

**EFFECT OF FINANCIAL LITERACY ON INVESTORS'
INVESTMENT DECISIONS IN NEPALESE STOCK
MARKET**

By:

Rajeev Bachhar

Shanker Dev Campus

Campus Roll N.: 1781/071

T.U. Regd. No.: 7-3-39-1896-2014

2nd Year Exam Roll No.: 391492/073

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RECOMMENDATION

This is to certify that the thesis

Submitted by

Rajeev Bachhar

Entitled:

EFFECT OF FINANCIAL LITERACY ON INVESTORS' INVESTMENT DECISIONS IN NEPALESE STOCK MARKET

has been prepared as approved by this Department in the prescribed format of the Faculty of Management. This thesis is forward for examination.

.....
Dr. Dhan Raj Chalise
(Thesis Supervisor)

.....
Assoc. Prof. Dr. Sajeeb Kumar
Shrestha
(Head, Research Committee)

.....
Assoc. Prof. Dr. Krishna Prasad
Acharya
(Campus Chief)

Date :

VIVA-VOCE SHEET

We have conducted the viva-voice examination of the thesis presented

By

Rajeev Bachhar

Entitled:

**EFFECT OF FINANCIAL LITERACY ON INVESTORS’
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MARKET**

And found the thesis to be the original work of the student and written according to the prescribed format. We recommend the thesis to be accepted as partial fulfillment of the requirement for the degree of

Master Degree of Business studies (M.B.S.)

Viva-voice committee

Head of Research Committee

Head of the Department

Thesis Supervisor

External Expert

Date : _____

DECLARATION

I hereby declare that the work in this thesis entitled **EFFECT OF FINANCIAL LITERACY ON INVESTORS' INVESTMENT DECISIONS IN NEPALESE STOCK MARKET** submitted to Shanker Dev Campus, Faculty of management, Tribhuvan University, is my original work done in the form of partial fulfillment of the requirement for the Master's Degree in Business Study (M.B.S.) under the supervision and guideline of Dr. Dhan Raj Chalise.

.....

Rajeev Bachhar

Campus Roll N.: 1781/071

T.U. Regd. No.: 7-3-39-1896-2014

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Rajeev Bachhar
Researcher

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CHAPTER – I

INTRODUCTION

1.1 Background of the Study

Financial literacy is essential for every person in today's dynamic, global society as they deal with ever complex financial situations. A financially educated person is capable of creating a road map that explains how money works, how to manage income and spending, where and how to invest, how to efficiently manage financial risks, and above all how to stay out of financial trouble. The three components of financial literacy are financial behavior, financial attitude, and financial knowledge (Vitt, 2004).

Financial literacy is the degree to which a person is confident in their capacity to make sound short- and long-term investment decisions while taking the state of the economy into account, as well as their grasp of important financial concepts. Thus, a person's degree of financial literacy has a significant impact on whether they make a good investment decision. Financial literacy is the understanding of personal money that empowers people to make wise decisions to enhance their financial health and prevent financial hardship. In the modern world, being able to handle one's personal finances has grown in importance. Financial literacy encompasses more than just financial advice and information. It is intended for people with insufficient knowledge and resources to handle complex financial situations (Nye et al., 2013).

Financial literacy encompasses more than just standard and mathematics literacy; it also involves behavior, attitudes, views, knowledge, and awareness of the financial environment. It encompasses fundamental reading, math, and comprehension abilities as well as knowledge of the origins, uses, and exchange of money. It also includes an awareness of the risks connected to financial products and the capacity to make responsible decisions regarding personal finances, among other things (Jariwala, 2013).

Investment decisions involve allocating funds to a certain asset over a predetermined period of time with the hope of achieving a high rate of return. The choice of how to allocate finances in the present with the hope of future advantages flow is more important. A trade-off between an individual's immediate consumption and delayed

consumption in order to maximize future consumption benefit makes up an investment decision. It's critical to comprehend the risk and return connected to different financial items. People who don't know enough about money are more likely to get into debt and have little or no savings. Insufficient knowledge combined with a lack of financial literacy makes it easy to make poor financial decisions and hinders one's capacity to save money for a good retirement (Mishkin & Eakins, 2007).

Investment decisions today have become as a dynamic field. Choosing what to invest in is an important procedure that depends on a lot of factors that might vary from person to person. These factors encompass the type of investment desired, the time and location of the investment (in banks, real estate, shares, mutual funds, etc.), and the budgetary constraints around the investment choices. When investors and investment managers make decisions on investments, a company is involved in the how, when, where, and how much capital is allocated to potential investments. Consequently, the level of financial literacy of an individual is crucial in helping them make informed investing decisions (Balagobei & Prashanthan, 2021).

Financial literacy should be developed early in life because making poor financial decisions can have long-term effects. When a person reaches adulthood, they experience significant life events such as starting a job, buying a house and a car, setting up a savings account, and having to make numerous financial decisions. Therefore, having sound financial knowledge can help individuals transition from a life of anxiety to one of peace. Any financial decision carries some risk for the person. Due to the quick changes in the finance sector, there have been increasing financial crises in both industrialized and emerging nations recently. Consumers that possess financial literacy are empowered and educated, able to assess goods and make well-informed decisions, and aware about finance in ways that are relevant to their life (Wachira & Kihuu, 2012).

Individuals who possess a higher level of financial literacy are better able to comprehend financial data and make informed investment decisions due to their increased understanding of financial matters. Financial literacy encompasses not only the understanding of a basic financial instrument but also the complex process by which an investor selects a particular financial product based on his future financial goals. As a result, there is unmistakable evidence linking financial literacy to people's financial

wellbeing (Sharma et al., 2017). Understanding how money functions in the world, how to handle earning it, how to invest it, and how to use it to benefit others makes financial literacy important. It offers a collection of abilities and information that enable one to manage all of their financial resources wisely (Njehia, 2017). Therefore, this study aimed at analyzing the impact of financial literacy on investors' investment decision in Nepalese stock market.

1.2 Problem Statement

The majority of investors in the financial market think of themselves as logical and sensible, yet when they make judgments about their investments, their emotions, cognitive biases, and thinking patterns affect how they see the world and how they make decisions. Financial literacy is the capacity to manage financial risks and ensure that financial decisions are made with the individual's long- and short-term interests in mind. It also refers to the knowledge of money and financial items that people may use to make wise financial decisions and manage their finances (Iyer & Bhaskar, 2002).

Alaaraj and Bakri (2020) concluded that financial knowledge had significant positive impact on investment decision. Similarly, financial awareness had significant positive impact on investment decision making. Hence, this study concluded that a positive significant effect of financial literacy on investment decision making. Balagobei and Prashanthan (2021) mentioned that financial literacy had a major positive influence on individual investors' investment decisions in the Jaffna area. Walakumbura (2021) indicated that financial knowledge and skills had a significant impact on investing decisions, while financial attitude had little bearing on these decisions.

Paramita and Henny (2022) revealed that an investor's attitudes, knowledge, and behavior influence their investment decisions in line with the theory of planned behavior. Lamichhane (2023) showed that financial knowledge, financial awareness, financial experience, financial skill and financial capability had a positive impact on investment behaviour. Shrestha et al. (2023) found that financial behavior, financial attitude, financial awareness, and financial skill had a significant impact on investment decisions. However, there are above mentioned empirical evidences in context of other countries, no such evidences with recent scenario exist in the context of Nepal specially, Kathmandu Valley. Moreover, this study used financial skills, financial attitude,

financial awareness and financial knowledge are the explanatory variables in this study but these factors were not included in a single study. It is intended to fulfill the gap of the context as mentioned above. This study deals with following issues in context of Nepal.

- What is the financial literacy factors influencing investment decision-making of individual investors in Nepalese stock market?
- Is there any the relationship between financial literacy and investors' investment decisions in Nepalese stock market?
- What is the impact of financial literacy such as financial knowledge, financial awareness, financial skill and financial attitude on investors' investment decisions in Nepalese stock market?

1.3 Objectives of the Study

The major objective of this study is to analyze the effect of financial literacy on investors' investment decisions in Nepalese stock market. Hence, to achieve the main objective, the study has formulated following objectives:

- To examine the financial literacy factors influencing the investment decisions of individual investors in Nepalese stock market.
- To analyze the relationship between financial literacy and investors' investment decisions in Nepalese stock market.
- To assess the impact of financial literacy such as financial knowledge, financial awareness, financial skill and financial attitude on investors' investment decisions in Nepalese stock market.

1.4 Research Hypotheses

To achieve the research objectives, the following Hypotheses have been formulated for the study:

1. H1: Investors with greater financial knowledge make significantly better investment decisions in the Nepalese stock market.
2. H2: Investors who are more financially aware make significantly better investment decisions in the Nepalese stock market.

3. H3: Investors with stronger financial skills make significantly better investment decisions in the Nepalese stock market.
4. H4: Investors with a positive financial attitude make significantly better investment decisions in the Nepalese stock market.

1.5 Rationale of the Study

The research has improved individual awareness of the importance of financial literacy and how it influences investment decisions. Several research works have indicated the positive correlation between investment decisions and financial literacy; however, financial literacy is still a relatively new concept in Nepal and has not been fully explored. However, the study's findings advise people to prioritize having solid financial understanding and choosing wisely when investing. Financial literacy is still relatively new in Nepal, and households and individuals have access to a variety of innovative financial products. This has given people and families the chance to make prudent investments in a range of financial products, but it has also made it more difficult for them to make decisions. Therefore, determining the population's level of financial literacy and making an effort to educate them appropriately will guarantee a high standard of living for people and assist them in managing their wealth, both of which will improve people's quality of life.

Research encourages the growing trend of financial knowledge acquisition, empowering people such as housewives, young adults, and students who are often not involved in financial affairs to conduct accurate and thorough analysis and make appropriate investments. Because they lack financial literacy, the majority of individuals, even those with significant investment capacity, are ignorant of a wide range of options. As a result, this research will help people concentrate on developing financial literacy in order to manage their money wisely and generate large returns. The banks and other financial institutions that frequently create new investment plans can benefit from the research findings. Bank and financial institution managers are able to comprehend the current state of people's financial literacy and then create various plans to cater to the needs of individuals and households.

1.6 Limitations of the Study

This study has some limitations mentioned below.

- The respondents have been interviewed personally to get their maximum responses. Hence, responses may be personally biased.
- Since the respondents are chosen from close circles including family members, friends, relatives and their circles, generalization for the whole population of investors may not be fulfilled.
- The study has been conducted selected investors inside the Kathmandu valley. Thus, the findings may not be generalizable to the whole investors.
- Furthermore, the results demonstrated in this research maybe not true in other contexts or situations and may not be relevant in the future.
- Although the sample size is relatively high (N=384), a larger sample size would reflect the investor's situations more accurately.
- Only four independent variables i.e. financial knowledge, financial awareness, financial skill and financial attitude have been considered for the entire study.
- This study used only descriptive analysis, correlation analysis and multiple regression analysis.

CHAPTER - II

LITERATURE REVIEW

The review of relevant material about the effect of financial literacy on investors' investment decisions in Nepalese stock market has been the main emphasis of this chapter. Every study has a foundation of historical facts and knowledge, which serves as the basis for the current investigation. This chapter has its own significance in this study since it aids in gathering sufficient feedback to expand the information base and inputs into my research. The theoretical review, review of the empirical review, and research gap are the main topics of this chapter.

2.1 Theoretical Review

The theories that reviewed in this study are; prospect theory, goal setting theory, social learning theory, the classical theory of portfolio, portfolio theory, decision theory and life cycle hypothesis.

2.1.1 Prospect Theory

The fundamental work of Kahneman and Tversky from 1979 supported prospect theory, which focuses on subjective decision-making influencing investors' value system when risk-taking behavior and uncertainty were present. People tend to react differently to comparable occurrences when presented in the context of profits or losses, which is caused by their predisposition to undervalue likely outcomes in compared to particular ones. In essence, the theory explains why people exhibit inconsistent risk aversion, acting risk-aversely in winning situations but risk-takers in losses. This explains why individual investors are more likely to put stopping a loss ahead of achieving a profit.

Olsen (1997) argued out that prospect theory "gives weight to the cognitive limitations of human decision makers," which means that an individual investor bases their decisions on bounded rationality, as supported by behavioural decision theory (the behavioural finance viewpoint), rather than the concept of rationality as expounded by classical decision theory (the standard finance perspective). Ritter (2003) further contended that prospect theory, which concentrates on changes in wealth, is a

descriptive theory under uncertainty. One significant implication of prospect theory, according to Kahneman and Tversky (1979), is that economic actors' degree of satisfaction with returns is influenced by how they conceptualize an outcome or transaction.

According to prospect theory, there are two stages to the decision-making process: the first involves framing and editing the available options based on the decision-makers prior perceptions; the second stage involves evaluating these prospects in light of the decision-maker's subjective estimation of their likelihood of occurring. The utility function, which is concave for gains and indicates that people feel good when they gain but not twice as good when they gain, explains why individuals love to take risks when it comes to losses. People feel pain when they lose, but twice the loss does not equal twice the agony, according to the convex utility function for loss. When faced with a choice between a definite gain and a gamble that could enhance or decrease the sure gain, an investor is more inclined to go with the sure gain. If offered the option between a guaranteed loss and a gamble, the investor will, in any other case, take a chance. Prospect theory evaluates loss aversion, regret aversion, and mental accounting, three emotional biases that affect investors' decision-making processes (Kengatharan, 2014).

2.1.2 Social Learning Theory

This theory can be traced back to Bandura (1960), who posited that learning occurs through observation or direct instruction. The theory was developed to enhance stimulus-response theories, which explain how and why humans react to specific stimuli. Bandura noted a weakness in learning process models, which often excluded social learning variables related to certain responses in human behavior. Additionally, Rotter's theory suggested that behavioral changes are linked to subjective expectations and reinforced to be acquired. This theory is relevant to the study as many investment decisions can be attributed to the learning process, whether formal or informal. SACCOs can use advertising platforms to raise financial awareness, ultimately influencing their members' investment decisions.

2.1.3 Goal Setting Theory

The Goal Setting Theory of motivation was propounded by Locke (1968). The theory states that goal setting is the essential element while measuring any task performance. Moreover, the theory states that goal setting should be essentially linked to the task performance. It is an effective tool for making progress by ensuring that participants in a group with a common goal are clearly aware of what is expected from them if an objective is to be achieved (Locke, 1968). The goal setting theory is the most valid and useful motivation theory not only in industrial and organizational psychology, human resource management, and organizational behavior but also in the field of financial behavior. In context of personal finance, financial planning and investment decision, the goals must fit into the criteria of SMART goals, where means Smart, Measurable, Achievable, Realistic, Time-bound goals.

2.1.4 The Classical Theory of Portfolio

Classical portfolio theory was introduced by Markowitz in 1952. The theory assumes a market with no transaction's costs, no uninsurable risks and investors have information asymmetry. The theory demonstrates that investors typically tend to avoid investing in financial products they are unfamiliar with. According to Markowitz, return on asset follows a stationary normal distribution. Moreover, the theory further illustrates that investors' financial literacy is the key determinant of their demand for structured financial products. Thus, there is positive and significant impact of financial literacy upon the investors prior to deciding the investment products suitable for them (Jariwala, 2013).

2.1.5 Decision Theory

Warner developed decision theory in 1968 to explain individuals' actions. The theory has both prescriptive and descriptive forms. The prescriptive form states that individuals should choose actions that maximize their expected utility, while the descriptive form contends that individuals do not always select actions that maximize their expected utility. Investment decisions are made by various actors with diverse objectives, including individuals aiming to maximize returns and those seeking financial freedom and independence (Virlics, 2013).

2.1.6 Portfolio Theory

Tobin's Portfolio Approach to Demand for Money explains that a portfolio of assets typically includes both bonds and money. The theory underscores money's role as a store of value. Tobin argues that individuals hold money as part of their asset portfolio because it offers a different risk-return profile compared to less liquid assets like bonds. Money provides a secure return, whereas stock and bond prices can fluctuate. Therefore, Tobin suggests that households should include money in their optimal portfolio. He assumes that individuals prefer more wealth to less, leading investors to grapple with how much of their financial portfolio should be held in money versus interest-bearing bonds. Investors seek to diversify their portfolios by maintaining a balanced mix of safe and risky assets (Jariwala, 2013).

Moreover, investors exhibit risk aversion behavior which means that they prefer less risk to more risk at a given rate of return. The individuals are uncertain about the future rate of interest. If a wealth holder chooses to hold a greater proportion of bonds in his portfolio, he will be earning a high rate of return, but he will also be bearing a higher degree of risk. However, investors will not opt for such kind of portfolio as it is highly risky in nature.

2.1.7 Life Cycle Hypothesis

The life cycle hypothesis of savings was developed by Ando and Modigliani in 1963. According to this theory, young investors prefer to borrow to finance the consumption while they acquire education and skills. At the middle stage of their lives, they repay their debts taken during early stage of lives and also save for later life. In the retirement stage, they are expected to spend down their accumulated assets. The stage of life in which an investor finds himself plays an important role in selecting the components of a particular investment portfolio and demands a strategic focus for disciplined financial planning (Jariwala, 2013).

Moreover, "the demographic factors also play an important role while predicting the expected financial obligation an individual has to face during his/her lifetime such as child's education, marriage and provision for retirement. Each stage in the human life

cycle has a unique financial objective which needs to be fulfilled which in turn plays an important role in credit, saving and investment decisions”.

2.2 Conceptual Review

2.2.1 Concept of Financial Literacy

OECD (2011) defines financial literacy as a combination of awareness, knowledge, skill, attitude, and behavior needed to make sound financial decisions and ultimately achieve individual financial well-being. Financial literacy is a part of behavioral finance whereas the behavioral finance is all about how an individual behaves/should behave with money and income. Financial literacy has five dimensions; financial knowledge, skills, attitude, behavior and well-being (OECD, 2011). Financial literacy could increase the financial knowledge, consciousness and financial skill or confidence of individuals, which help them select better and appropriate financial services from the competitive market.

Financial literacy is an individual’s ability to obtain, understand and evaluate the relevant information necessary to make decisions with an awareness of the likely financial consequences. Beal and Delpachitra (2003) argued, “the financially literate should not only possess the ability to understand the key concepts in money management, a working knowledge of financial institutions, systems and services and a range of analytical skills, but also possess a facilitating attitude to effective and responsible management of financial affairs.”

Financial literacy is the “knowledge of basic economic and financial concepts, as well as the ability to use that knowledge and other financial skills to manage financial resources effectively for a lifetime of financial well-being (Hung, Parker, & Yoong, 2009). Financial literacy is a measure of the degree to which one understands key financial concepts and possesses the ability and confidence to manage personal finances through appropriate, short-term decision-making and sound, long-range financial planning, considering life events and changing economic conditions”.

Financial literacy helps individuals to improve their level of understanding of financial matters which enables them to process financial information and make informed

decisions about one's finances. Financial literacy has a direct relationship to the well-being of individuals (Sharma & Joshi, 2015).

Coussens (2009) stated that financial literacy represents the culmination of financial access, education, and understanding, as well as an individual's interest, attitude, and practices that directly benefits the financial efficiency and effectiveness of the individual, and directly and ultimately benefits that of society at large. In recent years, "financial literacy has gained the attention of a wide range of major banking companies, government agencies, grass-roots consumer and community interest groups, and other organizations. Interest groups, including policymakers, are concerned that consumers lack a working knowledge of financial concepts and do not have the tools they need to make decisions for economic well-being. Such financial literacy deficiencies can affect an individual's or family's day-to-day money management and ability to save for long-term goals such as buying a home, seeking higher education, or financing retirement. Ineffective money management can also result in behaviors that make consumers vulnerable to severe financial crises (Mandell & Lewis, 2006)".

2.2.2 Definition of Investment Decision

Investment is an allocation of resources for medium or long term and the expected effect is to recover the investment costs and have a high profit. The economic and financial environments influence investments, so expected returns are uncertain. The investment decisions are made by individuals after a complete analysis of the investment projects. The risk associated with the investment is one of the crucial factor of investment. The risk exists as there is no certainty about the recovery of the initial investment in the investment projects (Virlics, 2013).

"Investment planning is one of the important areas of personal financial planning and includes developing various investment strategies. These strategies should include designing a systematic investment plan and developing an asset allocation strategy" (Ayieko, 2004).

"The investment decision is influenced by past profit experiences and an investor's estimate about the future profit opportunities as well as the cost of the finance. Any

rational investor would undertake an investment project which provides them higher profits than the cost of finance” (Virlics, 2013).

Every individual desire to invest their hard-earned money in most secure and liquid avenue. However, the investment decision varies for every individual depending on their risk-taking ability and the purpose for which such investment is to be done. The investment avenue chosen by individual depend upon their objectives. Thus, for a good investment decision, an investor must understand the possible opportunities and such decisions should be made after a detailed analysis and not on hunch, as a wrong decision means loss of money.

2.2.3 Importance of Financial Literacy

Financial wellbeing of an individual investor is related to their level of financial literacy. Financial literacy refers to the process of acquiring knowledge about various financial products, understanding the risk-return trade off, utilizing the knowledge to make informed choices and appreciating the available professional knowledge (Jariwala, 2013).

The absence of financial literacy may result in lack of necessary financial knowledge and difficulties in applying the financial knowledge which leads to the poor financial judgments and poor financial management of individuals. A financially illiterate individual voluntarily opts for financial exclusion or prefer to obtain financial information from unreliable sources which can mire households into debt and lead to lower standards of living. The absence of this knowledge and skill may pose a variety of risk to individuals, society and economy as a whole. Thus, financial literacy is a hugely significant issue for financial systems of any country, as it both drives and distorts investment behavior of individuals.

Growing numbers of consumers are able to access myriad of financial products and services provided by the variety of providers through the various distribution channels. Moreover, deregulation and liberalization of financial markets and reduction of costs through financial engineering and developments in information and telecommunication have brought many newer financial products and services tailored to meet needs of the

market. The financial products and services innovations enabled the consumers to gain access to greater variety of financial products and services with a lot of choices to park their savings in some of them. Along with the choices, the consumers are provided with a lot of challenges to understand the benefits and costs associated with the innovations and more specific risk-return matrix inherent to each innovation. In the recent years, investment instruments in the financial markets have become increasingly complex which has significantly increased the importance of financial literacy (Amoah, 2016).

The information asymmetry between the markets and investors is becoming increasingly difficult to make informed decisions. The financial literacy not only ensures that individuals understand the financial concepts but also help in promoting financial literacy and ultimately, financial stability (Jariwala, 2013). For a layman, the increased complexity of financial products and services has made it difficult to make financial decisions. The root problem is the inability of investors to understand basic financial concepts. The understanding of multifaceted features of financial products and services is quite difficult for the average individual which result into greater perceived risk, need to search greater volume of information to make comparison across a number of factors which in turn makes decision making more complex, and subsequent delay in making investment decision (Jariwala, 2013).

The change in the family structure has also increased the responsibility of the individuals. Nuclear family structure requires individuals to make numerous financial decisions related to spending, saving, investment, credit etc. Moreover, the rising cost of education makes it important for parents to plan and invest adequately for their children's education (Amoah, 2016).

A research conducted by Hogarth (2002) found that financial literacy is crucial as well-informed and well-educated consumers make improved financial decisions enabling economic security and well-being for themselves, and further contributing to fostering community economic development. In order to make independent decisions regarding financials savings for their present and retirements, the standard of financial education needs a huge transformation. Moreover, the increasing complexity of the financial products coupled with the increasing responsibility on the part of individuals for their own financial security has led to the increased interest in the financial education.

2.2.4 Challenges of Financial Literacy

Women display “lower financial knowledge than men and are also less confident in their skills and long-term investment plans. However, in the short term, women appear to have more reasonable money management behavior than men, but they lack knowledge in financials and long-term planning, which creates inequality between genders. Moreover, women are more risk averse and less likely to invest in risky assets, such as mutual funds and stocks” (Mitchell & Abusheva, 2016).

Moreover, the syllabus of the universities and school do not prepare students enough to reach the skillset and knowledge required to take wise financial decisions. This demonstrates that students are not taught the crucial aspect that would affect their entire lives (Jariwala, 2013). Thus, not imparting sufficient financial knowledge through personal finance is another challenge of financial literacy in developing countries like Nepal.

2.3 Empirical Review

Arif (2015) examined financial literacy and other factors influencing individuals’ investment decision: evidence from a developing economy. The main objective of the study was to “assess the financial literacy of the individual investors in Pakistan. In addition, it examines the relationship between financial literacy and the influence of the factors that affect the investment decision. A modified questionnaire has been used to collect the data containing questions related to demography of the investors, factors affecting the investment decisions and financial literacy level of the individual investors at Karachi Stock Exchange the biggest exchange of Pakistan. The data was collected from 154 respondents. The results found that the financial literacy level of the investors is below average. There was a significant difference in financial literacy was found between the respondents regarding age, gender, work activity and marital status of the respondents. Finally, the results indicate that there was a negative significant impact of financial literacy on the sum of investment factors at 10 percent significant level. The most affecting factor was condition of financial statements and firm status in industry. The current study was being done for the first time in Pakistan”.

Hamza and Arif (2019) examined “impact of financial literacy on investment decisions: the mediating effect of big-five personality traits model. The main objective of the study was to examine the impact of financial literacy on investment decisions with the mediating effect of personality traits based on the big-five model. A total of 235 responses from Karachi were collected using the convenience sampling technique. This study used correlation and multiple regression analysis was used alongside the Smart-PLS software for data analysis. The results suggested that financial literacy did not have a significant effect on investment decisions through agreeableness, conscientiousness and extraversion. However, financial literacy had a significant negative impact on investment decisions through openness to experience and a significant positive impact through neuroticism. The study helps improve our understanding of investor behavior by considering the mediating role of big five personality traits on the relationship between financial literacy and investment decisions”.

Kumari (2020) investigated the impact of financial literacy on investment decisions: with special reference to undergraduates in western province, Sri Lanka. The main objective of the study was to examine “the impact of financial literacy on investing decisions among undergraduates in the western province in Sri Lanka. A total of 200 students from 4 government universities in the western province of Sri Lanka participated in this study. The present study employed a few determinants to assesses financial literacy as students’ knowledge about financial products, Accessing financial products, money management, knowledge about financial investment option, and financial skills. The study focused to examine, how a student's level of financial literacy influences his/her financial opinions, decisions and practices. The findings revealed that financial literacy positively and significantly influenced on the undergraduates’ investment decisions. Further, when it focused on the dimensions of financial literacy, the most significant dimension was financial skills. The knowledge about the financial product is identified as the least significant dimension on investment decision of the undergraduates”.

Alaaraj and Bakri (2020) investigated the effect of financial literacy on investment decision making in southern Lebanon. This study explored at how financial literacy affected South Lebanon investors' decisions regarding investments. Financial literacy is described as knowledge and awareness, whereas investors' decision-making is defined as their actions and how they observe, anticipate, investigate, and evaluate the

phases and transaction for decision making. 150 self-administered questionnaires were collected using convenience sampling as part of a quantitative approach to achieve the study objective. SPSS was used to examine the data. Descriptive statistics, multi-regression analysis and Pearson correlation are used to assess the presented hypotheses. This study found that financial knowledge had significant positive impact on investment decision. Similarly, financial awareness had significant positive impact on investment decision making. Hence, this study concluded that a positive significant effect of financial literacy on investment decision making.

Balagobei and Prashanthan (2021) examined impact of financial literacy on investment decisions: evidence from individual investors in Jaffna district. The aim of the study was to determine the impact of financial literacy on the investment decisions made by individual investors in the Jaffna region. This study also looks into the ways that financial behavior, attitude, and knowledge affect the investing decisions made by individual investors. Two hundred Jaffna-based individual investors were selected at random to form the sample, and a standardized questionnaire was used to collect primary data. The data were examined using correlation, regression, t-test, and ANOVA procedures. The findings showed that financial literacy had a major positive influence on individual investors' investment decisions in the Jaffna area. The results suggested that in order to support individual investors in making well-informed investment decisions, there was a need for efficient financial literacy programs that concentrate particularly on improving financial knowledge, behavior, and attitude.

Walakumbura (2021) assessed the effect of financial literacy on personal investment decisions amongst medical practitioners in Sri Lanka. The main objective of the study was to investigate how medical professionals' decisions concerning personal investments are influenced by their level of financial literacy. Personal investment decisions have been considered the dependent variable, whereas financial knowledge, financial aptitude, and financial attitude have been considered proxies for the independent variable. The deductive method included primary data given by 205 persons nationwide. One kind of descriptive and inferential statistics used in the investigation is multiple linear regression. The findings indicated that financial knowledge and skills had a significant impact on investing decisions, while financial attitude had little bearing on these decisions. All those who are willing to make wise

investment decisions, scholars, policy officials, and other interested parties can benefit from the empirical results of this study.

Suresh (2021) analyzed the impact of financial literacy and behavioural biases on investment decision-making. The main objective of the study was to “evaluate the combined impact of financial literacy and behavioural biases on investment decisions. A questionnaire was developed using Likert scaling technique to elicit study variables and collected data was analyzed using SEM technique. The results showed that heuristic bias had a significant positive association with the creation of behavioural bias in decision-making. However, the framing effect, cognitive illusions and herd mentality have negative associations in the formation of behavioural biases. Further, investors often practice and follow heuristic biases rather than other irrational techniques for making investment decisions. Therefore, the financial literacy of individual investors has a significant impact on affecting stock market investment decisions”.

Tennekoon and Liyanage (2021) investigated impact of financial literacy levels among Sri lankan investors on investment choices. “The purpose of this study was to investigate the level of financial literacy among Sri Lankan investors and its impact on investment choices. A sample of 352 responses was obtained through a survey which was conducted using structured self-administered questionnaire. The independent variable of the research is financial literacy with the dependent variable being the investment choice. Multinomial logistic regression was used to test the hypothesis. The results of the study revealed that the majority of investors in Sri Lanka were having low objective and subjective financial literacy. Further, the results revealed that financial literacy had a statistically significant impact on the current and future choice of different investment products as the main source of investment”.

Hussain et al. (2022) investigated financial literacy and investment decisions: Evidence from Pakistan. The main objective of the study was to “evaluate the key factors associated with financial literacy and examines the effect of financial literacy on investment decisions in Pakistan. The 504 samples were collected via a self-administered questionnaire. The study adopts both OLS and logistic regression techniques to analyze the data. The findings showed that the significant factors which

increase financial literacy are father education, father income and marital status. However, guardian occupation decreases financial literacy level. Additionally, the results show that financial literacy can enhance investment decisions”.

Paramita and Henny (2022) examined the effect of financial literacy on stock investment decisions. This study aimed to examine and clarify the impact of investors' financial literacy on their investing decisions. 79 respondents were selected for the study's samples using a snowball sampling technique and non-probability sampling. An online questionnaire was used for the sampling process. This study employs structural equation modeling (SEM), an analytical technique that makes use of the Smart PLS analysis tool. The findings demonstrated that investment decisions were positively impacted by financial literacy, as measured by financial attitudes, financial knowledge, and financial behavior. As empirical evidence, the results demonstrated that an investor's attitudes, knowledge, and behavior influence their investment decisions in line with the theory of planned behavior. The study's practical implications include the possibility of using the findings as a foundational model to assist investors in choosing stocks to buy.

Lamichhane (2023) investigated investment behaviour and financial literacy: a case of Kathmandu Valley. This study evaluated the connection between financial literacy and investing behavior in the Kathmandu Valley. Investment behavior is the dependent variable. The selected independent variables are financial aspirations, financial knowledge, financial awareness, financial experience, financial skills, and financial competence. For the study, 158 respondents supplied primary data. A methodical questionnaire is developed in order to achieve the goals of the research. In the Kathmandu Valley, regression models and correlation coefficients are produced to evaluate the influence of financial literacy on investing behavior. The result showed that financial knowledge had a positive impact on investment behaviour. The result also revealed that financial awareness had a positive impact on investment behaviour. Moreover, financial experience had a positive impact on investment behaviour. Furthermore, financial skill had a positive impact on investment behaviour. Similarly, the result also showed that financial capability has a positive impact on investment behaviour. Moreover, financial goal had a positive impact on investment behaviour.

Shrestha et al. (2023) investigated impact of financial literacy on personal investment decisions in Kathmandu Valley. The main objective of the study was to evaluate the influence of financial literacy on individual investment choices made in the Kathmandu Valley. For this investigation, a causal and descriptive study was created. Structured questions were created and utilized in a questionnaire survey to gather data. The subjects of the study were stock market participants. 200 samples were obtained using the convenience sampling method. To thoroughly evaluate the data, descriptive statistics, regression analysis, correlation analysis, and reliability analysis were all applied. The study found “that financial behavior, financial attitude, financial awareness, and financial skill had a significant impact on investment decisions. Policymakers should promote financial literacy and investor protection in order to enhance financial outcomes for individuals as well as society at large”.

Sapiri and Awaluddin (2023) examined the distribution of financial attitude, financial behavior, financial knowledge and financial literacy on the investment decision behavior of young investors. The main purpose of the study was to evaluate the distribution of financial attitude, financial behavior, financial knowledge and financial literacy on the investment decision behavior of young investors. “The sample size was 110 people which was determined using the minimum sample method. The analytical tool used in this research is multiple linear regression analysis. This study found that distribution of financial attitude, financial behavior, financial knowledge and financial literacy had a positive and significant effect both simultaneously and partially on the investment decision behavior of young investors”.

Subedi (2023) analyzed financial literacy and investment decisions in Nepalese share market. The main objective of the study was to examine the “role of financial literacy on the investment decisions of investors in the Nepalese share market. Financial literacy is expressed in personal saving, risk tolerance, investment options, and financial knowledge. The data were collected through a structured questionnaire using the convenience sampling method from 384 respondents of Kathmandu Valley. Pearson correlation and multiple regression analysis have been used to analyze data. The study results revealed a positive and significant relationship between the dimensions of financial literacy and investment decisions in the Nepalese share market. Low financial

literacy and lack of financial information affect the ability to save and make sound financial decisions. Ignorance of basic financial concepts results in negative behavior in saving and investment decisions”.

Sumantri, Fahmi and Sari (2024) evaluated the effect of financial literacy (financial awareness, financial capability and financial behavior) on investment decisions in micro, small and medium enterprises (MSMEs) in Indonesia. The main objective of the study was to evaluate the influence of financial literacy which encompasses financial knowledge, financial competence, and financial behavior on the investment choices made by Micro, Small, and Medium-Sized Enterprises (MSMEs) in Indonesia. Data from the survey were analyzed using Structural Equation Modelling with Partial Least Squares (SEM-PLS), and 164 respondents made up the sample. The results found that that investing decisions are influenced by a combination of financial behaviour, financial competence, and financial awareness. Specifically, more informed, strategic, and cautious investing choices are linked to better financial literacy levels. The findings of this study demonstrated how crucial it was to raise financial literacy among Indonesia's MSMEs in order to foster competitiveness and economic growth.

Handini (2024) investigated the impact of financial literacy, investment knowledge, and investment motivation on investment decisions. The main objective of the study was to investigate the “relationship between management students' investment decisions and their financial literacy, knowledge, and motivation at Dr. Soetomo University in Surabaya. A total of 308 students from this academic program were chosen for the study using purposive sampling techniques, guaranteeing that the study's population is representative of the student body. Among these were evaluations of reliability and validity, analyses of multiple linear regression, tests of classical assumptions, evaluations of correlation coefficients, and F and t-tests. The study found no statistically significant impact of financial literacy on investment decisions, contrary to expectations. The results of the study, however, highlighted the importance of respondents' unique investment knowledge and motivation in molding their investment choices. Students' level of financial literacy, investment knowledge, and investment motivation significantly impacted their investment decisions as a whole”.

2.3 Research Gap

It refers to gap or difference between previous studies and this study. The financial literacy is an important aspect that allows individuals to make informed financial decisions. Financially literate investors often make effective investment decisions and make fewer mistakes compared to the financially illiterate investors. Thus, the concept of financial literacy has a great importance in the individuals' investment. Only a few investors consider following the market trend, understand the technical and fundamental concepts which making their investments. Furthermore, there is a low level of financial literacy among various demographic groups of the individuals of different countries, irrespective of stage of the economic development of a country. However, “there has not been sufficient research regarding the impact of financial literacy on the investment decisions in context to Nepal. To the best of the researcher's knowledge there are no prior studies conducted on the impact of financial literacy using same dimensions on the personal investment decision in context to Kathmandu Valley”. Further, previous studies these independent variables (financial knowledge, financial awareness, financial skill and financial attitude) are not studied together and also these variables are not studied with effect of financial literacy on investors' investment decisions in Nepalese stock market. Therefore, this research has fulfilled that gap.

CHAPTER - III

RESEARCH METHODOLOGY

Research methodology is the systematic method of finding solution to a problem i.e. systematic collection, recording, analysis, interpretation and reporting of information about various facts of a phenomenon under study. In this study research methodology describe the methods and processes applied in the entire aspect of the study. This chapter describes research design, population and sample, and sampling design, nature and sources of data, and the instrument of data collection, method of analysis and research framework and definition of variables.

3.1 Research Design

This study is based on descriptive research design and causal research design to deal with fundamental issues associated with the financial literacy on the personal investment decisions in Kathmandu Valley. This study adopts descriptive research design to analyze the financial literacy characteristics and status which can help take investment decision in Nepalese stock market. Causal research design is used to find the cause and effect of financial literacy factors on investors' investment decision.

3.2 Population and Sample, and Sampling Design

Population is the complete set of cases or group from which a sample is taken. The sample is a subset of a larger population, selected by the researcher to participate in a research project. As for this present study, since all the investors within Kathmandu Valley of different companies listed in NEPSE such as commercial banks, development banks, finance, insurance, manufacturing, hydropower and other will be considered are the population. However, there is no exactly data of investors of Kathmandu Valley. So, this study will have the infinite population. The researcher will select the sample size by applying the formula when population is unknown. Cochran (1977) presents the following formula for sample size working within an infinite population.

$$n = \frac{Z^2 p(1-p)}{e^2}$$

n= sample size, Z=1.96 from the normal area table, if there is population infinite then put the value of p=0.5, and e= error which is 5 percent so the value of e is 0.05.

$$\begin{aligned}
 n &= \frac{Z^2 p(1-p)}{e^2} \\
 &= \frac{1.96^2 \times 0.50(1-0.50)}{0.05^2} \\
 &= 384.1458821
 \end{aligned}$$

So, the sample size of the study is 384.

The sampling technique for the study follow convenience sampling because the researcher will choose those respondents of Kathmandu Valley to reach and get in touch with. So, it will be easy way to get information easy way to get information compared to other sampling methods.

3.3 Nature and Sources of Data, and Instruments

The primary data were used to extract the information from the investors regarding the behavioral bias and its impact on investment decision of investors in Nepalese stock market. Structured set of 5 point likert Scale questionnaires were distributed to the investors.

3.4 Method of Analysis

Various statistical tools were employed in the study. The statistical tools used in this write what statistical study to analyze the data findings are mentioned in the following sub sections:

Mean

The mean, calculated by dividing the total sum of values by their count, represents the arithmetic average of a set of values or quantities. It serves as a measure of central tendency in data analysis, indicating the typical value. The arithmetic mean is widely used and easily understood. In this study, it is used to determine the average response of respondents to various variables measured on a Likert scale. This involves summing up all responses and dividing by the number of respondents to find the mean value across all samples.

$$\text{Mean } (\bar{X}) = \frac{\sum X}{n}$$

Where,

$\sum X$ = Value of responses of each independent or dependent variable

n = No. of statements

Standard Deviation

The standard deviation is a measure of dispersion that indicates how much data values vary from the mean. It is the positive square root of variance and shares the same units as the data, unlike variance. A larger standard deviation signifies greater dispersion of data points from the mean. In this study, standard deviation is calculated for each sample based on responses measured on a Likert scale

Variance

Variance measures the spread of numbers within a dataset by quantifying how each value deviates from the mean. It involves squaring the differences between each value and the mean, summing these squares, and dividing by the total number of values in the set. Variance provides a statistical measure of variability and is particularly useful in probability distributions. In this study, variance is computed for Likert scale responses in each sample to assess the variability of responses from the mean.

ANOVA

ANOVA, or analysis of variance, is a series of statistical models and the corresponding estimate techniques that are used to examine how group averages in a sample differ from one another. ANOVA is used to examine overall differences in means as opposed to particular ones. This method evaluates possible variations in a dependent variable at the scale level using a nominal variable with two or more categories. In its most basic version, an ANOVA expands the scope of the t-test to include more than two groups and offers a statistical test to determine if the population means of many groups are equal. When comparing the means of three or more groups for statistical significance, an ANOVA is helpful. In theory, it is comparable to several two-sample t-tests. The Fisher analysis of variance is another name for this test.

Correlation Coefficient (r)

The correlation coefficient measures the relationship between two independent variables, indicating the strength of their association. It determines how changes in one

variable correspond to changes in another, reflecting a strong correlation when fluctuations in the independent variable impact the dependent variable. In this study, correlation is computed for Likert scale responses in each sample to assess the degree of association between independent and dependent variables. The formula for the correlation coefficient (r) is:

$$r = \frac{n \sum XY - \sum X \sum Y}{\sqrt{n \sum X^2 - (\sum X)^2} \sqrt{n \sum Y^2 - (\sum Y)^2}}$$

where X represents the independent variable, Y the dependent variable, and n the number of responses.

Regression analysis, on the other hand, is a statistical method used to evaluate how one or more independent variables predict a dependent variable. It encompasses various techniques for modeling relationships among multiple variables to understand their interdependencies. In this study, regression analysis is employed to determine the directional impact of independent variables, measured via Likert scale responses, on the dependent variable of investment decision performance. The theoretical model describing this relationship is formulated as follows:

$$ID = \beta_0 + \beta_1 FK + \beta_2 FAW + \beta_3 FS + \beta_4 FA + \varepsilon$$

Where,

ID= Investment Decision

FK = Financial Knowledge

FAW = Financial Awareness

FS = Financial Skills

FA = Financial Attitude

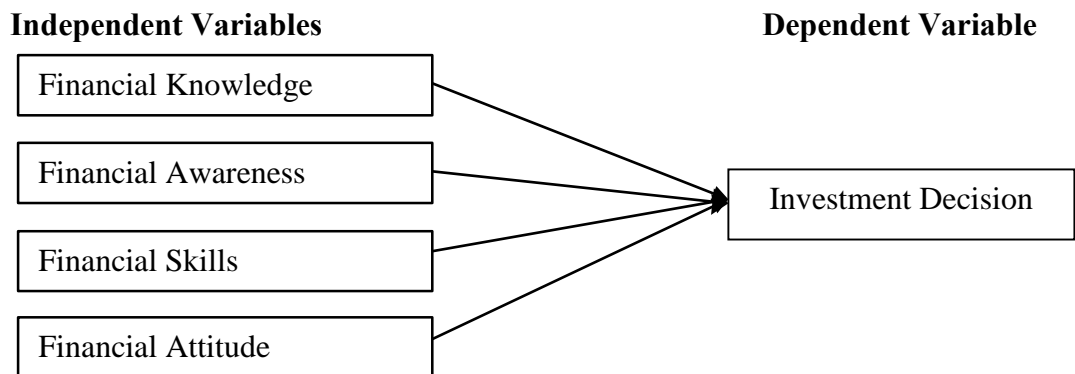
β_0 = The intercept (constant)

$\beta_1, \beta_2, \beta_3, \beta_4$ = Coefficient of variables

ε = Error term.

3.5 Research Framework and Definition of the Variables

From the theoretical and empirical literature reviews, the following research framework of the study is developed by the researcher.

Figure 3.1.*Research Framework of the Study*

Source: Balagobei and Prashanthan (2021); Walakumbura (2021); Paramita and Henny (2022) and Shrestha et al. (2023)

Independent Variables

Financial Knowledge

A person's level of financial knowledge is determined by how well they understand basic financial concepts including compound interest, inflation, deposits, time value of money, diversification, interest rates, debt, and assets (Dewi et al., 2020). Balagobei and Prashanthan (2021) found that financial knowledge had significant positive impact on investment decision. Shrestha et al. (2023) found that financial knowledge had positive effect on personal investment decision.

Financial Awareness

Financial awareness is the process of cultivating an awareness of one's personal financial well-being. It includes market data, tools for financial education, familiarity with financial products, and comfort level while discussing financial concerns. Shrestha et al. (2023) concluded that there was positive effect of financial awareness on personal investment decision. Lamichhane (2023) revealed that financial awareness had a significant positive impact on investment behaviour.

Financial Skill

Financial skills are the ability to make financial decisions that lessen the possibility of encountering financial issues. Shrestha et al. (2023) observed that financial skill had significant positive effect on personal investment decision. Walakumbura (2021)

mentioned that financial skill had significant positive impact on financial skill on investment decision.

Financial Attitude

A person's attitudes, beliefs, and perceptions regarding their planning, saving, investing, and spending habits make up their financial attitude, which is an important factor to consider when making investment decisions. Financial attitudes are the result of a combination of beliefs, understandings, and emotions related to schooling that make one want to react favorably. Balagobei and Prashanthan (2021) found that financial attitude had significant positive impact on investment decision. Shrestha et al. (2023) observed that financial attitude had significant positive effect on personal investment decision.

Dependent Variable

Investment Decision

Investing is the process of allocating savings to capital assets, goods, and services in the hopes of earning a favorable rate of return. Whether investing as an individual or on behalf of management of a firm engaged, investors need to determine the best course of action, including how, when, where, and how much money to invest. A person's limited financial resources and the market's supply of goods and services influence the choices they make while making investments, which are a range of possibilities, selected utilizing practical financial literacy abilities (Alaaraj & Bakri, 2020).

CHAPTER – IV

DATA PRESENTATION AND ANALYSIS

The main goal of this study is to investigate effect of financial literacy on investors' investment decisions in Nepalese stock market, as the researcher covered in earlier chapters. Thus, this chapter, which is divided into three sections, deals with the discussion's analysis and results. The demographic profile, descriptive, and correlation analyses of the study's variables were reported in the first section. The assumptions of the linear regression model were fulfilled in the second section, and the regression's findings were presented in the third section. For additional statistical analysis, the ratio of the designated dependent and independent variables is determined using data analysis algorithms that measure ratio scales. The statistical analysis of the gathered data is conducted with the assistance of SPSS version 26.

4.1 Data Presentation

4.1.1 Demographic Profile of Respondents

This section focuses on demographic analysis and the interpretation of primary survey data. Specifically, it includes an analysis of respondent gender profiles, with all respondents hailing from Kathmandu Valley.

Table 1

Gender Specification

Gender	No. of Respondents	Response (percent)
Male	264	68.75
Female	120	31.25
Total	384	100

Note. Opinion Survey, 2024

Table 1 shows the distribution of the respondents on the basis of gender. In this study, information is gathered from 384 participants and examined, with a focus on the Kathmandu Valley. Male respondents made up 67.45 percent of the total respondents, which suggests that male investors make up the majority of the population. Compared to female respondents, the majority of the 384 respondents' responses are from men. However, when asked about financial literacy and how it affects stock market investors' decisions to invest, 32.55 percent of the respondents were female. According to these

findings, men were more likely than women to have invested in the research area's stock market. In this instance, the primary survey participants were both male and female respondents.

Table 2

Age wise distribution of Respondents

Age	No. of Respondents	Response (percent)
18-25	47	12.24
26-35	304	79.17
36 and above	33	8.59
Total	384	100

Note. Opinion Survey, 2024

According to Table 2, which provides an age description of the respondents, 79.17 percent of the respondents are in the 26–35 age range in the Kathmandu Valley. The age group of 36 and older makes up the smallest percentage of stock market investors. Nonetheless, the bulk of responders are young. Furthermore, of those who responded, 12.24 percent identified as belonging to the 18–25 age group and 8.59 percent as representing the 36 and older age group. This suggests that 91.41 percent of all stock market investors in Nepal are young, active individuals who are able to make stock market investments, among other things.

Table 3

Education Level of the Respondents

Education	No. of Respondents	Response (percent)
PCL and below	0	0.00
Bachelor	225	58.59
Masters and above	159	41.41
Total	384	100

Note. Opinion Survey, 2024

Table 3 presents the education profile of the respondents. As to the report, of the 384 investors who were questioned, 225 (58.59 percent) had a bachelor's degree, while 159 (41.41 percent) had a master's degree and above. Additionally, no investor with a PCL or less has made an investment or there is no respondent PCL and below education in this study.

The results suggest that most of the respondents who were questioned could read and comprehend the questionnaires that were utilized for this investigation. As a result, the respondents were able to give accurate responses and demonstrated that they were aware of how behavioral aspects affect stock market investing decisions.

Table 4

Year of Experience of Investors

Year of Investment	No. of Respondents	Response (percent)
Fresher	131	34.11
1-5 years	178	46.35
5-10 years	61	15.89
10 years and above	14	3.65
Total	384	100

Note. Opinion Survey, 2024

Table 4 also included details on the respondent's stock market investment background. Of the 384 respondents, 178 (46.35%) have been investing for one to five years, while 131 (34.11%) have been investing for a shorter period of time. Furthermore, it is found that 14 respondents, or 3.65 percent, have been investors for 10 years or more, whereas 61 respondents, or 15.89 percent, have been investors for five to ten years.

4.1.2 Descriptive Statistics Analysis

In this study, data analysis utilizes the mean and standard deviation methods. A higher mean suggests a stronger consensus among respondents that financial literacy significantly influences investment decisions.

Financial Knowledge

This section employs descriptive analysis to explore the impact of financial knowledge on investors' decisions in the Nepalese stock market. Financial knowledge in this study is assessed using five items measured on a five-point Likert scale, ranging from 1 (strongly disagree) to 5 (strongly agree). The mean and standard deviation of responses are calculated to gauge the opinions of respondents. The standard deviation indicates variability from the average mean of responses, while the mean value represents the average sentiment of respondents. This information illustrates the influence of financial knowledge on investment decisions made by investors in the stock market.

Table 5*Financial Knowledge*

Scale Items of Financial Knowledge	Mean	Std. Dev.
FK1 Buying a company stock usually provides a safer return than stock mutual fund.	3.8464	1.02697
FK2 When interest rate rises the bond price falls	3.8438	1.06527
FK3 Company stocks are riskier than bonds	3.7396	1.02445
FK4 “Investing in various assets will spread the risk of losing money”.	3.8828	1.00095
FK5 Bonds compared to savings accounts and stocks considering a long investment period gives highest interest return	3.9036	.90175

Note. Appendix-I

Table 5 presents descriptive statistics for five different scale items that are financial knowledge used by stock market investors. The scale item with the highest mean 3.9036 score among all was FK5, “Bonds compared to savings accounts and stocks considering a long investment period give highest interest return.” The lowest mean, 3.7396, was found for scale item FK3, “Company stocks are riskier than bonds.” The following table shows that, over an extended investment period, bonds yield the highest interest return when compared to savings accounts and equities. Investing in a variety of assets will also diversify the risk of losing money.

Financial Attitude

This section uses descriptive analysis to examine how financial attitude affect stock market investing decisions made by investors. Financial attitude factors five claims in this study. A five-point Likert scale is used to measure the variable. 1 being very disagreed and 5 being firmly agreed. The mean and standard deviation of the responses are calculated to observe the respondents’ opinions. The standard deviation displays the variation from the average mean of the respondents, whereas the mean value indicates the average state of the respondents' feelings. The information below illustrates how financial attitude affect stock market investing decisions made by investors.

Table 6*Financial Attitude*

Scale Items of Financial Attitude	Mean	Std. Dev.
FA1 I feel in control of my financial situation	3.8646	.89524
FA2 I have developed a spending and savings plan (personal budget).	3.7865	1.04530
FA3 I am not willing to take loans at high interest rates	3.6875	1.05773
FA4 I feel capable of using my future income to achieve my financial goals	3.7995	1.01111
FA5 I make financial investments with long maturity periods	3.7005	1.02011

Note. Appendix-I

Table 6 presents descriptive statistics for five distinct scale items related to financial attitude of stock market investors. FA1, “I feel in control of my financial situation,” earned the highest mean score of all the scale items, 3.8646. The lowest mean, 3.6875, was found for scale item FA3, “I am not willing to take loans at high interest rates.” The aforementioned table indicates that investors feel in control of my financial situation and feel capable of using my future income to achieve my financial goals.

Financial Skill

This section uses descriptive analysis to demonstrate how financial skill affects investors' stock market investment decisions. There are five distinct assertions that are market factors. The Likert scale for this domain has five points: 1 for strongly disagree and 5 for strongly agree. The mean and standard deviation are calculated to observe the respondents' opinions. The standard deviation displays the variation from the average mean of the respondents, whereas the mean value indicates the average state of the respondents' feelings.

Table 7*Financial Skill*

Scale Items of Financial Skill	Mean	Std. Deviation
FS1 I prepare a monthly budget to manage my money.	3.8021	1.06076
FS2 I plan to purchase financial products that suits my needs and conditions.	3.8620	.96908
FS3 I evaluate the cost of borrowing before signing a loan	3.8776	1.02099
FS4 I do financial planning for the future.	3.8203	1.00469
FS5 I keep a personal watch on my financial affairs relating to my assets, debts and savings	3.6641	1.08595

Note. Appendix-I

Table 7 presents descriptive statistics of five distinct financial skill pertaining to stock market investors. The item FS3, “I evaluate the cost of borrowing before signing for a loan,” earned the highest mean score of all the scale items, 3.6927. The lowest mean, 3.4531, was found for scale item FS5, “I keep a personal watch on my financial affairs relating to my assets, debts and savings.” It is evident from the data that investors evaluate the cost of borrowing before signing for a loan and they plan to purchase financial products that suits my needs and conditions.

Financial Awareness

Using a descriptive approach, this section investigates the state of financial awareness. The study's list of financial awareness variables consists of five items. A five-point Likert scale is used to measure the variable. 1 being very disagreed and 5 being firmly agreed. The mean and standard deviation of the responses are calculated to observe the respondents' opinions. The standard deviation displays the variation from the average mean of the respondents, whereas the mean value indicates the average state of the respondents' feelings. The information below illustrates how financial awareness affect stock market investing decisions made by investors.

Table 8

Financial Awareness

Scale Items of Financial Awareness	Mean	Std. Dev.
FA1 “I understand my statements of financial position”.	3.7292	1.03191
FA2 “I am aware about the prevailing interest rates available in the market”.	3.7422	1.04154
FA3 “I am aware about the prevailing tax rates”.	3.8073	1.02162
FA4 “I am well informed about KYC document.”	3.8281	.98640
FA5 “I am aware of the performance of my investments outside of my retirement saving plans”	3.7734	1.09269

Note. Appendix-I

Table 8 presents descriptive statistics for five distinct scale items of financial awareness representing stock market investor. FA4, “I am well informed about KYC document,” earned the highest mean score of all the scale items, 3.8281. The lowest mean, 3.7292, was found for scale item FA1, “I understand my statements of financial position.” It is clear from the data that investors are well informed about KYC document and they are aware about the prevailing tax rates.

Investment Decision

Through descriptive analysis, the state of investment decision is demonstrated in this part. Five statements are included in the investment decisions. The Likert scale for this domain has five points: 1 for strongly disagree and 5 for strongly agree. The mean and standard deviation are calculated to observe the respondents' opinions. The standard deviation displays the variation from the average mean of the respondents, whereas the mean value indicates the average state of the respondents' feelings.

Table 9

Investment Decision

Scale Items of Investment Decision	Mean	Std. Deviation
ID1 I will invest in stock market frequently	3.6823	1.13713
ID2 I consult to my family and friends before making investment decisions.	3.7448	1.03337
ID3 I will invest in the stock market in near future	3.7786	1.06227
ID4 I will recommend other to invest in the stock market	3.6979	1.16179
ID5 I tend to save money regularly	3.7760	1.05803

Note. Appendix-I

Table 9 showed the individual scale components of the investment decision. Among five scale items ID3 “I will invest in the stock market in near future” scored the highest mean value 3.7786 with standard deviation 1.06227. Then, scale item ID1, “The return rate of my recent stock investment meets my expectation,” got the lowest score, with a mean value of 3.6823 and a standard deviation of 1.13713. The results of the research indicate that investors felt content with my choices regarding purchases, sales, volume of stock selection, and stock selection during the previous year, and that their rate of return was either higher than or equal to the market's average return.

4.1.3 Summary of Descriptive Analysis

The impact of financial literacy on investors' investment decisions in the Nepalese stock market is assessed using the mean value and standard deviation for each dimension. According to Creswell (2012), who provides reliable guidelines, mean values are interpreted as follows: less than 1.5 indicates very low, 1.5 to 2.5 indicates low, 2.5 to 3.5 indicates moderate, 3.5 to 4.5 indicates high, and greater than or equal to 4.5

indicates very high. This framework allows the researcher to categorize participants' mean scores for each variable description based on the assessed mean score.

Table 10

Summary of Descriptive Analysis

Study Variables	Mean	Std. Deviation	Evaluation of Mean Score
Financial Knowledge (FK)	3.8432	.76783	High
Financial Attitude (FA)	3.7677	.79173	High
Financial Skill (FS)	3.8052	.76747	High
Financial Awareness (FAW)	3.7760	.85713	High
Investment Decision (ID)	3.7359	.82352	High

Source: Appendix-I

The results of the study show that, as shown in Table 10, the investment decisions has a mean score of 3.7359, which denotes a moderate level. With the exception of the financial knowledge components, which fall between 3.7677 and 3.8432, it shows that every financial literacy component element is at a high level. The elements with the highest mean score value of 3.8432 is the financial knowledge, followed by financial attitude, financial skill and financial awareness. The highest mean score of 3.8432 indicates that the financial knowledge component is the primary focus of this investigation. The total value of the highest mean score of 3.5710 suggests that the financial knowledge component is the main element in this study. Then, it's clear that the majority of investors feel that their level of investment decision-making is high and that financial knowledge factors have a significant impact on their investment decision. A total mean score of 3.7359 is obtained by the investment decision (ID), while financial knowledge (FK), financial attitude (FA), financial skill (FS) and financial awareness (FAW) received scores of 3.8432, 3.7677, 3.8052 and 3.7760 respectively.

4.1.4 Correlation Analysis

The impact of financial literacy on investing decisions in stock market is investigated using correlation analysis. The relationship between the dependent and independent variables investment choice performance and financial literacy is shown in the following tables. Correlation analysis was used in this study to determine the connection between the variables. Using the SPSS software, the researcher determined the correlation coefficient value in this analysis. The general association between financial literacy and investment decision is the main focus of the correlation analysis.

Table 11*Pearson Correlation Coefficients of Study Variables*

	FK	FA	FS	FAW	ID
Financial Knowledge (FK)	1				
Financial Attitude (FA)	.419**	1			
Financial Skill (FS)	.528**	.372**	1		
Financial Awareness (FAW)	.414**	.426**	.734**	1	
Investment Decision (ID)	.642**	.621**	.686**	.642**	1

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

Note. Appendix-II

Table 11 shows the results of the correlation test for both the dependent and independent variables using a correlation coefficient matrix. The correlation analysis shows that financial knowledge has significant positive relationship with investment decisions, with a significant value of 0.000 and a coefficient of 0.642. Likewise, the correlation coefficient between financial attitude and investment decision is 0.621, with a significant value of 0.000. Thus, it is evident that financial attitude and investment decision have a significant positive relationship ($P < 0.05$). Additionally, there is a significant positive association ($P < 0.05$) between financial skill and investment decision, as indicated by the correlation value of 0.686, which has a significant value of 0.000. It can be concluded that there is a significant positive relationship ($P < 0.05$) between financial awareness and investment decision based on the correlation value between the two variables, which is 0.642 and has a significant value of 0.000.

4.1.5 Multiple Regression Analysis

A wide range of modeling and analysis tools are used when the relationship between the independent variables (financial knowledge, financial awareness, financial skill and financial attitude) and the dependent variable (investment decision), also known as the investment choices, is the main emphasis.

Table 12*Model Summary*

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.832 ^a	.692	.689	.45952

a. Predictors: (Constant), FAW, FK, FA, FS

Note. Appendix-III

The R square is 0.692. The implication therefore is that, 69.20 percent of the variation in the dependent variable (investment decision) is explained by the independent variables (financial knowledge, financial awareness, financial skill and financial attitude). In this study, the R statistic is 0.832, indicated that there is strong relationship between study variables. This implies that the investment decision was highly influenced by its independent variables. Standard error of estimate is flawlessly associated with regression analysis.

Table 13*Analysis of Variance (ANOVA)*

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	179.713	4	44.928	212.766	.000 ^b
	Residual	80.031	379	.211		
	Total	259.744	383			

a. Dependent Variable: ID

b. Predictors: (Constant), FAW, FK, FA, FS

Note. Appendix-III

Findings indicate that the investment decisions have a major impact. The results indicate a significant relationship between the independent variables and the dependent variable (investment decision), as demonstrated by the F-values of 212.766 ($p = 0.000 < 0.05$) for financial knowledge, financial awareness, financial skill and financial attitude as a proxy for investment decision.

Table 14*Regression Coefficient of Independent Variables on Investment Decision*

Variables	Coefficients	t-statistics	Sig. or p-value
(Constant)	-.503	-3.403	.001
Financial Knowledge (FK)	.303	8.064	.000
Financial Attitude (FA)	.334	9.723	.000
Financial Skill (FS)	.309	6.403	.000
Financial Awareness (FAW)	.170	4.084	.000

a. Dependent Variable: ID

Note. Appendix-III

Table 14 presents the regression coefficient of financial knowledge, financial attitude financial skill and financial awareness and the intercept value of dependent variable investment decision. The coefficient of regression β for financial knowledge is 0.303. According to the findings, if on unit financial knowledge increases, investment decision increases by 0.303 units. The p value of financial knowledge value is 0.000, meaning that they are statistically significant at the five percent significance level. Financial knowledge, therefore, has a significant positive influence on the investment decisions. The coefficient of regression β for financial attitude is 0.334. According to the statistics, the investment decisions increases by 0.334 units for every unit change in financial attitude. Furthermore, at the five percent significance level, the shift is statistically significant, as indicated by the financial attitude's p value of 0.000. Hence, this is significant positive effect of financial attitude on investment decision.

The coefficient of regression (β) for financial skill is 0.309. These statistics show that for every one unit increases in a financial skill, investment decision increased by 0.309 units. At the five percent significance level, the financial skills' p value of 0.000 indicates that they are statistically significant. Therefore, the investment decision is greatly significantly positively impacted by financial skill. Lastly, for financial awareness, the coefficient of regression β is 0.170. Investment decision improved by 0.170 units if each financial awareness increased by one, according to the data, and the p value of financial awareness is 0.000 which shows that the rise is statistically significant at the five percent significance level. As a result, financial awareness has significantly positive effect on investment decisions.

4.2 Major Findings

The main purpose of the study is to evaluate the impact of financial literacy on investors' investment decisions in Nepalese stock market. This study is broadly paying attention on different factors (like financial knowledge, financial awareness, financial skill and financial attitude). This research also highlights the association between different financial literacy and investment decision. Research and previous literature supports the relationship between financial knowledge, financial awareness, financial skill and financial attitude and investment decision. The research literature validates that these factors directly investment decision.

Results obtained from the data analysis for financial knowledge are found to have positive and significant relationship with investment decision. Balagobei and Prashanthan (2021) found a positive and significant relationship between financial knowledge and investment decision. This is also consistent with the finding Paramita and Henny (2022); Shrestha et al. (2023); Subedi (2023). Likewise, financial attitude has positive and statistically significant relationship with investment decision. The result is consistent with Paramita and Henny (2022) which observed positive relationship between financial attitude and investment decision. The result is also consistent with Balagobei and Prashanthan (2021); Shrestha et al. (2023).

There is positive and significant relationship of financial skill and investment decision. The result is line with the findings of Shrestha et al. (2023). mentioned that financial skill have positive and significant positive relationship with investment decision. At the same time, there is positive and significant relationship of financial awareness and investment decision. This finding is similar with the previous study of Shrestha et al. (2023) concluded that financial awareness has positive relationship with investment decision.

The multiple regression analysis found that financial knowledge have significant positive impact on investment decision in stock market. This is consistent with the finding of Kumari (2020). The result is also consistent with Balagobei and Prashanthan (2021); Walakumbura (2021); Paramita and Henny (2022); Shrestha et al. (2023); Sapiri and Awaluddin (2023); Subedi (2023). Likewise, the financial attitude has significant positive impact on investment decision in stock market. This finding is

similar with the prior study of Balagobei and Prashanthan (2021). This result is also consistent with the finding of Paramita and Henny (2022); Shrestha et al. (2023); Sapiri and Awaluddin (2023) found that financial attitude had significant positive impact on investment decision. However, it contradicts with the finding of Walakumbura (2021) concluded that financial attitude had insignificant impact on investment decision.

At the same time, the financial skill has significant positive impact on investment decision. This result is consistent with the finding of Kumari (2020). Moreover, this study also line with the prior study of Walakumbura (2021); Shrestha et al. (2023) mentioned that financial skill had significant positive influence on investment decision. Finally, the financial awareness has significant positive impact one investment decision. This is consistent with the finding of Shrestha et al. (2023). This is also consistent with the finding of Sumantri, Fahmi and Sari (2024) concluded that financial awareness had significant positive impact on investment decision.

CHAPTER – V

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Summary

The importance of financial literacy to people and organizations is enormous. They claim, for instance, that customers who are financially educated make better customers, which lowers risk for financial institutions and boosts their bottom line. Additionally, knowledgeable customers filter out unethical suppliers and activities at the market level, contributing to the market's development and oversight. It is crucial that individuals of all ages possess the ability to make wise investing decisions. An individual's ability to make educated financial decisions has a substantial impact on their ability to manage their financial affairs. An individual's quality of life and financial stability are significantly impacted by the outcomes of their financial decisions. To make wise decisions on a daily basis, households must comprehend the basics of personal finance, which include compound interest, budgeting, and short- and long-term investment risks. These concepts help eliminate most common errors in decision-making. Making intelligent investment decisions requires a sufficient level of financial literacy.

The major objective of this study is to analyze the effect of financial literacy on investors' investment decisions in Nepalese stock market. The other specific objectives are to examine the financial literacy factors influencing the investment decisions of individual investors in Nepalese stock market, to analyze the relationship between financial literacy and investors' investment decisions in Nepalese stock market and to assess the impact of financial literacy such as financial knowledge, financial awareness, financial skill and financial attitude on investors' investment decisions in Nepalese stock market. This study is based on descriptive research design and causal research design to deal with fundamental issues associated with the financial literacy of stock investment decisions of Nepalese investors. This study adopts descriptive research design to analyze the financial literacy characteristics and status which can help take investment decision in Nepalese stock market. Causal research design uses to find the cause and effect of financial literacy on investment decision of investors. Since all the investors within Kathmandu Valley of different companies listed in NEPSE such as

commercial banks, development banks, finance, insurance, manufacturing, hydropower and other are considered are the population but only 384 investors are the sample of this study. The primary data is used to extract the information from the investors regarding the behavioral factors and its impact on investment decision of investors in Nepalese stock market. In this study, descriptive analysis, correlation analysis and multiple regressions are applied by using SPSS version 26. This study use investment decision as dependent variable and financial knowledge, financial attitude, financial skill and financial awareness are the independent variables.

This study found that investors agreed that financial knowledge and financial skill highly affects their investment decision of investors and they believe that their decision is also high. The correlation analysis shows that the correlation analysis reveals that shows that there is significant position association between financial knowledge and investment decision. Similarly, financial attitude has significant positive relationship with investors' investment decision. At the same time, there is significant positive association between financial skill and investment decision. Moreover, correlation value between financial awareness and the investment decision is significant positive. The regression analysis shows that there is significant positive effect of financial knowledge on investment decision. Then, there is also significant positive effect of financial attitude on investment decision. At the meantime, financial skill has significant positive impact on investment decision. Finally, financial awareness has significant positive effect on investment decision. However, financial literacy has significant impact on investors' investment decision in Nepalese stock market.

5.2 Conclusion

It can be concluded that financial knowledge, financial attitude, financial skill and financial awareness are the major factors of investors' investment decision in Nepalese stock market. Specially, this study concluded that investors agreed that financial knowledge and financial skill highly affects investors' investment decision in stock market among the other variables.

The correlation analysis concluded financial knowledge has significant position relationship with investment decision. Likewise, financial attitude has significant positive relationship with investors' investment decision. At the meantime, there is

significant positive association between financial skill and investment decision. Finally, correlation value between financial awareness and the investment decision is significant positive.

The regression analysis concluded that the effect of financial knowledge on investment decision is significant positive. Then, there is also significant positive effect of financial attitude on investment decision. At the meantime, financial skill has significant positive impact on investment decision. Moreover, financial awareness has significant positive effect on investment decision. Therefore, this study concluded that financial literacy has major impact on investment decision in Nepalese stock market.

5.3 Recommendations

The following conclusions and implications are drawn from the summary and conclusion above:

- i. The finding revealed that financial knowledge, financial attitude, financial skill and financial awareness have the significant positive influence on investment decision. The research's findings encouraged the Nepal Stock Exchange to intensify its efforts to raise investor awareness of education since doing so is essential to preventing poor investing results brought on by financial literacy. Accounting and financial seminars are necessary in order to enhance accounting proficiency, which will ultimately enhance the ability to evaluate securities before acquiring and purchasing them.
- ii. Some of the most recent information, statistics, and concerns about investor decision-making behavior and financial literacy aspects may be found in this research. Therefore, investors, future researchers, and students should all find this study to be important.
- iii. In light of the analysis's conclusions, the government will ultimately benefit from it; by identifying the key influencing factors, it will be able to amend necessary laws and other policies to better support market efficiency while also appeasing investors' wishes.

- iv. By enhancing the corpus of information already known in the subject of finance, the research also adds to it. The study will serve as a future reference for academics and researchers who wish to further their understanding of behavioral finance. At the conclusion of the study, the researcher has indicated areas that need more inquiry. This will serve as the basis upon which upcoming academics and researchers will build while formulating their research problems.

- v. More research should be done on how financial literacy affects individual investors' investment decisions at the Nepal Stock Exchange. It should also compare the results across the nation, ideally with a larger sample size for greater accuracy and to determine whether the multinomial logistic regression method will be significant.

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APPENDICES

Appendix-I Descriptive Analysis

	N	Mean	Std. Deviation
FK1	384	3.8464	1.02697
FK2	384	3.8438	1.06527
FK3	384	3.7396	1.02445
FK4	384	3.8828	1.00095
FK5	384	3.9036	.90175
FA1	384	3.8646	.89524
FA2	384	3.7865	1.04530
FA3	384	3.6875	1.05773
FA4	384	3.7995	1.01111
FA5	384	3.7005	1.02011
FS1	384	3.8021	1.06076
FS2	384	3.8620	.96908
FS3	384	3.8776	1.02099
FS4	384	3.8203	1.00469
FS5	384	3.6641	1.08595
FAW1	384	3.7292	1.03191
FAW2	384	3.7422	1.04154
FAW3	384	3.8073	1.02162
FAW4	384	3.8281	.98640
FAW5	384	3.7734	1.09269
ID1	384	3.6823	1.13713
ID2	384	3.7448	1.03337
ID3	384	3.7786	1.06227
ID4	384	3.6979	1.16179
ID5	384	3.7760	1.05803
Valid N (listwise)	384		

Source: Researcher calculation using SPSS

Summary of Descriptive Statistics

	N	Mean	Std. Deviation
FK	384	3.8432	.76783
FA	384	3.7677	.79173
FS	384	3.8052	.76747
FAW	384	3.7760	.85713
ID	384	3.7359	.82352
Valid N (listwise)	384		

Source: Researcher calculation using SPSS

**Appendix-II
Correlations**

		FK	FA	FS	FAW	ID
FK	Pearson Correlation	1	.419**	.528**	.414**	.642**
	Sig. (2-tailed)		.000	.000	.000	.000
	N	384	384	384	384	384
FA	Pearson Correlation	.419**	1	.372**	.426**	.621**
	Sig. (2-tailed)	.000		.000	.000	.000
	N	384	384	384	384	384
FS	Pearson Correlation	.528**	.372**	1	.734**	.686**
	Sig. (2-tailed)	.000	.000		.000	.000
	N	384	384	384	384	384
FAW	Pearson Correlation	.414**	.426**	.734**	1	.642**
	Sig. (2-tailed)	.000	.000	.000		.000
	N	384	384	384	384	384
ID	Pearson Correlation	.642**	.621**	.686**	.642**	1
	Sig. (2-tailed)	.000	.000	.000	.000	
	N	384	384	384	384	384

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

Source: Researcher calculation using SPSS

Appendix-III
Multiple Regression Analysis

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.832 ^a	.692	.689	.45952

a. Predictors: (Constant), FAW, FK, FA, FS

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	179.713	4	44.928	212.766	.000 ^b
	Residual	80.031	379	.211		
	Total	259.744	383			

a. Dependent Variable: ID

b. Predictors: (Constant), FAW, FK, FA, FS

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	-.503	.148		-3.403	.001		
	FK	.303	.038	.282	8.064	.000	.663	1.507
	FA	.334	.034	.321	9.723	.000	.747	1.338
	FS	.309	.048	.288	6.403	.000	.401	2.495
	FAW	.170	.042	.177	4.084	.000	.434	2.305

a. Dependent Variable: ID

Source: Researcher calculation using SPSS

Appendix-IV

Questionnaire

Effect of Financial Literacy on Investors' Investment Decisions in Nepalese Stock Market

Dear Madam/Sir,

I would be very much appreciating your participation in this survey. Participation in this survey is voluntary and you can choose not to answer all of the questions. However, we hope that you will participate in this survey since your views are important for reform measures.

Part 1 Demographic Information

Please tick the correct answer (✓)

1. Please specify your gender?

Options	Choose that applies
Male	
Female	

2. Which age group do you belong to?

Options	Choose that applies
18-25	
26-35	
33-45	
45 and above	

3. What is your Academic Qualification?

Options	Choose that applies
PCL and below	
Bachelor	
Masters and Above	

4. How is your investment experience?

Options	Choose that applies
Fresher	
1-5 yrs	
5-10 yrs	
10 yrs and above	

Part 2: In this part of the questionnaire, there are questions that are related issues of impact of financial literacy on investors' investment decisions in Nepalese stock market. Please, indicate the extent to which you agree/disagree by ticking the appropriate boxes below. Please tick (✓) on your answer in the appropriate box.

5 =Strongly Agree; 4= Agree; 3= Neutral; 2= Disagree; 1= Strongly Disagree

S. N.	Items	Responses				
		1	2	3	4	5
5.	Financial Knowledge					
5.1	Buying a company stock usually provides a safer return than stock mutual fund.					
5.2	When interest rate rises the bond price falls					
5.3	Company stocks are riskier than bonds					
5.4	Investing in various assets will spread the risk of losing money.					
5.5	Bonds compared to savings accounts and stocks considering a long investment period gives highest interest return					
6.	Financial Attitude					
6.1	I feel in control of my financial situation					
6.2	I have developed a spending and savings plan (personal budget).					
6.3	I am not willing to take loans at high interest rates					
6.4	I feel capable of using my future income to achieve my financial goals					
6.5	I make financial investments with long maturity periods					
7.	Financial Skill					
7.1	I prepare a monthly budget to manage my money.					
7.2	I plan to purchase financial products that suits my needs and conditions.					
7.3	I evaluate the cost of borrowing before signing for a loan					
7.4	I do financial planning for the future.					
7.5	I keep a personal watch on my financial affairs relating to my assets, debts and savings					
8.	Financial Awareness					
8.1	I understand my statements of financial position.					
8.2	I am aware about the prevailing interest rates available in the market.					
8.3	I am aware about the prevailing tax rates.					
8.4	I am well informed about KYC document.					
8.5	I am aware of the performance of my investments outside of my retirement saving plans					
9.	Investment Decision					
9.1	I will invest in stock market frequently					
9.2	I consult to my family and friends before making investment decisions.					
9.3	I will invest in the stock market in near future					
9.4	I will recommend other to invest in the stock market.					
9.5	I tend to save money regularly.					

Thank You

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CHAPTER – I INTRODUCTION 1.1 Background of the Study Financial literacy is

essential for every person in today's dynamic, global society as they deal with ever complex financial situations. A financially educated person is capable of creating a road map that explains how money works, how to manage income and spending, where and how to invest, how to efficiently manage financial risks, and above all how to stay out of financial trouble. The three components of financial literacy are financial behavior, financial attitude, and financial knowledge (Vitt, 2004). Financial literacy is the degree to which a person is confident in their capacity to make sound short- and long-term investment decisions while taking the state of the economy into account, as well as their grasp of important financial concepts. Thus, a person's degree of financial literacy has a significant impact on whether they make a good investment decision. Financial literacy is the understanding of personal money that empowers people to make wise decisions to enhance their financial health and prevent financial hardship. In the modern world, being able to handle one's personal finances has grown in importance. Financial literacy encompasses more than just financial advice and

