigated by using data from Nepal. Using a descriptive and analytical research design, the study investigated how investor behavior affects equity investing decisions. It was grounded in the quantitative research philosophy. 400 individual investors from the top 10 brokerage companies made up the sample, 40 of whom were willing to complete the survey and made equity investment decisions in the Nepalese stock market on a first-come, first-served basis. A self-administered closed-end structured questionnaire with a 5-point Likert type was used to gather data from 293 respondents. Multiple regression analysis and the correlation coefficient were two examples of descriptive and inferential statistics used in the data analysis. The findings suggest that decisions about stock investments are significantly influenced by the actions of investors. Gender, however, has no bearing on things. Therefore, it is possible that the basic ideas of conventional finance do not always direct the financial market, which is instead heavily impacted by the irrationality and actions of investors. Subsequently, it causes an overabundance of trading in securities, sales to expand portfolios, and an imbalance between overreaction and under reaction in the market. Consequently, professional guidance, training, investment objectives, and the introduction of behavioral finance courses at academic and professional institutions can all help to reduce the irrationality of investors.

Table 2

Summary of Review of literature in Nepalese Context

Authors/ Years	Title	Objectives	Methodology	Findings
Sapkota and Chalise (2023)	Investors ' Behavior and Equity Investme nt Decision: An Evidence from Nepal	examined the influence of investors' behavior on equity investment decisions	Data were collected from a 5-point Likert type with a self- administered closed- end structured questionnaire from 293 respondents. Descriptive and inferential statistics were applied	The findings suggest that decisions about stock investments are significantly influenced by the actions of investors. Gender, however, has no bearing on things. Therefore, it is possible that the basic ideas of conventional finance do not always direct the financial market, which is instead heavily impacted by the irrationality and actions of investors.
Karmach arya (2023)	Determin ants of Investor Awarene ss in Nepalese Capital Market	to explore the extent of awareness of common stock investors and analyze the determinants of investors' awareness in the Nepalese capital market	The research design for the study is a survey research design, and convenience sampling was used to collect 250 samples	The results of the research demonstrate that the dependent variable of investor awareness is significantly and favorably impacted by the majority of independent factors, such as social learning and motivation, technical and fundamental analysis, and evaluation of investment choices.

Maskey (2023)	Specific Determinants of Share Prices: A Case Study of Listed Life Insurance Companies in Nepal Stock Exchange	to investigate the factors that affect the market share prices of life insurance companies listed in Nepal Stock Exchange	The data was analyzed through descriptive and inferential statistics, while the hypothesis was tested using the regression coefficients based on the results of the multiple regression model	The study found that the main factors influencing share price are dividend yield, age of the company, price-earnings ratio, earnings per share, and dividend yield. The study comes to the conclusion that dividends are important to Nepalese investors.
Shrestha (2023)	Impact of Financial Literacy on Personal Investment Decisions in Kathmandu Valley.	The purpose of this research is to measure the impact of financial literacy on personal investment decisions in Kathmandu valley.	A descriptive and causal study was constructed for this study. For the collection of information, structured questionnaires were developed and used in a questionnaire survey.	According to the study, investing decisions are significantly influenced by financial behavior, attitude, awareness, and skill. Decision-makers Better financial results for people and society at large can be achieved by promoting financial literacy and safeguarding investors.

Sapkota (2023)	Emotional Biases and Equity Investment Decision of Individual Investors	The aim of the study is to examine the influence of emotional biases on equity investment decision.	This study was based on quantitative approach of research with the sample size of 385 individual investors. However, the response rate of the study was 79% while the usable response was only 68.31% of the sample.	This study discovered a strong correlation between individual investors' emotional biases and their decisions on equity investments in the Chitwan district. In a similar vein, According to this study, emotional biases have a big influence on stock investment decisions.
Chhetri (2022)	Decision Making Behavior of Individual Stock Investors in Nepal	To explore the factors influencing the individual investors' decision making behavior of Nepalese stock investors and to examine the relative degree of influence of such factors with respect to various	The study follows quantitative approach and exploratory and descriptive research designs. Survey was conducted during March through May, 2021 obtaining 505 usable responses	The research suggests that, despite the fact that investors are impacted by a variety of factors when choosing stocks to invest in, traditional wealth-maximization parameters, the use of fundamental analysis, and predicted earnings and dividends remain crucial for individual investors.

		demographic and socio- economic characteristics		
Adhikari (2020)	Factors influenci ng investme nt decisions of individua l investors at Nepal stock exchange .	To identify the factors affecting individual investors' investment decisions on the Nepal Stock Exchange.	The study was conducted on the 214 responses received from the individual investors based on the random sampling method Data for the research were collected using a structured questionnaire distributed to the respondents.	The findings of this study will help investors comprehend the various choices they must make based on the variables at play and the potential repercussions of each choice.
Pokharel (2020)	Behavior al Factors and Investme nt Decision: A Case of Nepal	The main objective of this study is to examine the investors' opinions or behavior in Nepalese stock market	This study is an empirical research based on primary data collected from 120 respondents who have made investment in shares of listed companies in NEPSE.	The correlation analysis's findings demonstrated that the market component significantly affects how well investments perform.

Ojha (2020)	Investors' preferences and expectations on financial instruments in Nepal	The study aimed to examine the financial instruments and to find out their expectation that they buy securities.	The secondary data source is taken from NEPSE reports, SEBON reports, NRB reports, reports of issues like managers etc. on the other hand, to know about preferences of the investors primary data are collected through the questionnaire.	The financial and banking sectors are preferred by investors above other industries such as manufacturing and processing, trading, and hospitality, according to the results. The most favored industries were determined to be commercial banks, financial firms, hydropower corporations, and other groups.
Shrestha (2020)	Factors Influencing Investment Decision of Nepalese Investors	To analyze the impact of company related variables on investment decision	The data are collected using structured questionnaire containing yes/no response questions, multiple choice questions, ranking questions, and Likert scale questions	According to this study, most investors prefer to purchase stock in the primary market, most research companies before making an investment, most periodically check their portfolios, and most utilize their own savings when purchasing shares.
Chalise (2020)	Secondary Capital Market of Nepal: Assessing the	The objective of this study is to assess the existing status of secondary capital market	The period 2009/10 to 2018/19 has been used for study purpose and analysis is conducted through the regression	The findings indicated that the secondary capital market in Nepal significantly contributes to the mobilization of financial resources. Furthermore,

	Relations and to analysis. hip examine the Between relation Share between the Transacti share on and transaction NEPSE amount and Index NEPSE Index.	share transactions have a notable beneficial impact on the NEPSE Index in the secondary capital market of Nepal.	
Bhattarai (2019)	Practices The study of money aimed to market identify the and its various instrume money market nts in instruments Nepal. and participation in Nepalese money market and to examine the yield concept and trading procedure of money market instruments.	The data used in this study was basically secondary in nature. Collected data were presented in the tabular form prescribed by Nepal Rastra Bank debt management group.	Although fewer banks than ever before were found to employ non-negotiable CDs as short-term funding sources, the number of banks issuing CDs has increased recently, according to the survey. Non-negotiable Certificate of Deposit interest rates are trending upward as well. Most money market products are often issued on a discount at par, while certificates of deposit are typically issued using straightforward interest return procedures.

Risal (2019)	Herding Behavior in Nepali Stock Market: Empirical Evidence on Investors from NEPSE.	The research paper aims to examine the attitudinal factors influencing herding behavior in order to manage the fluctuations, bubbles, and bursts in the Nepali capital market	The descriptive and analytical research design have been adopted in the study. The qualitative data has been collected through the structured, self-administered questionnaire distributed to five hundred investors of the securities market in Nepal	Age, experiences, and decision correctness have not been found to be significant. The analysis's findings demonstrated the strong correlation between rash decisions and herd behavior.
Rana (2019)	Factors Affecting Individual Investors' Stock Investment Decision In Nepal	To examine the relative importance of investment decision factors as perceived by investors based on their demographic characteristics	The study uses a sample responses of 106 individual investors obtained through structured questionnaire survey during the period January to April, 2019. The study employs exploratory factor analysis to extract the common factors affecting stock investment decisions of the sample investors.	The factor analysis results indicate that the common factors influencing the stock investment decisions of the sample investors in Nepal are six: fundamental market factors, industry competition and size factors, goodwill and market share factors, corporate governance and positioning factors, earnings and image factors, and decision-making factors.

Darhsan dhari (2018)	Investors preferenc es in financial instrume nts in Nepal.	The study aimed to analyze the investors preferences in financial instruments in Nepal and to find out the role of financial instruments in Nepal.	The researcher used secondary data for the analysis of the study through various published and unpublished sources. Needed primary data and information that supported the study were gathered through questionnaire.	The study found that the banking industry was the most favored investment sector, with finance coming in second. Similarly, other investment sectors such as insurance, hotels, trading, manufacturing, and processing all happen concurrently. The investors' goals in investing in these areas were to reduce potential risk, increase return, and improve social status.
Dhungan a (2018)	Behavior al Factors Influenci ng Individua l Investor' s Decision Making and Performa nce: A Survey at Nepal	To explore behavioral factors influencing individual investor's decision making and performance.	The study has been confined to five metropolitan cities and 350 samples have been taken randomly from different broker houses.	According to the study, there is a correlation between an investor's age, gender, and marital status and how long they have invested.

	Stock Exchang e			
Tamraka r (2017)	Develop ment of financial instrume nts in the Nepalese capital market.	The aim of the study were to identify the different investment alternatives and their current status and to analyze the development of different investment alternatives in Nepalese capital market.	The study was mainly based on secondary sources of data. Beside this, primary data were also used. Rank, correlation coefficient, t-test were used as analytical tools in the study.	While preference shares and debentures are limited, the majority of investors are interested in investing in corporate sector shares. Mutual funds and limit plans are used a lot more than they are.
Amatya (2015)	Present status of debt securities market. The study pointed out the problems of debt	The aim of the study were to analyze the present status of debt securities market in Nepal and to analyze the problems of debt securities	Descriptive cum analytical research design was followed in the study. The study was mainly based on secondary sources of data. Beside this, primary data were also used.	The analysis discovered that financial institutions and insurance companies held a disproportionate amount of government securities and T-bills. While it was rising, individual participation was still insufficient. Throughout the observation period, T-bills showed a growing trend, and the

	securities market in Nepal	market in Nepal	in		forecast indicates that this trend will continue.
Thapa (2014)	Investment Behavior of Individual Investors in the Stock Market of Nepal: A Survey	To understand the investment behavior of individual investors in Nepalese stock market.	The study is entirely based on structured questionnaire survey among 138 respondents from Kathmandu.		According to the study, investors' confidence levels decline as investment sizes increase. The size of an investment has a major positive impact on the degree of involvement and a negative impact on investors' optimism; investors with larger investments tend to be less willing to take risks, but those with greater professional expertise are more likely to do so.

2.3 Research Gap

A portion of the literature that was available and contained pertinent information that affects investment decisions was reviewed by the study. The literature provided several insightful insights for the investigation, such as empirical support for the variables' indicators and theoretical stances that have been applied to the research of investment choices (Ojha, 2020). Nonetheless, a number of information gaps are shown, which the study attempted to fill. First, it becomes clear that the studies that have already been conducted have also adopted a

broad methodology, studying the components that fall under the behavioral and economic categories without concentrating on particular, recognizable factors (Darhsandhari, 2018).

Based on the literature analysis, it is evident that most research have been carried out in environments distinct from Nepal's retail investment sector. On the other hand, little research has been done on the variables influencing Nepalese investors' decisions while choosing equities. The extant local research have not utilised inferential statistics to comprehend the correlation between investment decisions and identified components. In light of this, the proposed study intends to analyze how Nepalese retail stock investors' decisions to purchase equities stock at the Nepal Stock Exchange are influenced by information on affordability, the opinions of third parties, and herding behavior.

Chapter III

Research Methodology

The approach utilized to accomplish the study's goals is included in this chapter. The research design, target population, sample size selection, data collection techniques, and data analysis strategies used by the investigator are all described in this chapter.

3.1 Research Design

This study used a causal comparative and descriptive research approach. A descriptive study design is used to measure, compare, and categorize the characteristics of the independent variables, or dependent variables, that affect the banks' profitability. This study similarly used an informal comparative research design in its investigation. It is widely used to investigate the general condition of people and organizations because it uses questioning to examine at people's opinions and behavior (Cooper, 2014). Additionally, this study used a descriptive and causal comparative research approach.

3.2 Population and Sample

As of June 2023, 5,694,867 DEMAT users make up the study's population. Of the 410 surveys that were sent out for the initial data collection, only 400 were returned; these 400 were chosen as samples. Regression analysis requires a minimum sample size (N) of 10 times the total number of items, as stated by Hair et al. (2011). Hence, $N=(10 \times 25) = 250$. Nonetheless, the idea was tested in this study with a 400 sample size. The method for gathering data is called non-probability sampling. The convenience sampling method was used to fill out the questions.

3.3 Nature and Source of Data

Only primary sources of data were employed in this study, and those were surveys given to individual NPESE investors. Data is gathered using a five-point Likert scale in a systematic questionnaire. Since this study employed a descriptive methodology to investigate the causal link between the studied variables, the results are valuable for generalization. To verify the validity of the information gathered from the questionnaire, experts will examine it. In order

to enhance the validity of the information gathered via the questionnaire for this study, which will evaluate the questionnaire's face validity, a few sections were modified after experts were consulted.

3.4 Data Collection Procedures

Information gathered via emailing a softcopy of the questionnaire to 400 responders. Several tools were employed in the SPSS application to undertake analysis after data gathering. A variety of statistical and mathematical methods have been used to achieve the study's objective. In this inquiry, statistical techniques such as regression analysis, correlation analysis, and descriptive statistics were employed.

3.5 Data Analysis

Primary data were gathered by questionnaires, which the researcher personally examined. The questionnaire items addressed four types of bias: overconfidence, disposition effect, herding, and anchoring. The investors who individually responded to the surveys were the individual investors. This strategy worked well since it encouraged respondents to respond as quickly as they could. Data presentation and analysis are the first steps in each research effort. A range of descriptive and inferential tool types were employed to analyze the data in order to guarantee correct conclusions from this investigation. A variety of statistical and mathematical methods have been used to achieve the study's objective.

1. Descriptive statistics:

The mean and standard deviation have been employed as techniques to obtain the behavioral biases that impact investment decisions in the Nepalese share market and characterize the behavioral element of these variables.

2. Correlation analysis

to look into the relationship between share market investment choices in Nepal and behavioral bias components (herding, anchoring, disposition impact, and overconfidence biases).

3. Regression analysis

to investigate the effects of anchoring, herding, overconfidence, and the disposition impact on investors' decisions in the Nepalese share market.

Baseline Model

The study used investment decision as a dependent variable. The independent factors are overconfidence, disposition effect, herding, and anchoring biases. This model was used to analyze the effects of overconfidence, disposition effect, herding, and anchoring on investing decisions.

Model 1

$$ID = \beta_0 + \beta_1 OC_{it} + \beta_2 AB_{it} + \beta_3 DE_{it} + \beta_4 HB_{it} + \dots + e_{it}$$

Where,

ID = Investment Decision

OC = Overconfidence Bias

AB = Anchoring Bias

DE = Disposition Effect Bias

HB = Herding Bias

β_0 = Constant when all independent variables are Zero

$\beta_1 + \beta_2 + \beta_3 + \beta_4 + \beta_5 + \dots$ = Corresponding coefficients

3.6 Research Framework and Definition of Variables

A review of the theoretical and empirical literature led to the development of the research framework that is discussed in this section. In this study, overconfidence, anchoring, disposition, and herding biases were the independent variables, and investing decisions were the dependent variables.

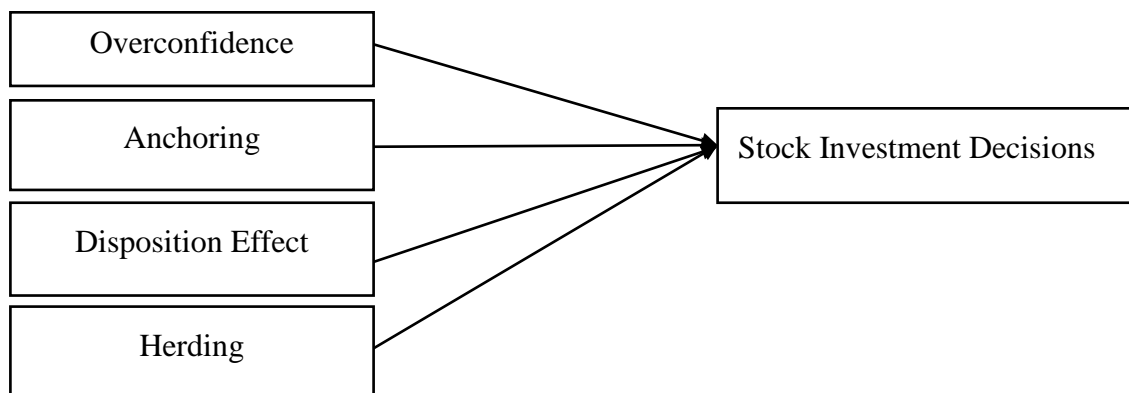


Figure 1

Research framework

Source: Modified from Dirir, 2022

3.6.1 Definition of Variables

The dependent variable in this study is the amount of individual investment choice, which is determined using a psychometric test designed especially to evaluate investor financial behavior.

Stock investment decisions

The disposition effect bias, herding prejudice, overconfidence, and anchoring all affected the decisions made by the institutional investors in the NEPSE. These investors also disclosed the trades made by the other institutional investors. An investment choice is a calculated action that allocates money to maximum return. The decision is based on the investor's attributes, including their investing objectives and risk tolerance, as well as whether they are an individual or a business (Rana 2019).

Overconfidence

One type of cognitive bias that could cause us to overestimate our abilities in specific situations is overconfidence. The majority of people think they are smarter, more trustworthy, or have better prospects than the average person. According to Mittal (2019), investing decisions are significantly impacted positively by overconfidence bias. Considering that Dirir (2022) concurs with the investment decision, it is most likely not significant.

Overconfidence bias is the tendency to overestimate our abilities and knowledge in a given topic. People usually have erroneous views about their talents, characteristics, or behavior, which causes their perceptions of achievement and danger to be mostly inaccurate.

Anchoring

A type of cognitive bias known as "anchoring" makes us heavily rely on the first fact that we are taught about a subject. Anchoring bias and investment decisions are positively connected. Comparable to the conclusions of Dirir (2022), but not corroborated by Ali et al. (2023). Furthermore, anchoring bias significantly negatively affects investment decisions, as supported by Mittal (2019). Anchoring bias is the tendency for people to give disproportionate weight to the first piece of information they come across concerning a subject. Regardless of how reliable the information is, people use it as an anchor or reference point when making following decisions.

Disposition effect

The disposition effect shows a positively minor correlation with investment decision-making, but a negative large impact on it Chaturangi (2021). Furthermore, this contradicts the findings of Madan (2023) and Gupta (2023). The disposition effect is among the behavioral biases that has been researched the most. This effect is the tendency, at any given time, to sell winners more easily than losers, where winners and losers are assets whose value has increased or dropped since they were acquired.

Herd bias

Chhapra (2018) has demonstrated that investing decisions are negatively impacted by herding. Similarly, Madan (2023) concurs with Chhapra's (2018) findings but affirms the investment decision, which is positively unimportant. Herd mentality bias is the term used to describe when someone defends a conduct by pointing out that many other people are doing the same. When it comes to trading psychology, this could show up as buying an asset just because other traders are doing so, which could lead to asset bubbles.

Chapter IV

Results and Discussions

Investors' investment decisions are heavily influenced by behavioral biases. These psychological inclinations, known as biases, can cause investors to make poor or illogical decisions, frequently departing from conventional economic theories that presuppose rational decision-making.

4.1 Results

Examining the factors influencing individual investors' decisions in the Nepali stock market was the aim of this study. The study also intends to look into the ways in which various elements affect individuals' investment behaviors and the ways in which those behaviors are influenced by people.

Additionally, the study looked into how each element was impacted by the overall investing behavior of investors. This research creates a remarkable appeal to the body of literature on behavioral finance in underdeveloped nations, particularly with reference to Nepal, by integrating all three facets of investor behavior.

4.1.1 Data Analysis and Presentation

This chapter covers the results of the analysis generated during the data collection process. It deals with the analysis and interpretation of the main data that was obtained through questionnaires from 400 respondents.

Using the primary data, the influence of behavioral biases on the investment choices made by individual NEPSE investors is investigated. Regression coefficient analysis of two variables has been performed on the collected data. The primary aim of this research study will be achieved by the results obtained from the data analysis.

Respondent Profile

The majority of the study's respondents—264 out of the total—were female, making up 66% of the sample.

Table 3

Demographics Characteristics of Respondents (N=400)

Respondent Character	Frequency	Percentage
Gender		
Male	136	34
Female	264	66
Total	400	100
Age		
Under 25	8	2
26-35	336	84
36-45	40	10
46-55	12	3
Over 55	4	1
Total	400	100
Occupation		
Student	12	3
Private Business	64	16
Banking and Finance	280	70
Government Employee	40	10
Other	4	1
Total	400	100
Marital Status		
Single	48	12
Married	328	82
Widow	24	6
Total	400	100
Qualification		
+2	12	3
Bachelors	96	24
Masters	292	72
Total	400	100

Source: Self- Survey, 2023

Of the total respondents in this study, 264 were female, constituting 66% of the sample. On the other hand, 136 responders, or 34% of the total, were men. Every respondent is separated into five age groups, with the bulk of respondents falling into the 25–35 age range (i.e. 336). Of all responses, 84% were represented by it. Merely 6% of the participants were older than 46 and younger than 25. A higher educational degree was noticed to be possessed by 73% of the respondents (i.e. 292). Furthermore, twenty-six responders, or twenty percent of the total,

had a bachelor's degree. Just 3 percent of the populace had attained a +2 level of education. Similarly, employees of private companies and the government made up 16% and 10%, respectively.

It was observed that 73% of the respondents held a higher educational degree (i.e. 292). Additionally, 96 respondents, or 24% of the total respondents, held a bachelor's degree. It was discovered that only 3% of people have +2 educational qualifications. Banking and finance (i.e., 280) was the most common occupation among the five, accounting for 70% of all responses. Similarly, employees of private companies and the government made up 16% and 10%, respectively.

Table 4

Work Experience

Work experience	Frequency	Percent
Less than 5years	188	47.0
5-15years	204	51.0
Morethan15years	8	2.0
Total	400	100.0

Source: Field - Survey, 2023

Three categories were created for work experience. Of these, 51% of the interviewees had work experience spanning five to fifteen years. Merely 2% of the participants had experience spanning over 15 years.

Table 5

Level of Investment

Monthly income	Frequency	Percent
Less than 100,000	12	3.0
100,000 – 10,00,000	284	71.0
More than 10,00,000	104	26.0
Total	400	100.0

Source: Field - Survey, 2023

Only 3% of respondents had an investment below \$100,000 per month, while 71% of respondents had an investment between \$100,000 and \$10,000,000.

4.1.2 Descriptive Analysis

The responding banks graded the application of investment decisions in the Nepalese stock market. On the five-point Likert scale, each question has a code that denotes the possible answers: The numbers 1 through 5 represent "strongly disagree," 2 "disagree," 3 "neutral," 4 "agree," and 5 "strongly agree."

Table 6

Descriptive Statistics of Overconfidence

Particular	N	Min	Max	Mean	SD
I believe that my skills and knowledge of the stock market can help me to outperform the market	400	1.00	5.00	3.153	1.363
I feel I have ability enough to manipulate the investments in my favors	400	1.00	5.00	3.347	1.323
I feel that I am always lucky to invest in the best deals.	400	1.00	5.00	3.281	1.336
I take least time possible to analyses and rely on available market statistics	400	1.00	5.00	3.152	1.279
I conduct more trades in between the accounting periods.	400	1.00	5.00	3.355	1.326
Overall Mean and SD				3.257	1.325

Source: SPSS Output

Table 6 displays descriptive statistics for the overconfidence sub-factor as a whole and for each individual item. Five statements are used to measure the variables. Each respondent completed a response form with a five-point Likert scale. The total overconfidence mean is 3.257, which is more than 3 with a standard deviation of 1.325. This demonstrates how the best investment selections are not usually those made with a great deal of confidence.

Table 7

Descriptive Statistics of Anchoring

Particulars	N	Min.	Max.	Mean	SD
My trading is affected by recent experiences in the market.	400	1.00	5.00	3.090	1.351
I use the purchase price the stocks as a reference points in trading.	400	1.00	5.00	3.322	1.326
I usually rely on past experience in the market for next investment.	400	1.00	5.00	3.282	1.355
I usually buy a stocks, which have fallen considerably from previous closing or all-time high.	400	1.00	5.00	3.157	1.287
I appear believe that past returns are indicative for future returns.	400	1.00	5.00	3.285	1.367
Overall Mean and SD				3.227	1.337

Source: SPSS Output

The descriptive statistics of the anchoring sub-factor as a whole and for each individual item are displayed in Table 7. The variables are measured using five statements. Every respondent filled out a five-point Likert scale response form. With a standard deviation of 1.337, the global mean of anchoring is larger than 3, at 3.227. This demonstrates that successful anchoring can lead to investment decisions.

Table 8

Descriptive Statistics of Disposition Effect

Particulars	N	Min	Max	Mean	SD
I prefer to depend on the past performance of the stock when take my investment decision over any other indices.	400	1.00	5.00	3.22	1.327
I use trend analysis to make investment decisions.	400	1.00	5.00	3.60	1.341
I buy the new equity offering of the same company, in which I have already invested.	400	1.00	5.00	3.47	1.416
I appear believe that past returns are indicative for future returns.	400	1.00	5.00	3.17	1.223
Before buying a share, I ignore the information in the market that conflate with mine.	400	1.00	5.00	3.17	1.541
Overall Mean and SD				3.326	1.369

Source: SPSS Output

Table 8 displays descriptive statistics for the disposition effect overall and for specific items. Five statements are used to measure the variables. Each respondent completed a response

form with a five-point Likert scale. The disposition effect's overall mean is 3.326, which is greater than 3, with a standard deviation of 1.369. This illustrates how choosing the right investment can be influenced by temperament.

Table 9

Descriptive Statistics of Herding

Particulars	N	Min	Max	Mean	SD
Other investors' decisions of the stock volume have impact on your investment decisions.	400	1.00	5.00	3.18	1.349
Other investors' decisions of buying and selling stocks have impact on your investment decisions.	400	1.00	5.00	3.35	1.321
Other investors' decisions of choosing stock types have impact on your investment decisions.	400	1.00	5.00	3.28	1.352
You usually react quickly to the changes of other investors' decisions and follow their reactions to the stock market.	400	1.00	5.00	3.17	1.286
After booking profits, I usually feel I could have waited.	400	1.00	5.00	3.32	1.359
Overall Mean and SD				3.26	1.334

Source: SPSS Output

Table 9 provides descriptive statistics for specific herding objects. Five statements are used to measure the variables. Each respondent completed a response form with a five-point Likert scale. The herding standard deviation is 1.334, and the overall mean is 3.26—above the 3. This illustrates how financial decision-making can be aided by herding.

Table 10

Descriptive Statistics of Investment Decision

Particular	N	Min	Max	Mean	SD
My investment reports better results than expected.	400	1.00	5.00	3.24	1.323
My investment in stock has demonstrated increased cash flow growth in past 5 years.	400	1.00	5.00	3.61	1.336
My investment in stocks has a lower risk compared to the market I general.	400	1.00	5.00	3.49	1.407
My investment in stocks has a high degree of safety.	400	1.00	5.00	3.17	1.215
My investment proceeds will be used in a way that benefits society.	400	1.00	5.00	3.17	1.544
Overall Mean and SD				3.36	1.365

Source: SPSS Output

Table 10 displays descriptive statistics about stock market investment decisions in Nepal. The variables are measured using five statements. Every respondent filled out a five-point Likert scale with their responses. With a standard deviation of 1.365, the overall mean of the decision factor is 3.36, which is more than 3. This demonstrates wise investment choices.

Table 11

Descriptive Statistics of Behavioral Biases

Particular	N	Min	Max	Mean	SD
Investment Decision	400	1.00	5.00	3.257	1.365
Overconfidence	400	1.00	5.00	3.227	1.325
Anchoring	400	1.00	5.00	3.326	1.337
Disposition Effect	400	1.00	5.00	3.260	1.369
Herding	400	1.00	5.00	3.360	1.334

Source: SPSS Output

Table 11 shows Descriptive statistics of investment choice and investor factor are shown in Table 11. The variables are measured using five factors of behavioral biases. Every element entered their overall score on a five-point Likert scale. In the context of Nepalese investors, this demonstrates wise investment choices.

4.1.3 Correlation Analysis

In order to fulfill the second study goal, this section will look at the connections between investing decisions, disposition, herding, overconfidence, and anchoring. There has been use of correlation.

Table 12

Correlation between Dependent and Independent Variables

	Decision	Overconfidence	Anchoring	Disposition	Herding
Inv. Decision	1				
Overconfidence	0.025	1			
Anchoring	-0.050	0.037	1		
Disposition	0.107*	0.081	-0.094*	1	
Herding	-0.024	-0.008	0.118**	-0.004	1

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

* . Correlation is significant at 0.05 level (2-Tailed).

Source: SPSS Output

According to table 12, In the Nepalese stock market, overconfidence biases have a positive but negligible relationship ($r=0.025$) $P > 0.05$ with investment decisions. Similarly, there is an insignificant negative connection ($r = -0.050$, $P > 0.05$) between anchoring bias and investing decisions. It was discovered that the disposition effect was also significantly positively associated at the 0.05 level of significance ($r = 0.107$) $P < 0.05$. Last but not least, there is a weak and negative correlation between herding bias and investment decisions ($r = -0.024$, $P > 0.05$).

4.1.4 Regression Analysis

Table 13

Model Summary of Investment Decision

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.765a	.585	.581	.42371

a. Predictors: (Constant), HB, OC, DE, AB

According to table 13, the explanatory variables—overconfidence, anchoring, disposition effect, and herding—explained 0.585, or 58.5%, of the differences in investment decisions in the Nepalese stock market over the study period, according to the r^2 values found in the model summary. Since the adjusted r^2 takes the sample size into consideration, it is a more trustworthy statistic. The degree to which the connection is dependable and how much it is influenced by the inclusion of independent variables is assessed using adjusted R-squared.

Table 14

ANOVA Table

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	99.843	4	24.961	139.035	.000b
	Residual	70.914	395	.180		
	Total	170.758	399			

a. Dependent Variable: ID

b. Predictors: (Constant), HB, OC, DE, AB

According to Table 14, the tested model is appropriate for additional analysis ($F= 139.035$; p -value <0.05). Furthermore, $R^2 = 58.50\%$ explains how changes in the independent variables (herding, overconfidence, anchoring, and disposition impact) affect investing decisions.

Table 15

Regression Coefficients

Model	Unstandardized		Standardized		
	B	Std. Error	Beta	t	Sig.
1 (Constant)	.082	.109		.754	.451
Overconfidence Bias	.095	.044	.080	2.154	.032
Anchoring Bias	.375	.048	.342	7.811	.000
Disposition Effect	.110	.039	.122	2.791	.006
Herding Bias	.376	.042	.393	9.028	.000

a. Dependent Variable: ID

Source: SPSS Output

According to Table 15, Overconfidence Bias significantly and favorably influences investment decisions ($\beta = 0.080$, $P < 0.05$). This indicates that Investment Decision causes an increase of 0.095 units if Overconfidence Bias increases by one unit. Similarly, Anchoring Bias significantly and favorably influences investment decisions ($\beta = 0.342$, $P < 0.05$). This indicates that Investment Decision causes an increase of 0.375 units if Anchoring Bias increases by one unit. Likewise, Disposition Effect significantly and favorably influences investing decisions ($\beta = 0.122$, $P < 0.05$). That indicates that an increase of 1 unit in Disposition Effect would result in an increase of 0.110 units in Investment Decision. Additionally, Herding Bias has a positive and significant impact on investment decisions ($\beta = 0.393$, $P < 0.05$), meaning that for every unit rise in Herding Bias, there will be a corresponding increase in Investment Decision of 0.376.

4.2 Discussion

Drawing on the aforementioned analysis, the study's primary goal aims to identify the behavioral bias variables influencing investment decisions in the Nepalese share market. All

of the claims listed under different headings, such as "overconfidence, anchoring, disposition, herding, and investment decision," were accepted by the respondents similar to the Mittal (2022). To put it another way, they think that fairness in the assessment of their abilities and performance, along with linked rewards or direct and indirect compensations, motivates people to increase their productivity at work (Madan & Wang 2023). This demonstrates wise investment choices.

Comparably, the second goal illustrates the connection between behavioral bias components (herding, anchoring, disposition effect, and overconfidence biases) and investment choices made on the Nepalese share market. The decision to invest in the Nepalese stock market is substantially connected with the effective biases. There is a strong association between those biases and the anchoring and disposition. The disposition and investment choice were found to have a strongly positive correlation, which was followed by the correlation with anchoring and herding similar to the Vuković (2024). The multiple correlation coefficient demonstrates that overconfidence, disposition, and herding account for a percentage of the variation in investment decisions. The results of the ANOVA for the regression model indicate that the association between the investment choice and the explanatory factors is statistically insignificant. These findings are in conflict with those of Weeraratne (2018) but comparable to those of Chathurangi (2021) and similar to the Shrestha (2023).

Finally, the third aim reveals how behavioral bias factors—such as herding, anchoring, disposition effect, and overconfidence—affect investment decisions. Regression analysis of the dependent and independent factors is displayed, and the R-square indicates that the variance in the independent variables (overconfidence, anchoring, disposition impact, and herding) accounts for 58.50 percent of the explanation of investment decisions similar to usuff, (2020). Vuković (2024) also claim that the decision to invest is significantly and favorably impacted by OC which is also the findings of this study. It implies that ID causes an increase if OC increases by one unit. Similarly, AB, DE, and HB have a positive and significant effect on ID, meaning that an increase of one unit in AB, DE, or HB will result in an increase in ID. The results of Chhapra et al. are supported by this investigation. (2018),

however they conflict with the conclusions of Adil, Singh, and Ansari (2022); Dangol and Manandhar (2020).

Chapter V

Summary and Conclusion

5.1 Summary

In order to gather data for the study, the researcher personally gave each respondent a standardized questionnaire. Finding the elements influencing NEPSE investment decisions was the study's main goal. The firm's position and performance, interest rate, ease of obtaining borrowed funds, management, volatile stock, opinions of the majority of shareholders and general and financial press coverage of the firm's stock, current economic indicator and contribution of the firm toward social causes, the firm's commitment to corporate social responsibility, and stock market value were found to be the most significant factors based on the results of the regression analysis. The principal elements influencing investor investing behavior are government holdings, industry stock market value, overconfidence bias, anchoring bias, and disposition effect bias. The majority of investors concur that their decisions are made in accordance with their investment goals.

The information was gathered both in-person and electronically, using Google Docs. After data collection, statistical tools were used to examine the data. To investigate the responses and test the hypotheses, reliability analysis, coefficient correlation analysis, and regression analysis were performed. A questionnaire representing the identified variables that evaluate behavioral biases in the investment decisions made by individual investors in Nepal was created with the intention of performing the study. These factors were also employed to look for behavioral biases in the investing choices made by certain individuals, as reported in relevant research. Convenience sampling was used in the survey, which included university students as respondents. The goal of the survey was to characterize the behavioral and economic aspects that affect each individual investor's decision-making in Nepali stock exchanges. The potential association between the dependent and independent variables was investigated using the 400 respondents that made up the sample. On a 5-point Likert scale, from strongly disagree to strongly agree, respondents gave their answers.

The four behavioral biases that were the main focus of this study were herding behavior, anchoring, overconfidence, and disposition impact. Further research can be conducted by examining additional behavioral biases that may also significantly influence each person's decision to make an investment in their own way. Additionally, the study can be expanded upon to look into the implications for corporate or group investment decision-making.

5.2 Conclusions

Based on the aforementioned results and study findings, it was determined that Nepalese individual investors who participated in NEPSE are influenced by overconfidence, anchoring, disposition effect, and herding while making investment decisions. Furthermore, the study found that Nepalese investors would make better investment decisions if they chose stocks based on their abilities, expertise, and prior experience. In a similar vein, an investor may choose stocks based on market trend analysis as well as other stock purchases and sales that have an adverse effect on the choice of stocks.

The study came to the conclusion that herding, anchoring, disposition effect, and overconfidence significantly influenced investment decisions. Substantial positive link with the choice to invest as well. It suggests that using those biases to invest in stocks is advantageous and positively significant. Additionally demonstrates how investment decisions increase the corresponding number of units if overconfidence, anchoring, disposition impact, and herding all rise by one unit.

5.3 Implications

Before making an investment selection, the researcher advises investors to carefully consider all of the investment considerations utilizing their reasonable business knowledge. Since the market and economic data affect how well a share performs, investors need also be able to analyze them. Instead of focusing on just one variable, they ought to assess every environmental variable. It is recommended that investors diversify their investments across a range of companies by creating an investment portfolio that minimizes risks and maximizes rewards. In addition to the factors explored by earlier research and derived from popular behavioral finance theories, this study also introduced additional factors generated through

personal interviews that have been found to influence stockholders' investment decisions in Nepal. These factors appear to exert the greatest influence on the individual stock investor.

Initially, it is imperative that forthcoming studies endeavor to elucidate the respective significance of choice variables in the process of individual investors purchasing stocks. Second, investors in Kathmandu participated in the survey. Thirdly, if there are homogenous clusters or groupings of factors that form recognizable decision determinants that investors rely upon when making stock investment decisions can be used to validate the findings by doing the same study throughout the remainder of the nation.

The further study can start by considering features that affect individual stock investors in addition to those that have been previously researched and derived from well-known behavioral finance theories. The primary objective of the study was to elucidate the relative importance of several elements that individual stock buyers consider when making decisions. Another primary objective of the research should be to identify the factors that have the greatest and least influence on investors' investment behavior. Subsequent investigations should assess the impact of behavioral biases on the stock investment choices made by individual investors in the Nepalese share market.

For all most all the readers, that this research will contribute to the vast corpus of information and validate previous studies that found similar results. Secondly, the result will give individuals and investors a useful method to overcome and avoid biases while making choices. In the end, the study will provide financial advice along with useful information to financial advisors and intermediaries.

Regulators has the authority to create regulations aimed at eliminating investor perceptions of prejudice. This study can be used by brokers to identify the biases impacting investor behavior. They are able to protect investors from making bad choices by offering sage advice to their clients. With the help of this study, investors can assess their own conduct. Additionally, they are able to identify profitable stocks and make more purchases. Investment firms who want to offer suggestions that are more reliable and have a thorough awareness of

investor traits and financial market volatility must implement the study's findings. Future scholars will be able to better understand how various biases influence investment decisions with the aid of this methodology.

Market variances may be included in the future to observe how they affect investors' decisions to make investments in the Nepalese stock market. Investment decisions can also be made using additional cognitive biases as well as this research will surely contribute to make understand the basic psychological factors that may come to investment decision.

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Annex

Questionnaires

Dear respondent,

I am conducting this questionnaire survey for an academic research as required by the MBS program. The title of my research is "**DETERMINANTS OF INVESTMENT DECISION OF INVESTORS IN NEPAL**" I would like to state that this research is purely for an academic purpose and I am simply interested in your candid and honest opinion. I assure you that strict confidentiality will be maintained and the information furnished by you will be used only for the academic purpose.

Thanking for your Cooperation

Babita Raut

MBS student

Shanker Dev Campus, Kathmandu

Part I

Bank	
Investment Avenue	a) Yes b) No
Gender	a) Male b)Female
Age	a)Under 25 b)25-35 c)36-45 d)46-55 e)Above 55
Qualification(Highest Degree)	a)+2 b) Bachelors c) Masters
Marital Status: (Please tick)	a)Married b)Unmarried
Years of Experience	a) Less than 5 b) 5-15 c) More than 15
Occupation	a) Job b) Business c) Professional d) Other
Education	a) Under Graduate b) Graduate c) Post Graduate d) Professional
Earning per month	a) up to 25000 b) 25001-50000 c) 50001-75000 d) above 75000

Part II

Below are several statements about you with which you may agree or disagree. Using the response scale below, indicate your agreement or disagreement with each item by choosing the appropriate number. Please give your responses as followings:

Strongly Disagree	Disagree	Neutral	Agree	Strongly agree
1	2	3	4	5

OC-1	I believe that my skills and knowledge of the stock market can help me to outperform the market	1	2	3	4	5
OC-2	I feel I have ability enough to manipulate the investments in my favors	1	2	3	4	5
OC-3	I feel that I am always lucky to invest in the best deals.	1	2	3	4	5
OC-4	I take least time possible to analyses and rely on available market statistics	1	2	3	4	5
OC-5	I conduct more trades in between the accounting periods.	1	2	3	4	5

A-6	My trading is affected by recent experiences in the market.	1	2	3	4	5
A-7	I use the purchase price the stocks as a reference points in trading.	1	2	3	4	5
A-8	I usually rely on past experience in the market for next investment.	1	2	3	4	5
A-9	I usually buy a stocks, which have fallen considerably from previous closing or all-time high.	1	2	3	4	5
A-10	I appear believe that past returns are indicative for future returns.	1	2	3	4	5

DE-11	I prefer to depend on the past performance of the stock when take my investment decision over any other indices.	1	2	3	4	5
DE-12	I use trend analysis to make investment decisions.	1	2	3	4	5
DE-13	I buy the new equity offering of the same company, in which I have already invested.	1	2	3	4	5
DE-14	I appear believe that past returns are indicative for future returns.	1	2	3	4	5
DE-15	Before buying a share, I ignore the information in the market that conflate with mine.	1	2	3	4	5
H-16	Other investors' decisions of the stock volume have impact on your investment decisions.	1	2	3	4	5

H-17	Other investors' decisions of buying and selling stocks have impact on your investment decisions.	1	2	3	4	5
H-18	Other investors' decisions of choosing stock types have impact on your investment decisions.	1	2	3	4	5
H-19	You usually react quickly to the changes of other investors' decisions and follow their reactions to the stock market.	1	2	3	4	5
H-20	After booking profits, I usually feel I could have waited.	1	2	3	4	5

ID-21	My investment reports better results than expected.	1	2	3	4	5
ID-22	My investment in stock has demonstrated increased cash flow growth in past 5 years.	1	2	3	4	5
ID-23	My investment in stocks has a lower risk compared to the market I general.	1	2	3	4	5
ID-24	My investment in stocks has a high degree of safety.	1	2	3	4	5
ID-25	My investment proceeds will be used in a way that benefits society.	1	2	3	4	5

OC - Over Confidence

A – Anchoring

DE – Disposition Effect

H – Herding

ID – Investment Decision

Thank you for your participation!

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ABSTRACTS Individuals and institutional investors in Nepal now have investment opportunities thanks to the opening of the capital market. Usually, various decision-making tools are used to support investment decisions. The underlying presumption is that market variables and information structures systematically affect both individual investors' investment choices and market results. This study mainly focus on to analyze the impact of determinants of investment on investment decision in Nepalese stock market and determine the relationship between determinants of investment and investment decision in Nepalese stock market. Structured questionnaires that were given to and gathered from investors who made stock market investments were the main source of the primary data. The information gathered from the survey was coded for statistical analysis in order to facilitate data processing. The data were organized, significant connections were found, and differences or similarities with & between the various study variables were identified using the SPSS tool. A descriptive and analytical research approach has been used to achieve the study's goal. Analytical technique has been used primarily to examine the impact of affordability, information, and herding on investment decisions. Descriptive approach has been used primarily to identify the elements that influence individual investment decisions. The study discovered that one of the most useful tools for addressing issues and launching disciplinary proceedings in an organization has been the investment decision. This overconfidence bias affects how investors make investing decisions. Investors who are overconfident think they are superior to both their peers and a stock market index. Certain elements related to human psychology play significant roles in accurate assessment among the many components of investment decision measurement. All of the claims listed under categories like "overconfidence, anchoring, disposition, herding, and investment decision" were accepted by the study's respondents. It is important implication for Nepali investors to understand that psychological aspects such as herding, anchoring,