Behavioral Factors Affecting Stock Investing Decisions in Nepalese Capital Market

A Dissertation submitted to the Office of the Dean, Faculty of Management in partial fulfillment of the requirements for the Master's Degree

By

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Kathmandu, Nepal

CERTIFICATION OF AUTHORSHIP

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled "**Behavioral Factors Affecting Stock Investing Decisions in Nepalese Capital Market**". 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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Manoj Shrestha

REPORT OF RESEARCH COMMITTEE

Mr. Manoj Shrestha has defended research proposal entitled "**Behavioral Factors Affecting Stock Investing Decisions in Nepalese Capital Market**", 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 Indra Bahadur Bohara and submit the thesis for evaluation and viva voce examination.

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APPROVAL SHEET

We, the undersigned, have examined the thesis entitled "**Behavioral Factors Affecting Stock Investing Decisions in Nepalese Capital Market**" presented by Manoj Shrestha a candidate for the degree of master of Business Studies (MBS Semester) and conducted the Viva voce examination of the candidate. We hereby certify that the thesis is worthy of acceptance.

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Manoj Shrestha

July, 2024

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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
NSE	Nairobi Stock Exchange
NRB	Nepal Rastra Bank
NYSE	New York Stock Exchange
PCA	Principal Component Analysis
SEBON	Securities Board of Nepal
SEC	Securities Stock Exchange
TSX	Torrento Stock Exchange
UAE	United Arab Emirates

ABSTRACT

The effect of behavioral biases on investment decisions making of individual investors of NEPSE. The objective of this study is to examine the relationship between factors of behavioral bias and investment decision and to analyze the effect of factors of behavioral bias (overconfidence bias, anchoring bias, disposition effect bias and herding bias) on investment decision of Nepalese share market. Descriptive and causal comparative research design has been used in this study. This study was conducted on the 226 NEPSE listed companies as a population with the help of questionnaires distributed to 400 investors to collect and survey data and analyzed by using descriptive statistics, correlation and regression.

The regression result revealed that overconfidence has positive and significant effect on investment decision, likewise, anchoring bias, disposition effect and herding bias has also positive and significant effect on investment decision. The study has implications to individual investors to get a better understanding of own behavior, policy makers to examine biases earlier policy changes, build sustainable investment management practices and financial advisors to improve their proficiency. The policymakers can create regulations that would help to eliminate perceived biases among investors. This study can be used by brokers to identify the biases that affect investor behavior. They are capable of giving their clients sound advice to prevent investors from making foolish choices. This study can help investors independently assess their conduct. Additionally, they have the ability to spot profitable stocks and buy more.

Key words: Overconfidence, Anchoring, Disposition Effect, Herding, Investment Decision

CHAPTER- I
INTRODUCTION

1.1 Background of the Study

Lately, social money has gotten a lot of revenue for the purpose of clarifying financial backer way of behaving and its effect on independent direction. Research clarifying the lead of individual financial backers at first surfaced during the 1970s. Behavioral finance looks at how decisions about buying or selling financial assets are made and provides an explanation for these choices. It focuses primarily on the psychological ideas that investors use to make decisions about investments (Vidya, 2021).

A country's monetary and business area is a main consideration in deciding its financial turn of events. Changes in the stock market, according to numerous researchers, have a direct bearing on a nation's economic expansion. The stock market is essential to an economy because it is a trading platform for surplus fund units, which are investors, and deficit fund units, which are stock issuers. In the contemporary economy, financial exchanges are an essential wellspring of money expected to direct business and complete modern tasks. Through the offer of offers, it fund-raises from homegrown and global people and associations to back the partnership. The transfer of funds from savings and households to various economic sectors. It likewise gives a stage to unfamiliar institutional financial backers and common asset supervisors for speculation (Fauzi and Wahyudi, 2016).

Capital market is one of the developing business sectors in Nepal. Individual investors, like other investors, are entering this field with the hope of increasing their short- and long-term returns. Individual investors are concerned about purchasing relatively few stocks. Fundamental analysis, technical analysis, and judgment are typically the factors that investors use to make their investment decisions. It is expected that data structure and the elements in the market methodicallly impact people's speculation choices as well as market results. According to Mehta & Chaudhari (2016), an investment is the present commitment of dollars for a predetermined amount of time in order to derive future payments that will compensate the investor for (i) the amount of time the funds are committed, (ii) the anticipated rate of inflation during that time period, and (iii) the uncertainty surrounding the payments that will be made in the future.

Speculation choices are normally upheld by dynamic instruments. Personal investment decisions and market outcomes are assumed to be systematically influenced by information structures and market factors (Mehta & Chaudhari, 2016). As verified behind the scenes there is proof that retail value financial backers are affected by many elements including firm related, large scale climate and financial backer brain research factors. However, Phansatan et al. (2012) found contradictory results when they found that institutional investors had informational advantages over other investor categories, thereby improving their trade outcomes and performances, while retail traders generally had markedly poor trading performance. However, Li, Wang, and Dong (2016) suggested that individual investors are successful at stock selection.

Over the past three decades, the deregulation of financial sectors all over the world has led to extraordinary growth in the investment sector, both in terms of volume and the number of investors. Bennet et al. (2012), for instance, observed the rapid emergence of numerous investment products in India that provided investors with a variety of options. The number of regional stock exchanges in India had significantly increased, and Husain (2016) observed that equity shares as an investment opportunity have evolved from a time when they were preferred due to higher dividend expectations to a time when capital gains are a primary consideration. The initial and subsequent public offers had received a significant boost from price discovery through the book building process. The unique administrative systems, the improvement installment ensures by the storehouses, proactive government contribution, hearty mediators and cutting-edge mechanically progressed trades have imparted and sustained trust in the business sectors.

In emerging nations including Nepal, Obamuyi (2013) tracked down that normal corporate profit, moment wealth mindset, stock attractiveness, company's stock past presentation, government possessions, and the foundation of the organized monetary business sectors are the financial backers contemplations. Jagongo and Mutswenje (2014) observed that singular financial backers were more dependent on media and market commotion in their speculation choices, though proficient financial backers depended on specialized and principal examination than explicit portfolio examination. According to

Kisaka (2015), market participants were continuously exposed to quantitative financial data and media-reported financial news. Coverage in the financial media, information obtained from the internet, most recent stock index returns, most recent economic indicators, and recommendations from an investment advisor were all heavily loaded variables.

According to Kannadhasan (2015), a variety of factors, such as the risk profiles of individuals and disclosed accounting information, influence investment decisions. Wyatt and Frick (2010) brought up that sunk expense contemplations and hilter kilter risk inclinations for gain or misfortune are a key thought paying little heed to bookkeeping data uncovered. Further, Sultana and Pardhasaradhi (2012) proposed that benefits expansion measures are critical to financial backers, despite the fact that financial backers utilize different stocks choice standards. Contemporary worries, for example, ecological history, neighborhood or worldwide tasks and the association's moral stance give off an impression of being concurred just slight thought. When evaluating stocks, the majority of retail investors overlook the advantages of valuation models.

While concentrating on the determinants of capital construction in Pakistan figured out that the profits, development and expert venture the executives were determinant variables of choice of the value speculation. Kadiyala and Rau (2004) found that investors' decisions can be influenced in an appropriate way by past returns. According to Al-Tamimi (2006), the most important factors that influence investors' behavior in the United Arab Emirates are earnings, the desire for large profits quickly, and the liquidity of stocks.

Limiting gamble, companions' or relatives' perspectives are not genuine worries for financial backers. Past research also shows that investors have immediate needs for consumption. Yoseph (2015) found that one of the main factors in equity selections in Ethiopia is investors' desire for extraordinary gains as soon as possible.

Bennet et al. (2012) noted five factors that impacted retail financial backers' demeanor towards putting resources into value securities exchanges. Retail investors' attitudes toward investing in particular equity stocks were found to be strongly influenced by five factors, according to the study: investors' tolerance for risk, the media's focus on the stock market, the strength of the economy, political stability, and the business policies of the government. According to Srinivas (2013), there appears to be a correlation between the factors of behavioral finance theory and previous empirical evidence that has been identified as having an effect on the typical equity investor and the individual behavior of existing investors.

Geetha and Ramesh (2011) presumed that there was medium mindfulness on changed speculation decisions accessible however there was little mindfulness about the financial exchange, value, bond and debentures. Investments in social security, banks, and insurance products were deemed more important by all age groups, according to the study. In the Tanzanian equity market, Viswanadham et al. (2014) identified the factors that influence investors' purchasing decisions. The study found that all listed businesses placed a greater emphasis on decisions related to quality management, branding efforts, and transparency regarding issues related to settlement. Decision tools frequently provide support for investment decisions. It is expected that data structure and the elements in the market methodically impact people's speculation choices as well as market results. To explain why people buy or sell stocks, investor market behavior derives from psychological decision-making principles. How investors interpret and act on information to make investment decisions was the focus of these factors.

1.2 Problem Statement

Financial backers' mental contemplations likewise affect their speculation choices, notwithstanding market peculiarities. While making financial exchange ventures, individual financial backers are impacted by various elements, including state of mind, social bias, mental cacophony, delegate inclination, presumptuousness, and group conduct. The ongoing review underscores the significance of social elements in affecting speculation choices in this climate. Financial backer decisions on the securities exchange altogether affect the market pattern, which thusly impacts the economy (Ahmed, Ahmed and Usman, 2011).

In the business world, millions of decisions are made every minute. This expression additionally applies to venture choices. Investing decisions are influenced by a wide variety of behavioral factors. One sort of these factors has to do with the mental cosmetics of financial backers, which decides how they act monetarily. Various exploration have been led in Nepal to more readily figure out financial backers (Bhattarai, 2020).

For instance, studies conducted by Thapa (2014), Dangol and Manandhar (2020), and Gnawali (2021) demonstrated that investment decisions made by Nepalese investors are influenced by behavioral biases. Regardless of the way that a lot of exploration has been finished on understanding financial backer way of behaving, the connection between social predispositions and the dynamic cycle while putting resources into Nepal has not been tentatively inspected. To acquire a superior comprehension of financial backer way of behaving and what it means for speculation execution, various examination have been completed in Nepal. This study aims to determine whether investor and decision-making behaviors adhere to the rational decision-making theoretical framework (Shrestha and Silwal, 2017). In addition, it demonstrates the causal links that exist between each stage of the decision-making process and each of the three behavioral biases that have been identified.

A number of demographic variables' effects on behavioral biases are also examined. Consequently, to all the more likely comprehend what conduct factors mean for speculation direction, this examination will see the way financial backers' choices on the Nepalese stock trade are impacted. There are a number of behavioral factors that influence investment decisions; however, there is a dearth of research in Nepal, particularly focusing on their connection to the Nepal Stock Exchange.

In recent years, both the stock market in Nepal and the number of new investors seeking investment opportunities have increased dramatically. Even in this day and age of financial education, many investors still exhibit behavioral biases that influence their stock selection. To further develop speculation results and market productivity, controllers, monetary foundations, and individual financial backers should have an exhaustive comprehension of these predispositions to foster fruitful techniques and mediations (Kadariya, 2012).

Enhancing investor safety, market efficiency, and overall investment outcomes in the Nepalese stock market are the study's ultimate objectives. The consequences of this study will frame the establishment for creating centered financial backer instruction drives and strategy intercessions pointed toward working on monetary proficiency and empowering more consistent decision-production among Nepalese financial backers. It is essential to investigate the behavioral factors that influence investors' actions at the Nepal Stock Exchange (NEPSE) (Kumar, 2022).

Financial and segment factors influence the commonness of explicit predispositions among Nepalese financial backers. According to Das (2012), there is less research on behavioral finance in Asia than in other developed nations. The information structure and characteristics of market participants have a systematic impact on an individual's investment decisions and market outcomes, according to behavioral finance theory (Barberis & Thaler, 2003; Hirshleifer, 2001). The goal of this study is to find out how investors in Nepal make decisions about which stocks to buy. The research specifically addresses the following questions:

i. What is the current status of determinants of investment decision in Nepalese stock market?
ii. Is there any relationship between factors of behavioral bias (overconfidence bias, anchoring bias, disposition effect bias and herding bias) and investment decision of Nepalese share market?
iii. What is the impact of factors of behavioral bias (overconfidence bias, anchoring bias, disposition effect bias and herding bias) on investment decision of Nepalese share market?

1.3 Objectives of the Study

The primary objective of this study is to investigate how investors in the Nepalese share market are influenced by behavioral biases. Furthermore, coming up next are the examination's particular objectives:

i. To assess the current status determinants of investment decision in Nepalese stock market.
ii. To examine the relationship between factors of behavioral bias (overconfidence bias, anchoring bias, disposition effect bias and herding bias) and investment decision of Nepalese share market.
iii. To analyze the effect of factors of behavioral bias (overconfidence bias, anchoring bias, disposition effect bias and herding bias) on investment decision of Nepalese share market.

1.4 Research Hypothesis

The following hypotheses were evaluated.

H1: Investment decisions are significantly influenced by overconfidence bias.

H2: Investment decisions are significantly influenced by anchoring bias.

H3: Investment decisions are significantly influenced by disposition effect bias.

H4: Grouping inclination fundamentally affects speculation choice.

1.5 Rationale of the Study

This report ought to be taken into consideration by the government, financial advisors, businesses that are listed on Nepal's stock exchanges, and private investors. Because they have an impact on investors' long-term financial objectives, the factors that influence their decision-making are significant. Organizations' future procedures and plans might be affected by their recognizable proof of the main components impacting financial backer way of behaving. Monetary consultants can suggest speculations that best suit their clients by considering these perspectives. Last but not least, figuring out the main factors could help the government change the laws and other policies that are needed to make the market work better and please investors.

1.6 Limitations of the Study

The constraints of the review are as per the following:

i. The sample size of in this study has only from the individual investors of NEPSE.
ii. The study is predominantly based on primary source of data regarding the determinants of investors. Therefore, the reliability of conclusions of the study depends upon the accuracy of the information provided by the respondents.
iii. This study is not considering other biases such as mental accounting, representation bias, and gambler fallacy.
iv. The findings of the study only based on cross-sectional data. Therefore, it may vary.

CHAPTER- II
LITERATURE REVIEW

The theoretical and empirical research on this subject that has been conducted over time by numerous experts is reviewed in this chapter. This section gives an outline of the writing on the issue as it connects with my aptitude, research, and appropriate examinations regarding this matter. It likewise incorporates surveys of past proposal work, articles, and book audits. Consequently, the theoretical review in the first section and the empirical review in the second are followed by the research gap.

2.1 Theoretical Review

Behavioral biases have a significant impact on stock investing and frequently lead to subpar outcomes for investors. The way the human brain processes and makes decisions is the source of these biases, which can affect both common investors and professional fund managers. Stock investment decisions are frequently influenced by the significant behavioral biases listed below:

Modern portfolio theory (MPT)

Harry Markowitz invented MPT, which asserts that investors can construct an optimal portfolio by balancing the risk-return trade-off of various assets and diversifying their holdings. MPT emphasizes the significance of maintaining a mix of assets that are not perfectly connected in order to reduce total portfolio risk. Harry Markowitz made Present day Portfolio Hypothesis (MPT), once in a while alluded to as portfolio hypothesis or portfolio the executives hypothesis, as a monetary hypothesis during the 1950s. To expand returns for a given degree of chance or breaking point risk for a given degree of return, it offers a structure for building and streamlining speculation portfolios. MPT is a major thought in finance that hugely affects effective financial planning procedures and portfolio the board strategies.

The following steps must be followed in order to put Modern Portfolio Theory into practice:

1. Decide the pool of likely resources and survey the dangers and projected returns related with them.

2. Calculate the correlations between each pair of assets to comprehend their connections.
3. Make the effective wilderness by deciding the ideal resource mixes that offer the best compromise among chance and return.
4. Before selecting a portfolio that is suitable for the efficient frontier, find out what the investor likes and how much risk they are willing to take.

MPT, which is extensively utilized in the field of investment management, is the foundation for several portfolio management strategies, such as risk-parity portfolios, index investing, and passive investing. Like any monetary model, MPT isn't without blemishes, however, and doubters bring up that predicated on various suspicions probably won't turn out as expected in all market situations, including the ordinary dissemination of resource returns and stable relationships. However, MPT remains an essential instrument for deciding how to allocate portfolio assets.

Efficient market hypothesis (EMH)

The Efficient Market Hypothesis (EMH) is a finance theory that says financial markets are efficient and that asset prices accurately reflect all available information. To put it another way, the theory says that when determining a product's price, financial markets excel at taking into account all of the information that is available. As a result, using active trading or investment strategies, investors find it difficult to consistently outperform the market or generate unusual returns.

As indicated by the Proficient Market Speculation (EMH), resource costs in every case completely retain every single pertinent datum and monetary business sectors effectively mirror all suitable data. In this thought, all open data is now valued into the protections, making it difficult to reliably outflank the market through stock choice or market timing. Economist Eugene Fama's work on the Efficient Market Hypothesis (EMH) has had a significant impact on the banking sector ever since it was first presented in his doctoral thesis in the 1960s. The hypothesis is based on three forms: the weak form, the semi-strong form, and the strong form of EMH.

Proponents of the Efficient Market Hypothesis argue that it is difficult to consistently beat the market without taking on more risk. In this manner, detached financial planning techniques like record assets and trade exchanged reserves (ETFs) that attempt to reflect the presentation of a wide market file are by and large proposed.

Herd behavior theory

As per the thought of group conduct, individuals duplicate the moves of others, which makes enlightening fountains and patterns in the monetary business sectors. Without completely assessing current realities, financial backers can join the crowd, which could prompt market blasts or crashes. In the fields of behavioral finance and social psychology, the concept of "herd behavior theory" refers to the tendency of individuals to imitate the decisions or actions of a larger group. A domino effect, in which a large number of people act in the same way without necessarily considering the underlying principles or logic, frequently occurs as a result of this phenomenon. In the financial markets, herd behavior can have a significant impact on the formation of asset values and market movements over the long and short term.

Market bubbles and crashes can be caused by herd mentality when asset prices diverge from their intrinsic worth. During a bubble, a lot of investors may rush into an asset, driving its price well above its true value. In the end, a change in investor mood causes a huge sell-off, which dramatically lowers prices and bursts the bubble. Group mindset is likewise normal while picking speculations. Investors can follow investing trends, recommendations from friends or the media, or the moves of well-known investors without realizing the risks. This might bring about an absence of expansion and uplifted weakness to showcase dangers.

Prospect/loss-aversion-theory

According to Prospect Theory, when faced with risk and uncertainty, people make decisions. This theory says that when it comes to gains, people tend to avoid taking risks and seek them out when it comes to losses. Different gamble taking perspectives result from the outlining of potential increases or misfortunes, which influences financial backers' way of behaving. According to prospect theory, investor preference defies the conventional utility function, which uses expected utility to evaluate investments. This hypothesis was developed in 1979 by psychologists Daniel Kahneman and Amos Tversky to explain how investors behave in risky situations. These academics contend that individuals weigh the potential advantages and disadvantages of a particular course of action in light of a specific reference point, typically the purchase price of an investment, the expectations of the decision maker, or the relevant past. How people present a problem or a result affects the predicted usefulness.

Prospect theory says that when people lose money, they feel more stressed than when they earn a certain amount of money. Because people will work harder to avoid losses than to make money, they will hold on to losing stocks in the hope that their value will rise. People accept risks in order to avoid losses, according to (Johnson, 2002). Since losses have a utility function that is convex, people feel pain when they lose, but twice as much pain does not mean the same thing. It is inward for gains, implying that individuals feel better when they win, yet two times the addition doesn't cause them to feel better.

Capital asset pricing model (CAPM)

The CAPM model interfaces the deliberate gamble (beta) of a resource with the market all in all and the resource's projected return. As per this hypothesis, the normal return of a resource ought to be connected with its beta, a metric that communicates that it is so delicate to changes on the lookout. A famous monetary instrument utilized by experts and financial backers to compute the normal profit from a solitary resource or arrangement of resources is the Capital Resource Valuing Model (CAPM). It gives a structure for figuring out the connection between the gamble of a speculation and the normal return, and it is commonly utilized as a benchmark to investigate whether a resource is undervalued, overrated, or decently estimated. William Frank Sharpe previously introduced the CAPM in 1964, and John Lintner and Jan Mossin later refined it all alone. The model is based on a number of fundamental assumptions, such as the risk-free rate, market portfolio, efficient markets, and rational investors. The methodical gamble measure, beta, is the main part that decides the normal return in the single-factor model presented by CAPM. It doesn't consider different components like firm-explicit qualities or winning monetary circumstances that could influence a resource's return.

2.2 Conceptual Review

Behavioral finance

In order to comprehend and provide an explanation of how psychological and emotional factors influence investors' decision-making and the behavior of financial markets as a result, the field of study known as behavioral finance integrates standard financial concepts with psychological concepts. In contrast to the Efficient Market Hypothesis (EMH), which asserts that markets are always efficient and that investors are perfectly rational, behavioral finance recognizes that investors may deviate from perfectly rational behavior due to cognitive biases, emotional responses, and limited rationality. Understanding how emotions and cognitive biases influence financial decisions is the focus of the field of behavioral finance, which brings together concepts from economics and psychology. The disposition effect, anchoring, herding, and loss aversion are just a few of the biases that this theory looks into to figure out how they are accounted for in investing decisions.

Mental predisposition, prospect hypothesis, mental bookkeeping, cultivating, lament revolution, social money, and market irregularities are a couple of the major thoughts and thoughts in conduct finance. By understanding these psychological biases and behaviors, investors can better navigate financial decision-making and provide insights into how markets can diverge from conventional finance models' forecasts. It influences portfolio the board, resource valuing, and our appreciation of market blasts and crashes. Additionally, it has affected the development of speculation methods that consider the mental predispositions and cutoff points of financial backers, like conduct portfolio hypothesis and robo-consultants that look to diminish the effect of close to home navigation.

Investment decision

By analyzing brain activity, the field of behavioral finance focuses on how emotions and cognitive errors influence investors' actions (Kengatharan, 2014). The study of brain function accounts for a significant portion of behavioral finance research. To put it another way, it is the study of how people think, reason, and act, like investors. These tendencies will cause investors to act impulsively in response to the decisions made by others or to choose the wrong stock. Consequently, teaching children to take risks. The heuristics hypothesis, which is referred to as "basic guidelines," is the result of the behavioral finance hypothesis's numerous branches. This last option approach utilizes great judgment to take care of an issue and resolves on powerful less difficult, particularly in questionable and complex circumstances. By identifying a defined set of models for evaluation, heuristics also aid in decision-making (Jordan, Block, & Hirt, 2012).

Lim (2012) investigated the connection between mental dispositions and the Malaysian stock market's tendency to herd investors' financial backing and the tendency toward overconfidence and traditionalism. He discovered that lament, overconfidence, and a tendency toward traditionalism are the primary factors that influence the independent path taken by financial backers. However, it was discovered that financial donors' independent direction was unaffected by herding behavior. The review's discoveries were relevant to before examinations led in a few nations. Kengatharan (2014) examined factors that influence investors' decisions while focusing on the Colombo Stock Exchange. In addition, the relationship between the components demonstrated that investors' opportunities for speculation at the Colombo stock exchange are influenced by herding, overconfidence, prospects, and market characteristics. Except for anchoring, which had a significant impact, the remaining variables had a moderate effect on venture choices.

Behavioral biases

Overconfidence

Investors frequently overestimate their own abilities and forecast accuracy as a result of this bias. According to Stancu & Mitroi (2014), investors who are overconfident may trade excessively and take on greater risks because they believe they have a competitive advantage.

Anchoring

Financial backers much of the time base their decisions on specific benchmarks, including authentic stock costs or famous reports. They may cling to losing positions for an extended period of time or generate unreasonable expectations based on irrelevant information by anchoring (Shin & Park, 2018).

Herding

People naturally tend to follow the crowd and imitate other people's actions, especially when things are unclear. This can bring about air pockets and frenzies in the financial exchange, when financial backers buy when others are purchasing, shaping an air pocket, or sell when others are selling, producing a frenzy (Yu et al., 2018).

Confirmation bias

Data that upholds a financial backer's prior perspectives or thoughts on a venture is normally searched out and liked by financial backers. Negative decisions may be made if contradictory information is ignored or minimized.

Loss aversion

Fear of investing frequently causes people to take unnecessary risks in an effort to cut losses. This might prompt selling victors too early or clinging to losing positions for a really long time (Lin, 2011).

Regency bias

Investors place a greater emphasis on recent events or performance rather than the larger historical context. According to Spiwoks & Bizer (2018), this may lead them to chase recent high-performing stocks without considering their long-term potential.

Availability heuristic

People frequently rely on information that is simple to obtain. Investors may, as a result, prioritize more recent news or readily available data over potentially valuable information that is less easily accessible (Mueller & Brettel, 2012).

Endowment effect

When contrasted with comparable resources they don't claim, financial backers normally put a higher worth on resources they as of now have. According to Roger (2009), this may lead people to hold on to investments even when there are better opportunities elsewhere because they are comfortable with them.

Gambler's fallacy

The idea that unrelated events in the past still have an effect on upcoming events is known as this bias. This can manifest itself in stock investing as the belief that a stock will reverse course simply because it has been declining for some time (Dowie & Willows, 2016).

Disposition effect

Investors frequently hold onto failing stocks for an excessive amount of time in an effort to avoid losses, while simultaneously selling winning stocks too soon in order to lock in gains. Botched opportunities and an unequal portfolio can result from this training. Financial backers can decrease the effect of social predispositions on speculation choices by utilizing systems incorporate making a reasonable growth strategy, keeping an expansive portfolio, directing top to bottom examination, and talking with monetary experts. Besides, by being aware of these inclinations and routinely assessing their venture decisions, financial backers can go with additional contemplated and impartial choices (Odean, Strahilevitz and Hair stylist, 2010).

Traditional finance

Traditional money makes the supposition that a financial backer is a coherent individual who is equipped for handling all data dispassionately. While true involvement with social money recommends that financial backers are one-sided, strange, and that their feelings impact even little speculations, For instance, an understudy contacts an internet based firm or organization for composing help, and there are two choices to look over. The student will probably choose the local business over the foreign one because it is local. Similar to an investor, the scholar's biases influenced the decision, which results in this. The researcher put resources into the neighborhood firm because of his carelessness and experience with it. Albeit the abroad organization offers a decent journal and execution, the researcher will contribute inside the neighborhood organization inferable from these biases (Markowitz, 1952).

The financial market is efficient and may accurately reflect a company's true worth, according to conventional wisdom. Traditional finance's belief that investors have self-control forms the basis of this argument. Contrarily, behavioral finance asserts that market volatility is to blame for oddities. Since these financial backers need outright restraint, there are limitations. According to Shefrin & Statman (1985), market volatility causes stock prices to fluctuate, resulting in an uneven market.

2.3 Empirical Review

Altaf and Jan (2024) analyzed the behavioral biases in investing behavior that are related to generational theory. As per this review, venture conduct among twenty to thirty year olds is impacted by generational inclinations that they show. Fear of losing out, overconfidence, herding and tendency, and socially responsible investment are the independent variables in this study, while investment intention is the dependent variable. A sample of 674 individuals was surveyed via LinkedIn, Facebook, and Twitter-based online surveys. The outcomes showed that recent college grads' anxiety toward passing up a great opportunity well affects their penchant to contribute. According to these findings, millennials may be concerned about investment opportunities that are beyond their reach. Additionally, millennials' fear of missing out may be reflected in their tendency to keep in touch virtually with their friends. This concentrate likewise endeavored to guess how generational inclinations could impact the activities of millennial financial backers. However, it's possible that these preconceptions existed in earlier generations as well, and that they weren't just confined to the millennial generation.

Ali (2024) conducted a research on real estate investment decisions in COVID-19 crisis: the effect of perception and behavioral biases. The objective of the examination is to decide the connection between financial backer view of resources and social qualities related with pursuing venture choices during the Coronavirus pandemic in Pakistan's housing market. A survey-based instrument was used to collect a total of 189 usable samples for the study, which made use of partial least square structural equation modeling. PAV, OC, and HD significantly predicted the decision to invest, whereas DE and RA had little influence on real estate investment decisions, according to the study's findings. In addition, this research found that PAV is the most important predictor of real estate investment decisions made during the COVID-19 pandemic. The creators express that the review's decisions support the arrangement suggestions for legislators, controllers, and monetary establishments. In the event of a crisis affecting the real estate industry, the findings of the study would be useful and relevant.

Abideen (2023) examined on what impact do behavioral biases have on investors' decision-making process? Data from the equities market in Pakistan. The goal of the study is to find out how investors' investment decisions are affected by behavioral biases. used a random sampling strategy and a structured questionnaire to collect the data. SPSS's structural equation modeling (SEM) was used to tabulate and refine the data of 600 out of 687 respondents. By demonstrating that there is no significant correlation between basic anomalies and overconfidence bias (OB), the findings back up the rejection. Despite the substantial body of evidence indicating that investor behavior can contribute to FA in the market, this finding suggests that investors' overconfident behavior does not explain fundamental anomalies (FA). The review's observational proof incorporates constraints concerning the causal connection between a few factors. As a result, in order to investigate the issue in greater depth, we recommend that future research in this field make use of the instrumental variable method and search for suitable instruments.

Dirir (2023) investigation of how behavioral biases influence investors' choices: (A case study of Pakistanis investors). The emerging field of behavioral finance has investigated a wide range of biases and tendencies that have a significant impact on investor behavior. As a result, the purpose of this paper is to further investigate how behavioral biases affect investors' decision-making processes. Subsequently, this study endeavors to inspect various predispositions that influence the monetary sponsor's speculation propensity, including carelessness, the attitude impact, mooring inclinations, and grouping conduct inclinations. The Likert scale and multiple linear regression analysis were therefore utilized to collect interview data. Generally speaking, grouping predispositions and pomposity influence financial backers' ability to make consistent decisions, as per observational information from an example of 260 members in the Pakistani securities exchange. However, investors' decision-making is largely unaffected by anchoring and the disposition effect. Investors will ultimately benefit from this study's recommendations for reducing psychological bias in financial decision-making. It will likewise be utilized as an aide for impending examinations in the space of observational conduct finance.

Adil, Singh and Ansari (2022) looked into how financial literacy affects the relationship between investing decisions and behavior biases? The purpose of the study is to find out how gender differences in investing decisions are affected by behavioral biases like overconfidence, risk aversion, herd mentality, and temperament. The authors also investigate how gender differences in behavior biases and investing decisions are mediated by financial literacy. In the study, cross-sectional research was taken into account. For the purpose of this survey, data were gathered from 253 individual investors in the Delhi-NCR region via a methodical questionnaire. The validity and reliability of the data have been evaluated using the Cronbach's alpha test and the Pearson correlation test, respectively. The hypothesis was evaluated in the study using hierarchical regression analysis. Overconfidence had a positive and statistically significant impact on investing decisions among male investors, while risk aversion and herding had a negative and statistically significant impact. However, disposition was found to have no statistically significant effect. According to the findings, female investors' investment decisions were influenced in a negative and statistically significant way by risk aversion and a herd mentality. Carelessness and tendency, notwithstanding, unimportantly affected the decision to contribute. It has been demonstrated that financial literacy has a significant impact on the investments made by both male and female investors. Financial literacy had a significant impact on the interaction between overconfidence and investment decision, according to the interaction effect's findings among male investors.

Kartini and Nahda (2021) carried out a case study in Indonesia on behavioral biases in investing decisions. The relationship between emotions and cognition in financial decision-making has been clarified by a paradigm shift from standard to behavioral over the past 20 years in the field of finance. The reason for this study is to investigate what different mental viewpoints mean for individuals' choices while making speculations. In the meantime, an emotional analysis of the impact that herding behavior has on investment decisions is done. A quantitative methodology is used, and 165 questionnaires from individual Yogyakarta investors were collected using a survey and snowball sampling. The One-Sample t-test is also used to test each and every hypothesis. According to the study's conclusion, all of the factors—representativeness, optimism, overconfidence, loss aversion, anchoring bias, and herding behavior—have a significant impact on investment decisions. The effect of conduct impacts on financial backers' decisions is featured by this result. By dispensing with every single expected predisposition, it works on financial backers' ability to pursue better educated choices and ads to the collection of material currently in presence in regards to the elements of financial backer way of behaving.

Chaturangi (2021) researched on how behavioral biases affect the way people make financial decisions, with a focus on individual Colombo stock exchange investors. Conventional money's model portfolio hypothesis, capital resource valuing model, and old style choice hypothesis all make the suspicion that financial backers arrive at obvious end results about their ventures. Prior research has primarily focused on the biases of Sri Lankan institutional investors. However, the contradictory findings and restricted approach to the study variables of previous Sri Lankan research support the current study. This study explored the impact of conduct predispositions on the decisions made by people while making speculations. Overconfidence, loss aversion, and herding are the independent variables, and making an investment decision is the dependent variable. Utilizing a reasonable testing system, 200 individual financial backers who are participated in the Colombo Stock Trade were given an organized poll in light of a five-point Likert scale. The discoveries show that pursuing money management choices is emphatically and altogether influenced by pomposity. Herding and loss aversion have a significant impact on investment decisions due to the volatility of the Sri Lankan stock market and the unpredictability of information. The theoretical understanding of prospect theory's loss aversion and heuristic theory's overconfidence and herding has been enhanced by the work. The review has suggestions for strategy creators to investigate predispositions in past strategy changes, monetary guides to turn out to be more capable, and individual financial backers to have their very own superior comprehension conduct.

Vidhya (2021) studied an Indian stock market to investigate behavioral biases and their influence on investing decision-making. Most of individual financial backers, as indicated by traditional money hypotheses, go with consistent monetary choices liberated from the effect of their feelings or characters. However, in reality, a variety of factors, such as feelings, intuitions, and sentiments, significantly influence their investment decisions. The current study examines how investing decisions are influenced by behavioral biases and the many factors that influence them. In the Keralan region of Trissur, an example of 100 value financial backers is utilized for this review. According to the findings of the study, novice traders suffer the most from a number of behavioral biases, such as loss aversion, herd bias, overconfidence, and optimistic bias.

Dangol and Manandhar (2020) conducted a study four heuristic biases representativeness, availability, anchoring and adjustment, and overconfidence bias on the rationality of Nepalese investors' investment decision-making in order to evaluate the influence of heuristics on the decision. The internal locus of control in the middle's moderating effect was also looked into. The review's discoveries show a significant relationship between's each of the four heuristic predispositions and mindlessness in money management navigation. Besides, the examination discoveries demonstrate that there is a vital directing impact of locus of control on the connection between's money management choices and three heuristic predispositions, to be specific accessibility, delegate, and securing inclination. The review doesn't, notwithstanding, show a directing impact in the connection between pomposity predisposition and contributing choices.

Shrestha (2020) conducted a study with a sample size of 110 respondents from the Surkhet Valley, focusing on the factors influencing Nepalese investors' stock market investment decisions. The organization related variable (CRV), the gamble and return related variable (RRV), and the market related variable (MRV) are the three key factors that impact effective money management choices. Included are market-related variables such as market data, market price per share, dividend growths, and so on; risk return-related variables such as past returns, expected returns, company risk, and liquid securities; and company-related variables such as management team, financial performance, size, EPS, and DPS. This study found that Nepalese investors' investment decisions are influenced more by company-related variables (CRV) than by market-related variables (MRV) or risk and return-related variables (RRV). In each relapse model, there is a positive and huge coefficient of organization related variable (CRV). Subsequently, one might say that Nepalese financial backers base their speculation choices on the organization related factors of Nepalese organizations.

Rana (2019) carried out a study to investigate the variables related to individual investors' stock investment decisions in the setting of the Nepali stock market. Additionally, the aim of the study is to find out how investors, based on their demographic characteristics, evaluate the relative importance of various aspects when making investment decisions. The review utilizes 106 individual financial backers' example reactions, gathered among January and April 2019 utilizing an organized poll overview. To recognize the normal attributes affecting the example financial backers' stock money management choices, the review utilizes exploratory element examination. The component examination results show that the normal elements affecting the corporate share choices of the example financial backers in Nepal are six: principal market factors, industry rivalry and size variables, altruism and piece of the pie factors, corporate administration and situating elements, profit and picture elements, and dynamic elements. The findings also show that out of the six categories retrieved, the sample investors thought fundamental market factors had the highest relative relevance.

Madan and Singh (2019) carried out a study on the examination of behavioral biases in the process of making investing decisions. The lead of individual financial backers is extraordinarily influenced by various inclinations, as the extending field of conduct finance has shown. As a result, 243 investor survey responses are gathered to create a questionnaire, which is part of an ongoing effort to assess the impact of behavioral biases on the National Stock Exchange's investing decision-making process. Both distinct and inferential measurements were utilized in this review. The current study examines four behavioral biases: overconfidence, anchoring, disposition effect, and herding behavior. The discoveries exhibit that grouping predisposition and pomposity fundamentally impact speculation choices in a gainful manner. The general discoveries demonstrate that singular financial backers are not so much learned but rather more prone to commit mental errors. These four conduct predispositions on individual venture choices are additionally clear in the review's discoveries. This study will be helpful to financial intermediaries in providing advice to their clients. To investigate additional behavioral biases that influence investment decisions, additional research can be carried out.

Chhapra (2018) conducted a research on the behavioral biases of investors in making financial decisions. Specialists have more than once shown that financial backers' mindlessness is an innate reality (Statman, 2008). Subsequently, this examination is an extra endeavor to assess the effect of social predispositions on monetary decision-production at the Pakistan Stock Trade (PSX). A comfort test procedure is used to make an overview survey and assemble reactions from an example of 250 PSX financial backers. Examples of behavioral biases include overconfidence, overanalysis, herd mentality, cognitive bias, and the investor's hindsight effect. Using multiple regression models, the impact of five behavioral biases on investment decisions is evaluated. The results show that the hindsight effect, herd mentality, overconfidence, overthinking, cognitive bias, and herd mentality all have a positive impact on investment decisions. The general discoveries show that conduct predispositions are to a great extent liable for changes in speculation choices. This study will enable financial advisors to better serve their clients. Potentially the best way to diminish these biases is through financial backer schooling and preparing.

Aduda, Oduor and Onwonga (2017) ascertained the NSE listed shares' financial performance and the actions of certain investors. The review utilized optional information got from CMA and NSE as well as a poll overview. It was found that specific financial backers needed judiciousness while deciding, and that this silliness oftentimes made them lose cash on their speculations. Male financial backers made up most of the people who answered, showing that they are certain about their ability to beat the market. The majority of investors had bachelor's degrees, making them sufficiently educated to make educated investment decisions. Other factors that were found to influence investment behavior included an improved stock exchange, influence from friends, family, and coworkers, inflation, management stability, the quantity of shares available, the level of stock capitalization, and family and religious background.

Gupta and Ahmed (2017) investigated how behavioral biases affect the actions of investors in the Indian stock market. The Capital Asset Pricing Model, the Efficient Market Hypothesis, and Modern Portfolio Theory are examples of traditional financial theories that are based on the assumption of perfectly functioning financial markets and investor behavior. To put it another way, these theories argue that any new information that enters the market is promptly incorporated into stock prices, thereby preventing the possibility of obtaining greater gains solely through having insider knowledge of the company. To test for the presence of misfortune repugnance, lament revultion, group conduct, arrogance predisposition, and mental cacophony inclination, 380 respondents who lived in Delhi/NCR gave the important information. The collected data was also examined using Principal Component Analysis. These inclinations were found to respectably affect financial backers' independent direction. These outcomes will help financial backers in diminishing gamble and expanding profits from their speculations by enlightening the most predominant social predispositions to which they are defenseless. Additionally, it will assist financial advisors in developing customized portfolios and asset allocation plans for their clients.

Under this review of nationally and internationally published articles conducted by scholars in developing and developed securities market.

Table 1

Summary of List of Empirical Review

Author/s	Topic	Objectives	Methodology	Findings
Abideen et al. (2023)	Do Behavioral Biases Affect Investors' Investment Decision Making? Evidence from the Pakistani Equity Market	To investigate the impact of behavioral biases on the investors' investment decision making	1. Designed a structured questionnaire to collect the data. 2. Random sampling method were used. 3. Sample of 600 out of 687 respondents. 4. Tabulate and refine data were into SPSS. 5. Analysis through structural equation modeling (SEM).	The rejection is supported by the findings, which demonstrate that overconfidence bias (OB) has no significant relationship with fundamental anomalies. Even though the existing body of research suggests that investors' behavior can cause fundamental anomalies in the market, this finding suggests that fundamental anomalies (FA) cannot be explained by overconfidence on the part of investors.
Altaf and jan (2023)	Generational theory of behavioral biases in investment behavior	This study proposes that millennial' investing behavior is driven by generational biases investment that shows millennial	1. Questionnaire were distributed. 2. survey was conducted on a sample of 674 participants 3. The survey was conducted online through Facebook, Twitter, and	The outcomes uncovered the apprehension about passing up a great opportunity emphatically impacts the speculation expectation of millennial These discoveries propose that millennial may feel uneasiness about the venture open doors that they can't seek

		share	LinkedIn.	after. In addition, the tendency of millennials to maintain online connections with their peers may be reflected in their fear of missing out.
Ali, et. al (2023)	Real estate investment decisions in COVID-19 crisis: the effect of perception and behavioral biases	To examine the interconnectedness between investors' perceptions of assets and their behavioral factors with investment decisions during the COVID-19 pandemic in the real estate business in Pakistan.	1. Study used a survey-based instrument to gather a total of 189 usable samples. 2. using partial least square structural equation modeling	This study found that PAV, OC, and HD significantly predicted investment decisions, whereas DE and RA had no significant effect on real estate investment decisions. What's more, this investigation discovered that PAV is the main variable to foresee venture choices in land during the Coronavirus emergency
Dirir (2022)	An examination of behavioral biases that affect investors' decision-making: (A case study of	to assess several biases that influence the financial backer's investment habit	1. multiple linear regression analysis were used 2. Likert scale of an interview were utilized in order to collect data 3. sample of 260 participants	The review shows the factors of pomposity and grouping inclinations influence the levelheaded direct of financial backers' navigation.

	Pakistanis investors)			Anchoring and the disposition effect, on the other hand, have little effect on investors' decision-making.
Adil, Singh and Ansari (2022)	How financial literacy moderate the association between behavior biases and investment decision?	to examine the impact of behavioral biases on investment decisions amongst gender	the data have been collected through a structured questionnaire from 253 individual investors of the Delhi-NCR region	The outcomes expressed that among female financial backers the impact of hazard avoidance and it was negative and genuinely important to crowd on speculation choice. the impact of carelessness and demeanor was measurably immaterial impact the venture choice
Vidhya (2021)	Behavioral biases and its impact on investment decision making: an empirical study of Indian stock market	examines the impact of behavioral biases on their investment decision	This study is conducted with a sample with of 100 equity investors in Trissur district in Kerala.	The study's findings demonstrate that investors with limited trading experience are particularly susceptible to various behavioral biases.
Chaturangi (2021)	The Impact of Behavioral Biases on Investment	To explain behavioral biases in the stock market.	A structured questionnaire based on five-point Likert scale	The findings demonstrate that investment decision-making is influenced positively and

	Decision Making: Reference to Individual Investors of Colombo Stock Exchange.	Investors suffer from cognitive and emotional biases and act irrationally	was distributed to the sample of 200 individual investors using a convenient sampling method.	significantly by overconfidence. Herding and loss aversion have a significant positive effect on investment decisions due to the Sri Lankan stock market's volatility and lack of information.
Pandit (2021)	Trading practice &Behavioral Biases of Individual Investors in Nepalese Stock Market	To analyze the impact of trading experience on behavioral biases of Nepalese Investors.	The paper was based on survey research design with regression and correlation analysis.	There is a strong correlation between optimism bias and herding bias in the experience group, but there is no such correlation.
Kartini and Nahda (2021)	Behavioral Biases on Investment Decision: A Case Study in Indonesia	To investigate the influence of various psychological factors on investment decision-making	A quantitative approach is used based on a survey method and a snowball sampling that result in 165 questionnaires	The exploration discoveries show that the factors in general, securing predisposition, representativeness predisposition, misfortune repugnance predisposition, pomposity predisposition, confidence inclination, and crowding conduct fundamentally affect speculation choices.
Shrestha (2020)	influence of affective commitment,	To examine the effect of affective	Data were collected using a questionnaire-	The outcomes recommended that emotional responsibility

	job satisfaction and job stress on turnover intention: A study of Nepalese bank employees	commitment, job satisfaction and job stress on intention to leave	based survey of 282 employees working at a bank in Kathmandu. Data were analyzed using multiple regression analysis.	and occupation fulfillment made a pessimistic difference, while work pressure impacted turnover expectation.
Dangol and Manandhar (2020)	Impact of Heuristics on Investment Decisions: The Moderating Role of Locus of Control	To assess the impact of heuristics on the investment decision by analyzing the effect of four heuristic biases	The study used 391 respondents based on a convenient sampling procedure, and structured questionnaire survey.	The review result shows that there is a huge connection between nonsensicalness in speculation direction and every one of the four heuristic predispositions. The study also comes to the conclusion that the locus of control has a significant moderating effect on the relationship between three heuristic biases and investment decisions.
Madan and Singh (2019)	An Analysis of Behavioral Biases in Investment Decision-Making	To assess the impact of behavioral biases in investment decision-making in National Stock	A questionnaire is designed and through survey responses collected from 243 investors	The findings demonstrate that investing decisions are significantly influenced by overconfidence and herding bias. The overall conclusion is that individual investors lack knowledge and are more

		Exchange		likely to make psychological mistakes.
Rana (2019)	Factors affecting individual investors' stock investment decision in Nepal	To explore the factors associated with individual investors' stock investment decision	The study uses a sample response of 106 individual investors obtained through structured questionnaire survey	Earnings and Image Factors, Corporate Governance and Positioning Factors, Goodwill and Market Share Factors, Industry Competition and Size Factors, Fundamental Market Factors, and Decision-Making Factors are the six common factors that influence the stock investment decision of the Nepali sample investors, according to the results of the factor analysis.
Chhapra et.al (2018)	An Empirical Investigation of Investor's Behavioral Biases on Financial Decision Making	to assess the role of behavioral biases in financial decision making	A survey questionnaire is designed and used to collect responses using convenience sampling technique from sample of 250 investors	The findings demonstrate that hindsight effect, overconfidence, overthinking, herding, and cognitive bias have a significant positive impact on investment decision.

2.4 Research Gap

A research gap is a topic or area in which it is difficult to answer a specific question due to a lack of information. The investor ought to be aware of the risks and benefits. Then again, a ton of examination has been finished in Nepal on the options made by individual financial backers. Besides, the couple of segment factors utilized in before research on financial backers' venture choices were confined.

Research demonstrates that more learned financial backers commonly pursue better venture decisions (Nofsinger and Sias, 1999), while incessant merchants and arrogant financial backers regularly have sub-par speculation returns (Hair stylist and Odean, 2001). In contrast, other studies have demonstrated that people make irrational decisions when they are more sensitive to losses than gains (Tversky & Kahneman, 1974) and that investors frequently overreact to news and events, revealing emotional and cognitive biases (De Bondt & Thaler, 1985). What's more, it has been seen that financial backers are habitually influenced by the convictions and ways of behaving of others, a peculiarity known as accessibility inclination (Brown and Reilly, 2009). This phenomenon occurs when investors place an excessive emphasis on information that is readily available, which can lead to poor investment decisions and lower returns (Odean, 1998).

Conduct finance is as yet an unforeseen field of study, in light of the exact appraisal and setting examination displayed above for Nepal. Scarcely any examinations have been directed in Nepal that show what social variables mean for the type of speculation choices made by individual financial backers on the Nepal Stock Trade. This study therefore fills in the void that was previously mentioned.

CHAPTER – III

RESEARCH METHODOLOGY

This part comprises of examination configuration, test size and determination process, information assortment system and information handling strategies and instruments.

3.1 Research Design

The descriptive and casual comparative research design is used in this study. Distinct examination configuration is utilized to depict measure, think about and arrange the attributes of the autonomous factors that influence the benefit for example subordinate factors of the banks. During the preparation of this study, the casual comparative research design was also utilized. It is frequently used to study the general state of individuals and organizations because it inquiries into people's thoughts and actions (Cooper & Schindler, 2003). Besides, the exploration configuration utilized in this study is a blend of easygoing similar and clear.

3.2 Population and Sample and Sampling Design

This study's population includes all 226 NEPSE-listed companies through December 2023. This study only includes investors from commercial bank employees as a sample from all listed companies. The sampling data were obtained from stock market investors. Only 400 of the 450 questionnaires that were sent to respondents in this study were returned, which was considered sufficient to test the hypothesis. When selecting sample organizations for this study, the convenience sampling method is utilized.

3.3 Nature and Source of Data

Just essential wellsprings of information were utilized in this review, and those were studies given to individual NPESE financial backers. For data collection, a five-point Likert scale systematic questionnaire is utilized. Because this study examined the causal relationship between the study variables using a descriptive methodology, the data are useful for generalization. Specialists will audit the information gathered from the poll to guarantee its unwavering quality. A couple of parts of the survey were changed after specialists were reached to work on the legitimacy of the information procured through the poll for this review, which will evaluate the poll's face legitimacy.

3.4 Data Analysis Tools

The researcher personally reviewed the primary data that was gathered through the use of questionnaires. The items on the questionnaire dealt with four types: overconfidence bias, herding bias, anchoring bias, and disposition effect bias. The questionnaires were personally answered by individual investors. Because it prompted respondents to respond as soon as possible, this strategy was appropriate. Data analysis and presentation are the first steps in any research project. A variety of descriptive and inferential tool types were used to examine the data in this study to guarantee accurate results. A variety of statistical and mathematical methods have been used to achieve the study's objective.

1. Descriptive statistics:

These tools—the mean and standard deviation—were utilized in order to identify the behavioral aspects of the variables that influence investment decisions in the Nepalese share market.

2. Correlation analysis

To look at the connection between elements of conduct predisposition (carelessness inclination, securing inclination, demeanor impact inclination and grouping inclination) and venture choice of Nepalese offer market.

3. Regression analysis

to investigate how factors of behavioral bias, including overconfidence bias, anchoring bias, disposition effect bias, and herding bias, influence investment decisions in the Nepalese stock market.

Baseline Model

Investment decision is chosen as a dependent variable in the study. The independent factors are overconfidence bias, herding bias, anchoring bias, disposition effect bias, and anchoring bias. Utilizing this model, venture choices were inspected for the effect of grouping, mooring, attitude impact, and pomposity predispositions.

Model 1

$Y= \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + e_{it}$

$ID= \beta_0 + \beta_1OC + \beta_2AB + \beta_3DE + \beta_4......+e_{it}$

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

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

3.5 Data Collection Procedures

Investment decision is chosen as a dependent variable in the study. The independent factors are overconfidence bias, herding bias, anchoring bias, disposition effect bias, and anchoring bias. Utilizing this model, venture choices were inspected for the effect of grouping, mooring, attitude impact, and pomposity predispositions.

3.6 Research Framework and Definition of Variables

This section deals with research framework that derived from theoretical and empirical literature review.

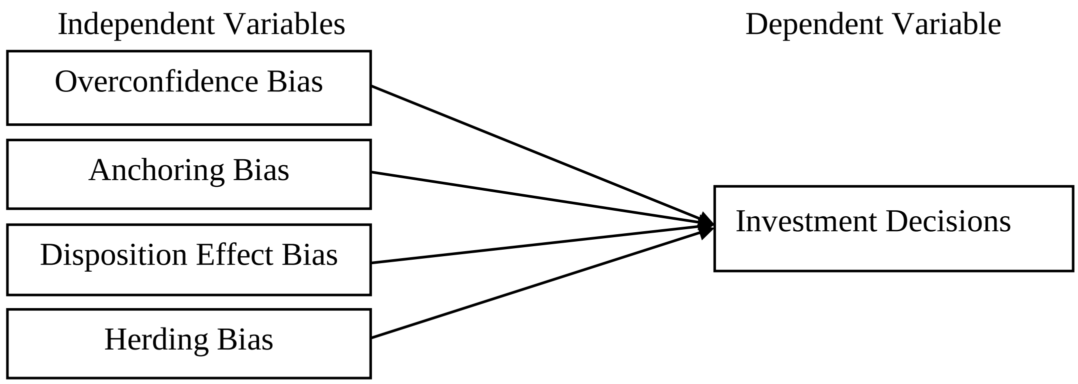

Figure 1

Research framework

Source: (Dirir, 2022)

Definition of variables

This study's dependent variable is the amount of individual investment decisions, which are measured using a psychometric tool designed to evaluate investor financial behavior.

Stock investment decisions

The NEPSE's institutional financial backers' choices were affected by arrogance, securing, demeanor impact predisposition, and crowding bias. Moreover, these financial backers referenced what the other institutional financial backers were exchanging. An investment choice is a calculated move that distributes funds to maximize return. The choice is made in light of speculation targets, risk hungers, and the idea of the financial backer, i.e., whether they are an individual or a firm.

Overconfidence bias

We might misjudge our capacities in an areas because of pomposity predisposition, a kind of mental inclination. The majority of people believe that they have a better future, are smarter, or more trustworthy than the average person. Mittal's (2019) findings demonstrate that investment decision bias is positively associated with overconfidence. With Dirir's backing for the investment decision, it probably doesn't matter much. Carelessness predisposition is the propensity to misjudge our insight and capacities in a specific region. People's estimations of risk and success frequently diverge from reality because they frequently have inaccurate notions about their performance, behavior, or characteristics.

Anchoring bias

The anchoring bias, a type of cognitive bias, causes us to rely heavily on the first piece of information we receive about a subject. An investment decision is positively correlated with anchoring bias. This is comparable to Dirir's findings (2022), but Ali et al. do not support them. (2023). Besides, securing predisposition is adversely critical with venture choice which is upheld by Artif (2023). People's tendency to rely too heavily on the first piece of information they receive about a subject is known as anchoring bias. No matter what the precision of that data, individuals use it as a source of perspective point, or anchor, to make resulting decisions.

Disposition effect bias

Disposition effect bias has a negligible positive correlation with investment decision, but a significant negative correlation with investment decision. Chathurangi backs this up in 2021. Additionally this is going against with the discoveries of gupta (2017) and Madan (2019). Attitude impact inclination is one of the most generally recorded conduct predispositions is the demeanor impact. This effect is the tendency to sell winners more frequently than losers at any given time; winners and losers are assets that have increased or decreased in value since they were purchased.

Herding bias

Grouping inclination is adversely influence on speculation choice which is upheld by Chhapra (2018). In a similar vein, given that the investment decision is supported by Madan (2019) but is in line with Narahari's outcome, it is positively insignificant. When people rationalize a course of action based on the fact that many other people are doing the same thing, this is known as herd mentality bias. In exchanging brain research, this could appear as exchanging a resource just in light of the fact that it is viewed as a hot ware among different merchants, potentially prompting resource bubbles.

CHAPTER – IV
RESULTS AND DISCUSSIONS

Social predispositions assume a critical part in the venture choices of financial backers. Investors may be prone to making poor or irrational decisions due to these biases, which are psychological tendencies that deviate from conventional economic theories that assume rational decision-making.

4.1 Results

The study's objective was to investigate the factors that influence individual investors' stock market choices in Nepal. The concentrate additionally intends to explore how various variables impact individuals' financial planning ways of behaving and how those activities are affected without anyone else. Moreover, the review investigated what every component was meant for by the general financial planning conduct of financial backers. This examination makes an exceptional enticement for the collection of writing on social money in immature countries, especially regarding Nepal, by coordinating each of the three features of financial backer way of behaving.

Data analysis and presentation

This section depicts the investigation results created from the course of information assortment. It deals with the analysis and interpretation of the primary data that was gathered from 400 respondents via a questionnaire. The effect of conduct predispositions on the venture choices made by individual NEPSE financial backers is analyzed utilizing the principal information. The collected data were analyzed in terms of the two variables' regression coefficients. The primary reason for this exploration study will be satisfied with the results got from the investigation of the information.

Respondent profile

In this study, 264% of respondents, or 66% of the total, were female, making up the majority (Table 2).

Table 2

Demographics Characteristics of Respondents (N=400)

Respondent Character	Frequency	Percentage (%)
Gender		
Male	136	34
Female	264	66
Age		
Under 25	8	2
26-35	336	84
36-45	40	10
46-55	12	3
Over 55	4	1
Profession		
Student	12	3
Salaried Private	64	16
Business	280	70
Salaried Government	40	10
Professor	4	1
Marital Status		
Single	48	12
Married	328	82
Widow	24	6
Qualification		
+2	12	3
Bachelors	96	24
Masters	292	72

Source: Self- Survey, 2023

The majority of respondents in this study, 264, were women, accounting for 66% of the total number of respondents. Interestingly, 34% of the complete respondents — 136 — were male. Each respondent is partitioned into five age gatherings, with the heft of respondents falling into the 25-35 age range (for example 336). It was responsible for 84% of the responses. Only 6% of responders were north of 46 and under 25 years of age.

It was seen that 73% of the respondents held a calling as business (for example 280). Furthermore, 64 respondents, or 16% of the complete respondents, held a confidential compensation. Only 10% of the population worked in government for a salary. The highest status among the three was married, with 328 responses, accounting for 82% of all responses. Similarly, 12% of singles and 6% of last widows (i.e. 24).

Items wise descriptive analysis

The utilization of speculation choices in the Nepalese securities exchange was appraised by the answering banks. The response to each question on the five-point Likert scale is coded: 1 means "strongly disagree," 2 means "disagree," 3 means "neutral," 4 means "agree," and 5 means "strongly agree."

Table 3

Descriptive Statistics of Overconfidence (N=400)

Items	Min	Max	Mean	SD
I think I can outperform the market with my abilities and stock market knowledge.	1	5	2.277	0.882
I believe I am competent enough to influence the investments to my advantage.	1	5	2.24	0.787
I consider it a blessing that I consistently invest in the greatest offers.	1	5	2.795	1.050
I base my analysis on the most recent market data and spend as little time as feasible on them.	1	5	1.845	0.896
In the interim between accounting periods, I trade more.	1	5	1.852	0.963
Overall Mean and SD			3.257	1.325

Source: Survey, 2023

Descriptive statistics for the overconfidence sub-factor as a whole and for each item are presented in Table 3. Five statements are used to measure the variables. A five-point Likert scale response form was completed by each and every respondent. The total overconfidence mean is greater than 3, with a value of 3.257, and its standard deviation is 1.325. This demonstrates that investing decisions based on overconfidence may not always be the best.

Table 4

Descriptive Statistics of Anchoring (N=400)

Items	Min.	Max.	Mean	SD
Recent market events have an impact on my trade.	1.00	5.00	2.397	.800
When trading, I utilize the stock's acquisition price as a point of reference.	1.00	5.00	2.532	.946
When making my next investment, I typically draw on my prior market experience.	1.00	5.00	2.570	.915
I typically purchase stocks that have had a significant decline from their previous closing or all-time high.	1.00	5.00	2.525	.939
It seems to me that past performance predicts future performance.	1.00	5.00	2.242	.797
Overall Mean and SD			3.227	1.337

Source: Survey, 2023

Descriptive statistics for each item and the anchoring sub-factor as a whole are presented in Table 4. Five statements are used to measure the variables. Each respondent finished up a Likert scale with five focuses reaction structure. With a standard deviation of 1.337, the worldwide mean of mooring is bigger than 3, at 3.227. This shows the way that wise securing decisions could be made while making ventures.

Table 5

Descriptive Statistics of Disposition Effect (N=400)

Items	Min	Max	Mean	SD
When making an investment decision, I would rather rely on the stock's historical performance than any other index.	1.00	5.00	2.507	.989
I base my investing judgments on trend analysis.	1.00	5.00	2.582	.983
I purchase the same company's fresh share offering that I previously invested in.	1.00	5.00	2.437	.918
It seems to me that past performance predicts future performance.	1.00	5.00	2.430	.887
I disregard information in the market that conflicts with mine before purchasing a share.	1.00	5.00	2.322	.806
Overall Mean and SD			3.326	1.369

Source: Survey, 2023

Table 5 presentations elucidating insights for the attitude impact generally and for explicit things. Five statements are used to measure the variables. A five-point Likert scale response form was completed by each and every respondent. The disposition effect's overall mean is greater than 3, with a standard deviation of 1.369. This demonstrates how the impact of the disposition can guide an investment decision.

Table 6

Descriptive Statistics of Herding (N=400)

Items	Min	Max	Mean	SD
Your investing decisions are influenced by the stock volume decisions made by other investors.	1.00	5.00	2.070	.756
Your investing selections are influenced by the stock purchases and sales made by other investors.	1.00	5.00	2.398	.892
Your investing decisions are influenced by the stock kinds chosen by other investors.	1.00	5.00	2.518	.920
When other investors make adjustments to their decisions, you often take note of them and follow their lead in the stock market.	1.00	5.00	2.693	1.056
Usually, once I book profits, I think I could have waited.	1.00	5.00	2.488	.861
Overall Mean and SD			3.26	1.334

Source: Survey, 2023

For specific herding objects, descriptive statistics are provided in Table 6. Five statements are used to measure the variables. A five-point Likert scale response form was completed by each and every respondent. Herding has a mean of 3.26, which is higher than the average of 3.34. The standard deviation of herding is 1.334. This demonstrates how best financial decisions can be made through herding.

Table 7

Descriptive Statistics of Investment Decision (N=400)

Items	Min	Max	Mean	SD
The returns on my investment are better than I had anticipated.	1.00	5.00	2.335	0.796
Over the previous five years, my stock investment has shown increased cash flow growth.	1.00	5.00	2.648	0.972
Compared to the market as a whole, the risk associated with my stock investment is smaller.	1.00	5.00	2.450	0.871
My stock investment has a high level of security.	1.00	5.00	2.378	0.858
The money I make from my investments will be put to good use for society.	1.00	5.00	2.178	0.770
Overall Mean and SD			3.36	1.365

Source: Survey, 2023

The Nepalese securities exchange's spellbinding measurements for putting choices are shown in Table 7. Five explanations are utilized to quantify the factors. A response form with a five-point Likert scale was completed by each respondent. The choice element's all out mean is 3.36, which is more than 3, with a standard deviation of 1.365. This shows how to make smart financial choices.

Descriptive statistics of Variables

Table 8

Descriptive Statistics of Behavioral Biases (N=400)

Variables	Min	Max	Mean	SD
Investment Decision	1.00	4.40	2.202	.5537
Overconfidence	1.00	5.00	2.453	.59660
Anchoring	1.00	5.00	2.456	.72414
Disposition Effect	1.00	4.40	2.433	.68299
Herding	1.00	4.20	2.397	.65419

Source: SPSS Output

Descriptive statistics on investors' investment decisions and factors are presented in Table 8. There are five element of conduct inclinations that are utilized to gauge the factors. The five-point Likert scale was used to determine the overall result that each factor provided. In the context of Nepalese investors, this demonstrates sound investment decisions.

Correlation analysis

Under this part, to accomplish research objective two to inspect the connection between presumptuousness, securing, attitude impact, crowding and venture choice, relationship has been utilized.

Table 9

Correlation between Dependent and Independent Variables

Variables	OC	AB	DE	HB	ID
Overconfidence Bias	1				
Anchoring Bias	.494** .000	1			
Disposition Effect	.273** .000	.525** .000	1		
Herding Bias	.248** .000	.520** .000	.627** .000	1	
Investment Decision	.380** .000	.650** .000	.570** .000	.667** .000	1

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

Source: SPSS Output

Overconfidence biases positively related to investment decision also significant relation (r= 0.380, $P < 0.05$ in Nepalese stock market. Similarly, Anchoring bias positively related with investment decision with significant relationship ($r = 0.650$, $P < 0.05$). Disposition effect was found to be strongly positively related also significant at 0.05 level of significance ($r = 0.570$) $P < 0.05$. Lastly, Herding bias is positively related and significant relation with investment decision ($r = 0.667$) $P < 0.05$.

Effect of overconfidence, anchoring, disposition effect and herding on investment decision

Table 10

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

The model summary yielded coefficients of determination R2 values of 0.585, indicating that independent variables such as herding, overconfidence, disposition effect, and anchoring in dependent variables such as investment decision account for 58.50% of change. It shows the complete fluctuation or joined impact of all autonomous factors on the reliant factors.

Table 11

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

Table 11 indicates tested model is suitable for further analysis (F = 139.035; p-value <0.05). The F-value is 139.035 which is high and the p-value is 0.000 lesser than 5% level of significance which shows that the independent variables herding, overconfidence, disposition effect and anchoring overall regression model is significant on dependent variables i.e. investment decision.

Table 12

Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients		
		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 12, OC has a significant impact on investment decision (= 0.080, P0.05). That is to say, in the event that OC expanded by 1 unit, ID prompts increment by 0.095 units. In a similar vein, AB has a positive and significant impact on the investment decision (P0.05, = 0.342). This indicates that ID would increase by 0.375 units if AB increased by one unit. Likewise, DE additionally affects venture choice (β = 0.122, $P<0.05$). That is to say, in the event that DE expanded by 1 unit, ID prompts increment by 0.110 units. HB affects speculation choice (β = 0.393, $P<0.05$) which shows that on the off chance that HB increment by 1 unit, ID prompts increment by 0.376 individually.

4.2 Discussion

In view of above survey, the principal objective of the review shows the variables of social predispositions that impact speculation choice of Nepalese offer market. The respondents consented to every one of the assertions sorted under different areas like 'carelessness, securing, demeanor, grouping and Speculation choice. In another words, they accept that the equity in the assessment of their work and capacities with tied rewards or immediate and roundabout pay urge them to work on their productivity at work. This demonstrates sound investment decision.

Also, the subsequent goal shows the connection between elements of social inclination (arrogance predisposition, securing predisposition, attitude impact inclination and grouping predisposition) and venture choice of Nepalese offer market. The compelling predispositions is essentially associated with the speculation choice in Nepalese financial exchange. Anchoring and disposition have been shown to have a significant correlation with those biases. It was discovered that anchoring and herding had the strongest positive correlation with the investment decision and disposition. The multiple correlation coefficient demonstrates that three variables account for a percentage of the variation in investment decision: Carelessness, Attitude and Grouping. The ANOVA for relapse model shows that the connection between the speculation choice and informative factors are measurably unimportant and this is like the discoveries of Fakai (2022) and Kellie (2018) however inverse to the discoveries of Weeraratne (2018).

Last but not least, the third objective demonstrates how investment decisions are influenced by behavioral biases like overconfidence bias, anchoring bias, disposition effect bias, and herding bias. It depicts the R-square of the regression analysis of the dependent and independent variables, indicating that variation in the independent variables (overconfidence, anchoring, disposition effect, and herding) accounts for 58.50 percent of the investment decision. The decision to invest is significantly influenced by OC. That is to say, on the off chance that OC expanded by 1 unit, ID prompts increment. Moreover, Stomach muscle, DE and HB significantly affects ID which shows that on the off chance that Stomach muscle, DE and HB increment by 1 unit ID prompts increment. This study contradicts the findings of Dangol and Manandhar (2020) and Adil, Singh, and Ansari (2022), but it is consistent with those of Chhapra et al. (2018).

CHAPTER – V
SUMMARY AND CONCLUSION

This chapter provides a concise summary of the entire investigation and highlights the most important findings. In addition, the main findings and their repercussions for investment decisions and behavioral biases are discussed in a different section of this chapter. The motivation behind the review was to learn the way that social predispositions impact on speculation choice.

5.1 Summary

The researcher used a structured questionnaire that was personally distributed to the respondents in order to collect data for the study. The target of the review was to distinguish the elements impacting venture choices in NEPSE. Regression showed that the most important factors were the firm's position and performance; interest rate; ease of borrowing money; management; volatile stock; opinions of majority shareholders; general and financial press coverage of the firm's stock; current economic indicator; contribution of the firm to social causes; firm's commitment to CSR; stock market value. Carelessness predisposition, mooring inclination, demeanor impact predisposition and grouping inclination effects on financial backer speculation conduct on Association's standing in industry securities exchange worth and government possessions factors generally. The majority of the financial backers are concur that their speculation choice is count with their venture goals.

The information was gathered both in person and electronically, via Google Docs. The data that were gathered were then subjected to statistical analysis. In order to examine the responses and put the hypotheses to the test, reliability analysis, coefficient correlation analysis, and regression analysis were carried out. A questionnaire with questions that represent the identified variables and measure behavioral biases in individual Nepalese investors' investment decisions was developed for the study. Those factors were additionally utilized to see conduct predispositions in speculation choices of individual financial backers as expressed by related writing. Review was completed utilizing accommodation testing and the example acquired incorporated the respondents who are concentrating on in the colleges which meant to depict the financial and conduct factors that impact individual financial backer's dynamic cycle in Nepal stock trades. From the example of 400 respondents the conceivable connection among reliant and free factors were inspected. On a five-point Likert scale, respondents' responses ranged from strongly disagreeing to strongly agreeing.

The current review was centered around for the most part definition and examination of four social inclination specifically mooring, pomposity, demeanor impact, and crowding conduct. In future review can be expounded by examining other conduct predispositions that also significantly affect individual speculation dynamic in their novel manner. Additionally, the study can be expanded to investigate the influence on group or corporate investment decision-making.

5.2 Conclusions

Overconfidence, anchoring, disposition effect, and herding influence the investment decision of Nepalese individual investors who invested in NEPSE, according to the study's findings. In addition, that's what it presumed assuming Nepalese financial backers select stock for speculation in view of their abilities, information and previous experience then, at that point (they ready to choose right stock) it will increment quality venture direction. In a similar vein, an investor can choose a stock to invest in based on a market trend analysis as well as other people's decisions to buy and sell stock that have a negative impact on their investment decision.

The review presumed that arrogance, securing, attitude impact and grouping emphatically affects speculation choice. Additionally critical positive relationship with venture choice. It suggests that using those biases to invest in stocks is beneficial and significant. Also demonstrates that an investment decision results in an increase in the respective units of overconfidence, anchoring, disposition effect, and herding by one unit.

5.3 Implications

Before making an investment decision, the researcher advises investors to carefully analyze the investment factors using reasonable business knowledge. The financial backers ought to likewise have the option to decipher the market and monetary pointers since they impact the exhibition of the offer available. Instead of focusing solely on one variable, they ought to evaluate all of the environment's variables. To minimize risks and maximize returns, investors must also develop a portfolio of investments to diversify their investments in various companies. This study looked at the factors that appear to have the most of an impact on each individual stock investor. It included not only the factors that had been looked at in previous studies and were derived from the current theories of behavioral finance, but it also introduced additional factors that were found to have an impact on stockholders' investment decisions in Nepal through personal interviews.

First, the study was conducted among investors in Kathmandu; second, future research should attempt to explain the relative importance of decision variables for individual investors making stock purchase decisions. The discoveries can be checked by leading a similar report in the remainder of the nation, and thirdly, whether there are homogeneous bunches or gatherings of factors that structure recognizable choice determinants that financial backers depend upon while settling on corporate security choices.

The first step they can take is to take into account any additional characteristics that have an effect on individual stock investors in addition to those that have previously been investigated and derived from well-known theories of behavioral finance. The primary objective of the study was to provide insight into the relative importance of various decision-making factors for individual stock buyers. Another important objective of the study should be to determine which variables have the greatest and least impact on investors' investment decisions. Future exploration projects should assess the impact of social predispositions on individual financial backers' stock putting dynamic in the Nepalese offer market.

A small bunch of commitments can be separated from this examination. First, the paper will support previous studies that have found results that are comparable to its own and add to the vast body of literature. Second, the outcome will offer individuals and investors a concrete strategy for avoiding and overcoming bias in decision-making. At last, the review will give sagacious data to monetary counsels and monetary middle people while offering monetary discussion.

Regulations that help to eliminate investors' perceived biases can be created by policymakers. This study can be utilized by specialists to distinguish the inclinations that influence financial backer way of behaving. They are fit for offering their clients sound guidance to keep financial backers from pursuing stupid decisions. This study can assist investors with freely evaluating their lead. Additionally, they are able to identify profitable stocks and acquire additional shares. The findings of this study must be utilized by investment institutions that wish to provide recommendations that are more trustworthy and have comprehensive knowledge of investor profiles and movements in the financial market. Future specialists can profit from this investigation by better comprehension how different predispositions impacts the venture choice.

Market anomalies can be included in the future to see how they affect investors' investment decisions in the Nepalese stock market. Other mental inclination can likewise be utilized to decide speculation choice.

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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 "Behavioral Factors Affecting Stock Investing Decisions in Nepalese Capital Market" 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

Manoj Shrestha

MBS student

Shanker Dev Campus, Kathmandu

Part I

Particular	Please Tick:
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	a) Married b) Unmarried
	c) Divorce d) Widow
Years of Experience	a) Less than 5 b) 5-15 c) More than 15
Profession	a) Salaried Private b) Salaried Government
	c) Student d) Business e) Professor
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

Overconfidence Bias (OC)

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

Anchoring Bias (AB)

AB_1	My trading is affected by recent experiences in the market.	1	2	3	4	5
AB_2	I use the purchase price the stocks as a reference points in trading.	1	2	3	4	5
AB_3	I usually rely on past experience in the market for next investment.	1	2	3	4	5
AB_4	I usually buy a stocks, which have fallen considerably from previous closing or all-time high.	1	2	3	4	5
AB_5	I appear believe that past returns are indicative for future returns.	1	2	3	4	5

Disposition Effect (DE)

DE_1	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_2	I use trend analysis to make investment decisions.	1	2	3	4	5
DE_3	I buy the new equity offering of the same company, in which I have already invested.	1	2	3	4	5
DE_4	I appear believe that past returns are indicative for future returns.	1	2	3	4	5
DE_5	Before buying a share, I ignore the information in the market that conflate with mine.	1	2	3	4	5

Herding Bias (HB)

HB_1	Other investors’ decisions of the stock volume have impact on your investment decisions.	1	2	3	4	5
HB_2	Other investors’ decisions of buying and selling stocks have impact on your investment decisions.	1	2	3	4	5
HB_3	Other investors’ decisions of choosing stock types have impact on your investment decisions.	1	2	3	4	5
HB_4	You usually react quickly to the changes of other investors’ decisions and follow their reactions to the stock market.	1	2	3	4	5
HB_5	After booking profits, I usually feel I could have waited.	1	2	3	4	5

Investment Decision (ID)

ID_1	My investment reports better results than expected.	1	2	3	4	5
ID_2	My investment in stock has demonstrated increased cash flow growth.	1	2	3	4	5
ID_3	My investment in stocks has a lower risk compared to the market I general.	1	2	3	4	5
ID_4	My investment in stocks has a high degree of safety.	1	2	3	4	5
ID_5	My investment proceeds will be used in a way that benefits society.	1	2	3	4	5

Thank you for your participation. Have a good day!

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ABSTRACT The effect

of behavioral biases **on investment decisions** making **of individual investors of** NEPSE. **The**

objective of this study is to examine the relationship between factors of behavioral bias and investment decision and to analyze

the effect of factors of **behavioral** bias (**overconfidence bias** , anchoring **bias, disposition effect** bias **and** herding **bias) on investment decision of**

Nepalese share market. Descriptive and causal comparative research design has been used in this study. This study was conducted on the 226 NEPSE listed companies as a population with the help of questionnaires distributed to 400 investors to collect and survey data and analyzed by using descriptive statistics, correlation and regression. The regression result revealed that overconfidence has positive and significant effect on investment decision, likewise, anchoring bias, disposition effect and herding bias has also positive and significant effect on investment decision. The study has implications to individual investors to get a better understanding of own behavior, policy makers to examine biases earlier policy changes, build sustainable investment management practices and financial advisors to improve their proficiency. The policymakers can create regulations that would help to eliminate perceived biases among investors. This study can be used by brokers to identify the biases that affect investor behavior. They are capable of giving their clients sound advice to prevent investors from making foolish choices. This study can help investors independently assess their conduct. Additionally, they have the ability to spot profitable stocks and buy more. Key words: Overconfidence, Anchoring, Disposition Effect, Herding,

Investment Decision CHAPTER- I INTRODUCTION 1.1 Background of the Study