

FINANCIAL LITERACY AND INVESTMENT DECISION IN NEPALESE SHARE MARKET

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By

Tirtha Raj Pokhrel

College Roll No: 388/074

Exam Symbol No: 6437/18

T.U. Reg. No: 7-2-736-63-2013

Shanker Dev Campus

Kathmandu

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CERTIFICATION OF AUTHORSHIP

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled “**Financial Literacy and Investment Decision in Nepalese Share Market**”. The work of this dissertation has not been submitted previously for the purpose of conferral of any degree nor has it been proposed and presented as part of requirements for any other academic purposes. The assistance and cooperation that I have received during this research work has been acknowledged. In addition, I declared that all information sources and literature used are cited in the reference section of the dissertation.

Tirtha Raj Pokhrel

December 2023

REPORT OF RESEARCH COMMITTEE

Mr. Tirtha Raj Pokhrel has defended research proposal entitled “Financial **Literacy and Investment Decision in Nepalese Share Market** “successfully. The research committee has registered the dissertation for further progress. It is recommended to carry out the work as per suggestions and guidance of supervisor Mr. Dhurba Subedi and submit the thesis for evaluation and viva voce examination.

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Dhurba Subedi

Supervisor

Dissertation Proposal Defended Date

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Dissertation Submitted Date

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Asso. Prof. Dr. Sajeeb Kumar Shrestha

Head of Research Committee

Dissertation Viva Voce Date

.....

APPROVAL SHEET

We have examined the dissertation entitled “**Financial Literacy and Investment Decision in Nepalese Share Market**” presented by Mr. Tirtha Raj Pokhrel for the degree of Masters of Business Studies. We hereby certify that the dissertation is acceptable for the award of degree.

.....

Dhurba Subedi

Dissertation Supervisor

.....

Internal Examiner

.....

Internal Expert

.....

External Examiner

.....

Asso. Prof. Dr. Sajeeb Kumar Shrestha

Chairperson, Research Committee

.....

Asso. Prof. Krishna Prasad Acharya

Campus Chief

December 2023

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Any remaining errors are mine.

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ABBREVIATIONS

ANOVA	:	Analysis of Variance
FA	:	Financial Attitude
FB	:	Financial Behavior
FK	:	Financial Knowledge
FS	:	Financial Skill
ID	:	Investment Decision
NRB	:	Nepal Rastra Bank
PS	:	Personal Saving
S.D	:	Stander Deviation
SDC	:	Shanker Dev campus
SPSS	:	Statistical Package for the Social Sciences
TU	:	Tribhuvan University

ABSTRACT

The objectives of research is to examine the current position of financial literacy and investment decision in Nepalese share market, to analyze the relationship between financial literacy and investment decision in Nepalese share market, to analyze the impact on financial literacy of investment decision of Nepalese share market. The various article and thesis are reviewed from the google scholar and Shanker Dev Library. The article reviewed developed the conceptual framework with Dependent variables is investment decision and independent variable personal saving, financial behaviors, financial attitude, financial skill, and financial knowledge. The descriptive and casual comparative research design is used. SPSS and Excel are the tools of data analysis. Total investors of the Kathmandu valley are the population of the research and the sample are the 450 as a convenience sampling techniques used. Primary source of data are used and they are collected using questionnaire survey. The analysis methods are descriptive statistics, correlation analysis and multiple regression analysis. The tool for analysis are excel and SPSS. The finding of the research is that variables of the research is consistence or less fluctuating nature. The relationship between financial knowledge, financial behaviors, financial skill and financial attitude is positive and significant with investment decision of the research. The relationship between personal saving and investment decision is positive but not significant. The impact of financial knowledge and personal saving to the investment decision is negative and significant. The impact of financial skill and financial attitude to the investment decision is positive and significant. The impact of financial behavior and investment decision is negative but not significant.

Keywords: *Financial Knowledge, Financial Behaviors, Financial Skill and Financial Attitude, Personal Saving and Investment Decision*

CHAPTER- I

INTRODUCTIONS

1.1 Background of the Study

Financial literacy refers to the ability to comprehend, assess, and convey information about money and financial services, encompassing the selection of suitable financial options, the capacity to plan for the future, and the capability to navigate life events and their impact on personal finances (Hastings & Mitchell, 2020). Wisconsin's Model Academic Standards for Personal Financial Literacy serves as a guide for educators collaborating to create and implement curricula that impart lifelong skills to students. Equipping young individuals with the knowledge to comprehend and engage in their financial well-being is a crucial skill that contributes to the economic stability of communities and the growth of the state's economy (Dangol & Shakya, 2017)

Investors engaged in securities carefully analyze various factors influencing stocks, including opportunity costs and returns. Opportunity costs are associated with alternative investment returns, while actual returns pertain to the current investment returns (Madi & Yusof, 2018). The decision to invest or not is determined by calculating and comparing these factors. Effectively analyzing opportunity costs, returns, and financial statements requires knowledge of financial literacy, which is the amalgamation of consumers' and investors' understanding of financial products and concepts. It also involves their ability and confidence to assess financial risks and opportunities, make informed choices, seek assistance when needed, and take actions to enhance their financial well-being (Madi & Yusof, 2018).

Investment decisions involve choosing among alternatives in the investment process, where investors face numerous options. The decision ultimately focuses on selecting one or more alternatives that yield higher returns, constituting the investment decision. Investors need to decide how, when, where, and how much capital will be allocated to investment opportunities, whether as an individual or as part of an organization's management (Bhalla, 1982). Financial literacy serves as a crucial decision-making tool, empowering investors to make informed choices and obtain satisfactory returns. Fundamental and technical analyses are implemented in making sound investment decisions (Mirosea & Hajar, 2023).

The Nepalese share market is experiencing rapid growth, with a surge in new investors entering the market, evident from various Initial Public Offering activities. These newcomers, comprising individuals of varying ages, educational backgrounds, professions, genders, incomes, and financial knowledge, engage in buying and selling shares and debentures in both primary and secondary markets. Their individual returns vary, and the study on financial literacy and investment decisions in the Nepalese share market aims to explore this diverse landscape (Madi & Yusof, 2018).

1.2 Problem Statement

The investment decision involves the meticulous process of choosing the most optimal alternative based on returns and risks. It encompasses the act of allocating funds into various assets such as land, real estate, production businesses, service-oriented businesses, shares in the stock market, debentures, and derivative markets. Each sector provides a range of alternatives, and within each alternative, there is a need for thorough financial analysis and selection based on risks and returns.

To make informed decisions and select the best alternative, possessing financial literacy is imperative. Without a grasp of financial tools and analytical techniques, decision-making lacks rationality. It is essential for decisions to be both reasonable and profitable. Additionally, various factors impact decision-making, including age, income level, gender, profession, education, among others.

In the context of Nepal, the share market is experiencing growth in terms of capitalization, investor participation, transaction volume, transaction value, and technological advancements that create a more investor-friendly environment. As the market expands, the importance of financial literacy among investors becomes crucial. Utilizing financial knowledge for decision-making becomes integral. In Nepal's share market, questions such as why, how, when, and whether to invest are prevalent, emphasizing the significance of financial literacy in investment decisions. However, there are challenges in conducting research on financial literacy and investment decisions in the Nepalese market. Out of various problem the following are the problem which are covered by this research related question are presented.

- What are the factors of financial literacy affecting the investment decision in Nepalese share market?
- Is there any relationship between financial literacy and investment decision in Nepalese share market?
- What is the impact of financial literacy on investment decision in Nepalese share market?

1.3 Objectives of the Study

The primary goals of the study include understanding the levels of financial literacy and investigating investment decision-making in the Nepalese share market. The specific objectives are outlined below:

- To examine the current position of financial literacy and investment decision in Nepalese share market.
- To analyze the relationship between financial literacy and investment decision in Nepalese share market.
- To analyze the impact on financial literacy of investment decision of Nepalese share market.

1.4 Rationale of the Study

The Nepalese stock market is currently experiencing rapid growth, marked by a significant increase in the revised investor count and an upward trend in market valuation. Daily share transactions have reached up to 200 million in the secondary market in Nepal. Presently, 52.60 lakh individuals in Nepal hold demat accounts, as reported by www.investopaper.com. Each demat account holder is obligated to make at least one IPO investment. Investors have the opportunity to diversify their portfolios by participating in both individual stock investments and a variety of stocks. The decision-making process for purchasing shares involves the evaluation of stock risks and returns, along with the emulation of trends followed by other buyers. The primary objective of investing in the stock market is to secure profits through dividends, capital gains, and bonus shares. However, not every investor realizes the anticipated earnings, and some may incur losses. Financially educated individuals who make informed decisions tend to outperform those who follow consumption

trends. Financial literacy emerges as a pivotal factor influencing how investors navigate their investment decisions.

Despite the growing popularity of stock market-related investments among Nepalese investors and the general public, a majority of investors face losses, with only a limited number possessing financial literacy. This scenario is shaped by various factors, including age, occupation, income level, and gender diversity among investors. The research holds significance in addressing these challenges.

From a financial literature perspective, this research proves valuable for brokers and service providers associated with the stock market, encompassing banks, government agencies, investment-related businesses, and entities in the capital market. The research effectively addresses critical aspects within this context.

1.5 limitations of the Study

The research is conducted by the researcher. The researcher has done his/her research with the some limitation. The following are the limitation of the research.

- The study is based on primary data and data are collected from the respondent using questionnaire.
- The accuracy of the data is based on the respondent honesty and responsibility.
- Multiple regression and correlation is the analytic techniques and SPSS is the tools for analysis.
- The research is using descriptive research design, so the research only explain the problem details but not answer how to solve the problems.
- The search only solve three problem and objectives.
- The research only 450 respondent are taken as a sample.

CHAPTER- II

LITERATURE REVIEW

The second chapter of the research is dedicated to the literature review. This section provides an overview of the perspectives presented by previous researchers on the subject and related topics. The chapter delves into the objectives, methodologies, and conclusions of each researcher's work. The literature review unfolds in three distinct sections. Firstly, there are conceptual reviews that elucidate the definitions of key terms utilized in the study. Subsequently, the researcher outlines the publications examined from both a national and international standpoint, constituting the empirical review. The final section of this chapter addresses research gaps, commonly referred to as reviewed gaps. This is achieved by delineating gaps observed in past, present, and future reviews, thereby contributing to a comprehensive understanding of the existing body of knowledge on the subject.

2.1 Theoretical Review

Financial Literacy

Financial literacy is the aptitude to comprehend, evaluate, and communicate information about money and financial services. This encompasses the ability to make informed financial decisions, plan for the future, and respond to unforeseen events and their potential impact on one's finances. Wisconsin's Model Academic Standards for Personal Financial Literacy serves as a valuable resource for teachers collaborating to develop and implement curricula that equip students with essential life skills. Empowering young individuals with the knowledge and tools needed to navigate and manage their finances is crucial, as personal financial literacy significantly influences the economic stability of our communities and contributes to the overall growth of the state's economy (Rasool & Ullah, 2020).

OECD (2005), financial literacy entails the fusion of consumers' and investors' understanding of financial products and concepts, coupled with their ability and confidence to comprehend financial risks and opportunities. It involves making informed choices, knowing where to seek assistance, and taking effective actions to enhance one's financial well-being. Financial literacy, in this context, involves a grasp of financial concepts and their implications for making prudent and practical financial decisions. Effectively managing financial resources

and deciding on short-term or long-term investments, considering changes in the economic landscape, necessitates the utilization of financial knowledge, informed decision-making, and a comprehension of key financial principles. However, the concept of financial literacy is contingent on the adjusted approach or is an integral part of the broader consumer awareness and protection process (Muizzuddin et al., 2017).

Investment Decision

The process of selecting alternatives significantly influences investment decisions. Investors encounter a myriad of options throughout the investment process, necessitating the decision of choosing one or more alternatives that promise better rewards. This decision-making process is termed an investment choice. Whether the investor is an individual or part of the management of an active company, determining how, when, where, and how much capital will be allocated to investment opportunities is crucial (Bhalla, 1982). Financial literacy emerges as a pivotal decision-making tool employed to drive decisions and achieve satisfactory returns, leading to the application of fundamental and technical analysis for sound investment decisions.

An investment is defined as any asset purchased with the anticipation that its future value will surpass its current cost and time to value. This increase in value occurs as a result of the asset appreciating. Investments encompass items that eventually yield value greater than their initial cost. This concept extends beyond tangible assets to include intangible assets like education. In the context of the stock market, investing often refers to purchasing stocks or bonds with the expectation of future value surpassing the initial investment. Real estate is another avenue for investment, where buying a property at a low cost, enhancing its value through renovations, and subsequently renting or selling it for a higher price is considered an investment (<https://learn.financestrategists.com>).

The investment decision involves the choice made by investors or top management regarding the allocation of funds to various opportunities. Capital budgeting, a subset of investment decisions, pertains to the allocation of funds to long-term assets. It involves selecting an asset or investment proposition that will yield returns over an extended period. The initial step in capital budgeting is choosing the asset, whether new or existing, based on the anticipated future benefits. Subsequently, the risk and uncertainty associated with the plan are evaluated,

considering that the benefits accrue in the future, leading to higher uncertainty regarding returns. Finally, the establishment of a minimum rate of return serves as a benchmark against which the long-term project's performance can be assessed (<https://businessjargons.com>).

Financial Knowledge

Financial knowledge encompasses the understanding of key financial facts and concepts, facilitating informed decision-making through problem-solving and critical thinking (<https://www.consumerfinance.gov/>).

Financial Behaviors

Financial behaviors refer to the capacity to recognize and comprehend the comprehensive effects of financial actions on one's circumstances, including those of the individual, family, society, and nation. It involves making appropriate judgments related to cash management, precautions, and possibilities for budget planning (<https://www.igi-global.com>).

Financial Skill

Financial skills comprise the knowledge and abilities required to efficiently manage financial resources. Areas such as accounting, banking, investing, and company management demand strong financial skills. Essential skills include budgeting, financial analysis, problem-solving, risk assessment, and financial planning. Employers highly value finance skills, which can contribute to professional progression and higher earning potential in the finance industry. With proper instruction and development, individuals can learn and refine financial skills, making them valuable in both personal and professional life (<https://bau.edu/blog/finance-skills>).

Financial Attitude

Financial attitude directly influences behavior in terms of money. For example, a person's constant struggle to support themselves and their lifestyle may lead to a strong desire for money. This can result in behaviors such as constantly seeking creative ways to generate income or putting in long hours at the office. Developing a positive attitude toward money, finding ways to generate and save it, is crucial for leading a fulfilling life. Financial behavior can be influenced by various factors, such as managing pocket money, having family

members working in finance, early experience with banking, seeking advice, or engaging in continuous learning (<https://wizely.in/wizeup>).

Personal Saving

Personal saving refers to the funds that remain after subtracting an individual's consumer expenditure from their disposable income during a specific time period. It represents the money left over after fulfilling all bills and commitments (<https://www.investopedia.com/terms/s/savings.asp>).

2.2 Empirical Review

Mirosea and Hajar (2023) explored the impact of financial literacy and behavior on investment decisions. Their study, centered on 365 investors listed as Southeast Sulawesi Representatives on the Indonesia Stock Exchange, revealed a significant influence of financial behavior and literacy on investment choices. The study identified investment knowledge as the most precise indicator of financial literacy, while the financial behavior indicator "familiarity" accurately captured financial behavior.

Wijayanto et al. (2023) aimed to uncover relationships between financial literacy, behavioral biases (overconfidence, representativeness, and illusion of control), and irrational behavior in investment decision-making. Focusing on individual investors in Java, their study involved 83 respondents selected through purposive sampling. Hypothesis testing indicated a negative impact of financial literacy on behavioral biases, suggesting a need to increase financial literacy.

Mbwambo et al. (2022) investigated how financial literacy influences the savings and investment decisions of government workers in Mwanza, Tanzania. Using a cross-sectional design with 271 government employees, the study found that both financial attitude and financial knowledge significantly affected wise financial decisions, including judgments about investments and savings.

Putri et al. (2022) assessed the impact of financial literacy on investment decisions during the pandemic, focusing on students in the Faculty of Economics and Business at Universities Muhammadiyah Sumatera Utara. The study, using a sample determined by the Solving formula, demonstrated a substantial influence of financial literacy on investing choices, even

among students. The findings suggested a need for students to continually enhance their financial literacy for improved financial management and increased investment.

Sabir et al. (2021) examined the determinants of investors' behavior in the Pakistan stock market, incorporating the moderating role of financial literacy. The study explored the mediating mechanism between investment attitude, religiosity, social influence, and stock investment behavior. Findings from 250 stock investors using Smart PLS version 2.0 and Partial Least Squares structural equation modeling indicated the impact of financial literacy on stock market investing intentions and behaviors. The study provided insights for policymakers to develop strategies for increasing investment in the stock market in the Pakistan context.

Hastings and Mitchell (2020) delved into competing explanations for consumers' financial decision-making challenges. One explanation focused on financial illiteracy, leading to unfavorable decisions due to a lack of understanding basic economic principles. Another explanation attributed poor financial choices to impatience or a present-oriented mindset. Experimental data from Chile supported a connection between these variables and bad financial decisions. The findings underscored the importance of addressing financial literacy to improve retirement well-being.

Alaaraj and Bakri (2020) investigated the impact of financial literacy on investment decision-making among investors in South Lebanon. Utilizing convenience sampling with 150 surveys from customers of four different banks, the study revealed a strong positive correlation between financial literacy and investment decision-making. Recommendations included the need for financial institutions to conduct more financial literacy programs to raise awareness, along with potential incorporation of financial literacy into educational curricula.

RasooRasool and Ullah (2020) explored the relationship between financial literacy and behavioral biases among individual investors in Pakistan. Using a sample of 300 investors in Lahore, the study found a negative correlation between investors' behavioral biases and financial literacy. The results suggested that as financial literacy levels increased, the risk of investors experiencing behavioral biases decreased.

Kumari (2020) examined the impact of financial literacy on investing decisions among undergraduates in the western province of Sri Lanka. Involving 200 students from four government universities, the study revealed a significant and positive impact of financial literacy on undergraduates' investing decisions. Financial abilities emerged as the most important component of financial literacy influencing various aspects of decision-making.

Hamza and Arif (2019) studied the impact of financial literacy on investment decisions, considering the mediating effect of personality traits based on the Big Five model. With 235 responses from Karachi, the findings indicated that agreeableness, conscientiousness, and extraversion did not significantly influence financial literacy's impact on investing choices. Neuroticism had a strong positive influence, while openness to experience had a significant negative impact.

Oteng (2019) explored financial literacy and investment decisions among traders in the Techiman Municipality. With 150 responders using convenience sampling, the study found a considerable positive correlation between financial literacy and investing choices. The research suggested the need for financial institutions to conduct more financial literacy programs to raise awareness and recommended government integration of financial literacy into educational curricula.

Anwar, Khan, and Rehman (2017) investigated the impact of financial literacy and behavioral biases on investor portfolio diversification. With a sample of 181 investors in the Pakistan Stock Market, the study found that behavioral biases like familiarity and availability bias had insignificant and negative effects, overconfidence bias had a considerable negative influence, and financial literacy had a negligible and positive effect on portfolio diversification.

Abdeldayem (2016) evaluated financial literacy among Bahraini individual investors and its connection to investing choices. Using data from 228 investor surveys in Bahrain, the study found poor financial literacy (38.6%) among investors. Women tended to be less financially literate than males, and financial literacy was strongly connected with education. The study recommended initiating financial literacy programs to enhance knowledge levels.

Hayat and Anwar (2016) investigated the impact of disposition effect, overconfidence, and herding on investment decisions. The study found that these biases had a significant positive impact on investment decisions. Financial knowledge moderated the impact of herding prejudice and overconfidence bias, with passive investors exhibiting higher herding bias and active investors showing more overconfidence bias. The study suggested training, education, and promoting research culture to address these biases in investors.

Table 2.1

Summary of Empirical Review

Author/ Date	Objectives	Methodology	Findings
Mirosea and Hajar /(2023)	To examine the effect of financial literacy and financial behavior On investment decisions.	This study was conducted on 365 investors listed on the Indonesia Stock Exchange Representative of Southeast Sulawesi.	The researchers' findings indicate a substantial impact of financial literacy and financial behavior on investment decisions. Notably, investment knowledge emerged as the most prominent variable reflecting high levels of financial literacy.
Wijayanto, Ridloah, Abiprayu, Permana and Rafinda /(2023)	To identify Financial literacy relationships and behavioral biases (overconfidence, representatives and illusion of control) which can lead to irrational behavior in investment decision making.	They used the population in this research data is individual investors Who are on Java? Based on the purposive sampling method, the sample was 83 Respondents through a questionnaire. The data obtained, passed the validity test, Reliability test.	The researchers' conclusion suggests that financial literacy exerts a negative influence on behavioral biases. In other words, as financial literacy increases, individual investors tend to become more objective in their investment decision-making, leading to a reduction in behavioral biases.
Mbwambo, Magoma, Gasper & Mwasha /(2022)	To Examine how financial literacy influences the savings and investment decisions of government workers in	The primary data was collected through the use of questionnaires and analysis of the sourced data was done through a logistic regression model.	They observed that both financial attitude and financial knowledge exhibited significance at a 5% level.

 Mwanza Tanzania.

Putri, Umi, Kalsum, Widya, And Justianti/ (2021)	To determine the effect of financial literacy on investment decisions during the pandemic.	They used simple linear regression where the classical assumptions have been tested previously.	They identified a notable impact of financial literacy on investment choices.
Sabir, Javed, Khan and Javed/ (2021)	To examine the determinants of investors' behavior in the Pakistan stock market with the moderating role of financial literacy.	They used quantitative method to test the hypotheses. The data was collected by using survey approach and self-administrative questionnaire	They discovered that financial literacy significantly moderated the connection between investment intention and investment behavior among individual investors in the stock market.
Kumari / (2020)	To examine the impact of financial literacy on investing decisions among undergraduates in the western province in Sri Lanka.	He used of 200 students from 4 government universities in the western province of Sri Lanka participated in this study.	He found that financial literacy positively and significantly influenced on the Undergraduates' investment decisions.
Alaaraj and Bakri/ (2020)	This study examines the effect of financial Literacy on investment decision making among investors in South Lebanon	They applied quantitative approach in which 150 self-administered questionnaires were collected, descriptive statistics were identified and proposed hypotheses were tested using Pearson correlation and multi-regression analysis.	They found that a positive significant relationship between financial literacy and investment decision making.

Rasool and Ullah/ (2020)	To determine the relationship between financial literacy and behavioral biases of individual investors in Pakistan.	They used Cranach's Alpha and Exploratory Factor Analysis (EFA). The hypothesis developed for the research was tested by Pearson's Chi-square and Ordinal Regression Analysis	They observed a negative association between financial literacy and behavioral biases among individual investors. In other words, as the level of financial literacy increases, the probability of investors experiencing behavioral biases decreases.
Justine, Olivia and Mitchell/ (2020)	To identify the financial literacy and investment decision	Used experimental evidence from Chile to explore how these factors appear related to poor financial decisions.	They discovered a correlation between financial literacy and wealth, although it seems to be a less robust predictor of sensitivity to framing in investment decisions.
Oteng /(2019)	This study was to explore financial literacy and investment decisions among traders in the Techiman Municipality	Convenience sampling technique was employed for the study. Questionnaire was employed for the study.	The study indicated a strong positive relationship between financial literacy and investment decisions.
Hamza and Arif/ (2019)	Examines 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.	They observed that financial literacy exerts a noteworthy negative influence on investment decisions through openness to experience, while simultaneously exerting a substantial positive impact through neuroticism.
Aggarwal/ (2019)	To better understand financial literacy and its relation to financial decision making and investments in financial market	He used questionnaires were used to measure numeracy and basic knowledge	He found that financial literacy affects decision making.
Anwar, Khan and Rehman /(2017)	To check the impact of financial literacy and	They collected data through questionnaire using	Their findings revealed that financial literacy exerts a

	behavioral biases on investor's portfolio diversification	sample size of 181 investors trading in Pakistan Stock Market	marginal yet positive influence on investor portfolio diversification. Simultaneously, behavioral biases like familiarity and availability biases demonstrated negligible and negative impacts..
Abdeldaye / (2016)	To examine the relationship between financial literacy and investment decisions in the Kingdom of Bahrain	The study draws on 228 questionnaire surveys and data were analyzed using Pearson Correlation, t-test and Chi-square Test.	He found that the financial literacy level of the Bahraini investors is found to be low (38.6%) and far from the needed level.
Hayat and Anwar / (2016)	To check the influence of behavioral biases in investment decision making with moderating role of financial literacy in Pakistan.	A simple survey questionnaire is used to collect data	They found that financial literacy has negative moderating role in herding bias and positive moderating role of overconfidence bias in investment decision.

2.3 Review of Literature in Nepalese Context

Manandhar (2023) investigated the factors influencing investment decisions in mutual funds, utilizing Modern Portfolio Theory and Prospect Theory. Independent variables included financial status, risk-taking behavior, investment revenue, past fund performance, and sources of investment revenue, while the dependent variable was investment decisions in mutual funds. The study employed a structured questionnaire survey with 384 participants, employing descriptive, correlational, and causal research designs, along with statistical methods such as mean, median, mode, standard deviation, variance, correlation, and regression analysis. The results indicated a significant influence of factors like financial status, risk-taking behavior, investment revenue, past performance, and sources of investment revenue on investment decisions in mutual funds, with positive correlations observed.

Pantha (2023) explored the impact of financial literacy on personal financial planning in Nepal. The study considered financial literacy, financial awareness, financial attitude, financial confidence, and financial socialization as independent factors, with personal financial planning as the dependent variable. Data from 192 respondents were analyzed using regression models and correlation coefficients. The findings suggested that a basic understanding of finances positively affects personal financial planning, indicating that enhanced financial literacy contributes to improve personal financial planning.

Pastor, Almazan, Flores, Lopez, Maralit, and Melo (2022) investigated factors affecting young professionals' saving and investment behavior. Employing chi-square and regression analysis, the study revealed that socio-demographic parameters like age, gender, and educational achievement influenced young professionals' saving and investing behavior. Economic factors, such as salary level, were found to impact saving habits, while financial knowledge influenced both saving and investing behavior. The study highlighted the diverse financial behaviors of young professionals and emphasized the positive impact of saving and investing on their quality of life.

Vaidya (2021) delved into the experience of Nepalese investors in the secondary market, exploring their investment decision-making process. Grounded theory was employed, using data from semi-structured interviews with investors holding a management academic background. The study revealed investors' eagerness to invest, mixed opinions on the influence of macroeconomic factors, and concerns about the basic characteristics of listed firms. Technical analysis and market trends were cited as influential factors in trading decisions.

Thapa and Raju (2020) focused on the financial literacy status of Nepalese stock market investors, utilizing a descriptive research approach with 83 respondents from the Kathmandu Valley. The study found a low level of financial literacy among Nepalese investors, with demographic factors having little impact on financial decision-making.

Filippini, Kumar, and Srinivasan (2020) addressed energy-related financial literacy in Nepal's eastern lowlands, connecting it with attitudes toward replacing energy-inefficient appliances. The study identified poor financial and energy literacy, with better literacy

associated with more sensible views on appliance replacement, emphasizing the importance of closing the energy efficiency gap.

Shrestha (2019) analyzed the impact of overconfidence bias on individual investment decisions. Using descriptive statistics and analytical methods, the study collected data through a questionnaire survey, revealing that certain demographic groups, such as women with college degrees and higher net worth, exhibited overconfidence. These investors tended to trade more and believed in their superior investment skills.

Oli (2018) investigated the influence of financial literacy on personal financial planning in Nepal, focusing on cash planning, insurance planning, investment planning, and retirement planning. The study, based on data from 700 Nepalese individuals, indicated that financial literacy and attitude significantly affected personal financial planning, with demographic parameters having little or insignificant influence.

Joshi (2018) analyzed the growth of the Nepalese security market from FY 2005/06 to FY 2016/17, examining influencing factors such as advocate recommendations, personal financial needs, accounting information, firm image, and neutral information. The study utilized both primary and secondary data, revealing irregular patterns in the Nepalese capital market. Investors primarily considered a company's industry standing and stockholder views before making investment choices.

Dangol and Shakya (2017) explored the investment pattern of financially literate individuals in Nepal, finding that financial literacy increased with higher income and education levels. The study revealed different investment behaviors between individuals with high and low financial literacy.

Chaulagain (2017) investigated the financial behavior of small borrowers, finding a significant correlation between financial literacy and financial attitude and behavior among small borrowers.

Thapa (2015) examined financial literacy among Nepalese students, revealing a basic understanding of finances among college students. The study identified demographic,

educational, and personality traits impacting financial literacy, with parental influence positively affecting students' attitudes about saving.

Table 2.2

Review of Literature in Nepalese Context

Author/ years	Methodology	Findings
Manandhar/ (2023)	They used primary data for the research has been collected through a structured questionnaire survey which was distributed among 384 samples which represents the sample size of the study. The study used descriptive, correlational and causal research design for the study.	He discovered a positive relationship between financial status, risk-taking behavior, investment revenue, past performance, and sources of investment revenue with investment decisions in mutual funds. Additionally, financial status, risk-taking behavior, past performance of the fund, and sources of investment revenue were identified as significant factors influencing investment decisions in mutual funds.
Pantha/ (2023)	The primary source of data is used to assess the opinions of the respondents regarding financial literacy, confidence and financial planning. The study is based on primary data of 192 respondents. To achieve the purpose of the study, structured questionnaire is prepared.	He found that financial knowledge has a positive impact on personal financial planning. It implies that the broader the financial knowledge, better would be the personal financial planning. The results also revealed that financial awareness has a positive impact on personal financial planning.

<p>Pastor, Almazan, Flores, Lopez, Maralit and Melo / (2022)</p>	<p>This study used chi-square and regression analysis tools to analyze the data gathered.</p>	<p>The findings indicate that age, gender, and educational attainment, as socio demographic factors, affect young professionals' savings and investment behavior.</p>
<p>Vaidya / (2021)</p>	<p>Data collected from the semi-structured interview from the stock market investors having an academic background in management.</p>	<p>The findings revealed that the investors are eager to invest in the stock market and go for a better experience from their trading at the NEPSE floor. The study exposed a mixed opinion in context to the understanding of the macroeconomic aspects and their influence on investment decisions.</p>
<p>Filippini, Kumar and Srinivasan/ (2020)</p>	<p>This study used chi-square and regression analysis tools to analyze the data gathered.</p>	<p>He fined that respondents have low levels of energy-related financial literacy, and higher levels of literacy are associated with more rational attitudes towards appliance replacement.</p>
<p>Shrestha / (2019)</p>	<p>This research employs descriptive statistics and adopts an analytical approach to examine how investors' behavior influences their investment choices. The study gathered data through a questionnaire survey.</p>	<p>This research reveals that female investors, investors with a college education, and those with a net worth ranging from Rs 2 to 5 million express confidence in their own capabilities.</p>

Oli / (2018)	Primary data for this study was gathered from 700 individuals residing in the seven provinces of Nepal through a structured set of closed-end questionnaires.	The findings indicate that the level of financial awareness and individual financial planning attitude significantly influences personal financial planning. However, demographic factors such as marital status, education level, income level, age, profession, and gender have a minor impact, which is not statistically significant.
Joshi / (2018)	Data are collected both from primary as well as secondary sources.	The outcome indicates that the Nepalese capital market exhibited an unpredictable trend throughout the study period. This suggests that the capital market is immature, and investors lack the motivation to invest in companies.
Dangol & Shakya / (2017)	The mean, ANOVA and logistic regression is they used.	The findings reveal that investors generally possess a higher level of financial literacy. Specifically, male participants, investors in the age group of 20-30, and those with an income level of Rs 50,001 and above demonstrated higher scores in financial literacy. Moreover, financial literacy increased with higher levels of education and income.

Chaulagain/ (2017)	The data for this study were obtained through a survey of small borrowers affiliated with two cooperatives authorized by Nepal Rastra Bank, and the analysis involved the application of the chi-square test.	He discovered a significant connection between the financial literacy of small borrowers and their financial attitude and behavior.
Thapa / (2015)	Mean, ANOVA and logistic regression were used in carrying out analysis.	The research identified income, age, stream of education, types of college, and students' attitudes as factors influencing financial knowledge. Additionally, the study found that financial knowledge is not influenced by gender, university affiliation, financial behavior, and external influences.

2.3 Research Gap

Several researchers concluded their studies based on both primary and secondary data, utilizing a sample size of fewer than four hundred respondents. The research employed causal comparative methods for data analysis, aiming to uncover facts and figures on the relevant topics. The study is a mandatory requirement for the Master's degree dissertation in the MBS program at Tribhuvan University. The sample size consists of 450 respondents, and the study focuses on the Nepalese market. Due to limited time and a low budget, the research employed descriptive and causal comparative research design for hypothesis testing.

For future research, it is recommended to consider using a sample size larger than 450 or even the entire population under study. Alternative methods beyond panel data analysis could be explored, and the incorporation of secondary data may enhance the achievement of

research objectives. Future studies should be prepared to invest more time and resources compared to the current study.

CHAPTER-III

RESEARCH METHODOLOGY

The research methodology serves as a structured approach to obtaining answers to a problem through systematic and planned processes involving the collection, analysis, and interpretation of facts and figures. It encompasses the plan, structure, and strategy employed in investigations to address research questions or test research hypotheses. This chapter on research methodology includes elements such as research design, sources of data, population and sample, and methods and tools for data analysis. The key components of the research methodology in the context of this study are outlined below.

3.1 Research Design

The research has focused on a diverse set of variables and factors related to microfinance services. Both descriptive and explanatory research designs have been employed in this study. Comparative data will be included to enhance the informativeness of the report. Financial and statistical tools will be utilized for the analysis and interpretation of financial information. The descriptive aspect of the study is evident as it seeks to depict financial literacy and investment decisions in the Nepalese share market among investors.

3.2 Population and Sample and Sampling Technique

As of mid-July 2022, the cumulative number of Demat account holders in Nepal has reached 52.60 lakhs, according to www.investopaper.com. The entire population under study comprises all Demat account holders who have invested in both the primary and secondary markets of shares in Nepal. From this population, 450 respondents who are investors in the share market were randomly selected, and data was gathered through the use of a questionnaire.

3.3 Nature and Source of Data and Instrument of Data Collection

In this section, the researcher elucidates the nature and sources of data. Data can be categorized into two types: primary data and secondary data. Various sources are available for different research tasks, including broadcast sources such as articles, annual reports, newspapers, tax reports, government policies, and books, as well as unbroadcast sources like

internal organizational decision-making documents, minutes, and vouchers. For this research, primary data were utilized to achieve the research objectives.

The term "instrument" refers to the tools employed for data collection. Various instruments, such as questionnaires, laboratory experiments, quasi-experiments, observations, interviews, and scales, are utilized for collecting primary data. Secondary data, on the other hand, were obtained from the websites of the relevant banks and annual reports published by the banks. Economic reports from the Nepal Rastra Bank (Banking and Financial Statistics) and other published statistical data were also used. Additionally, informal discussions and procedures were employed to gather additional information. In this particular research, the chosen instrument for data collection is a questionnaire, which includes a series of questions as well as demographic features of the respondents.

3.4 Methods of Analysis

To fulfill the study's objectives, a variety of statistical tools have been employed. These include descriptive statistics, correlation analysis, and multiple regression analysis. The data analysis is conducted based on the patterns observed in the available data.

3.4.1 Reliability Analysis

In this context, reliability is assessed utilizing the Cronbach's alpha measurement technique, which examines the reliability of multiple-question Likert scale surveys. A general guideline for interpreting alpha in Likert scale questions is applied:

Table 3.1

Cronbach's Alpha table

Cronbach's Alpha	Internal Consistency
$\alpha \geq 0.9$	Excellent
$0.9 > \alpha \geq 0.8$	Good
$0.8 > \alpha \geq 0.7$	Acceptable
$0.7 > \alpha \geq 0.6$	Questionable
$0.6 > \alpha \geq 0.5$	Poor
$\alpha < 0.5$	Unacceptable

3.4.2 Statistical Analysis

Mean (\bar{X})

The mean, in statistics, represents the average or the arithmetic average of a set of numbers. It serves as a measure of central tendency within a probability distribution, alongside the median and mode. Additionally, it is commonly referred to as the expected value.

Standard Deviation (σ):

Standard deviation serves as a metric to quantify the extent of variation or dispersion within a set of values. Computed as the square root of variance, it involves assessing each data point's deviation from the mean (Acharya, Shah, Yadav & Paudel, 2018). It is denoted by (σ).

$$\text{Standard Deviation } (\sigma) = \sqrt{\frac{\sum(X - \bar{X})^2}{N}}$$

Where,

X=variables

\bar{X} = mean

N= No. of Period

Minimum and Maximum

The minimum in the research context represents the smallest frequency value, while the maximum refers to the highest frequency value in the distribution. This measurement aids in understanding the range of frequency differences within the research values.

Correlation Analysis (r):

It is the simplest of ascertaining the correlation between two variables. It is not influenced by the size of the extreme items. Karl Pearson coefficient of correlation is usually denoted by 'r'.

$$\text{Correlation Coefficient } (r) = \frac{n \sum XY - \sum X \sum Y}{\sqrt{[n \sum x^2 - (\sum X)^2] [n \sum Y^2 - (\sum Y)^2]}}$$

Where,

N = number of X and Y

$\sum XY$ = Sum of the series X and Y

$\sum X$ = Sum of the series X

$\sum Y$ = Sum of the series Y

$\sum X^2$ = Sum of the square of series X

$\sum Y^2$ = Sum of the square of series Y

Acharya, Shah, Yadav, and Paudel (2018), a statistical tool employed for determining the direction and strength of the relationship between two sets of variables is known as correlation analysis. It illustrates how two variables co-vary and quantifies the degree of association between them. The Pearson correlation coefficient is utilized to describe this relationship. The correlation coefficient value ranges from -1 to +1. A value of -1 indicates a perfect negative correlation, signifying that the two variables move precisely in opposite directions. Conversely, a correlation coefficient of +1 suggests a perfect positive relationship, indicating that the variables are moving in tandem.

Multiple Regression Analysis

Multiple regression analysis is a statistical method employed to examine the correlation between a singular dependent (criterion) variable and multiple independent (predictor) variables. The primary goal of multiple regression analysis is to forecast alterations in the dependent variable based on variations in the independent variables. This analysis assesses the predictive capability of multiple regressions. Furthermore, the multiple determination quantifies the percentage of variability in the dependent variables that the regression equation can elucidate. The multiple regression equation can be expressed as follows:

Model

$$ID = \alpha + \beta_1 \times FK + \beta_2 \times FB + \beta_3 \times FS + \beta_4 \times FA + \beta_5 \times PS + e$$

Where,

ID= Investment Decision

FK= Financial Knowledge

FB= Financial Behavior

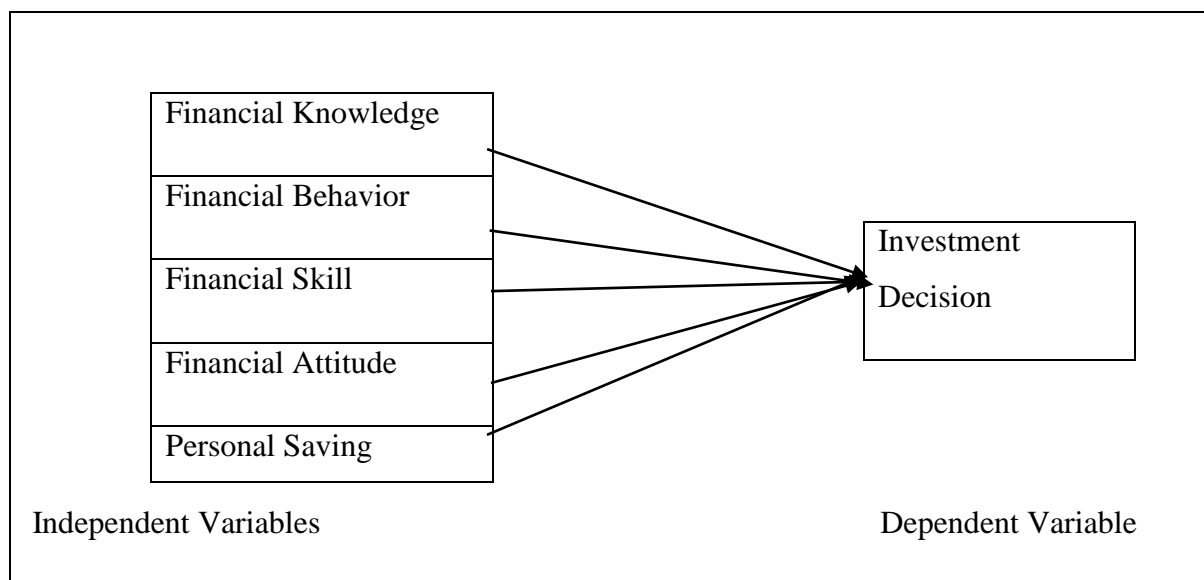
FS= Financial Skill

FA= Financial Attitude

PS= Personal Saving

3.5 Conceptual Framework

For the convenient presentation of the research, the variables are abbreviated as follows. This can be shown in the following figure.



Sources: *Hamza & Arif (2019)*

Figure 3.1 Conceptual Framework

Operational Definition of Variables

Financial literacy

OECD (2005) defines financial literacy as the amalgamation of consumers' and investors' comprehension of financial products and concepts, coupled with their ability and confidence to assess financial risks and opportunities. It encompasses making informed choices, knowing where to seek assistance, and taking effective actions to enhance financial well-being. In this context, financial literacy is tied to an awareness of financial concepts, empowering individuals to make knowledgeable, assertive, and convenient decisions related to money. Scholars universally agree that financial literacy involves not just possessing financial knowledge but also applying it to make informed judgments, comprehend key financial concepts, and manage financial resources effectively. This includes making sound decisions in both short-term and long-term investments, considering the dynamic economic landscape and its fluctuations. It's essential to note that the concept of financial literacy is either a component of a comprehensive consumer awareness and protection process or

depends on an adaptable approach (Muizzuddin et al., 2017). Within the scope of financial literacy, elements such as financial knowledge, financial behavior, financial skills, financial attitude, and personal saving are considered.

Investment Decision

Investment decision-making is closely associated with the selection of alternatives. In the investment process, investors are presented with numerous alternatives, and the decision-making process involves choosing one or more options that offer higher returns. This process is known as an investment decision. Investors, whether individuals or managers overseeing an organization, need to decide on the allocation of capital, addressing questions of how, when, where, and how much to invest in various opportunities (Bhalla, 1982). Financial literacy serves as a crucial decision-making tool in this context, empowering investors to make informed choices and achieve satisfactory returns. Both fundamental and technical analyses are employed as decision-making tools to make well-informed investment decisions.

Financial Knowledge

Financial knowledge and decision-making skills play a pivotal role in enabling individuals to make well-informed financial decisions. This involves utilizing problem-solving abilities, critical thinking, and a comprehensive understanding of essential financial facts and concepts (<https://www.consumerfinance.gov/>).

Financial Behaviors

Financial literacy is the ability to comprehend and grasp the broader consequences of financial decisions on one's personal, familial, community, and national circumstances. It involves making sound decisions regarding cash management, taking precautions, and identifying opportunities for effective budget planning (<https://www.igi-global.com>).

Financial Skill

Finance skills encompass the abilities and knowledge required to proficiently manage financial resources. These skills are integral in various industries, including accounting, banking, investment, and business management. Key finance skills comprise budgeting, financial analysis, problem-solving, risk assessment, financial planning, and more. For

individuals aspiring to pursue a career in finance, it's important to recognize that employers highly value these skills, and possessing them can lead to career advancement and increased earning potential. Through appropriate training and development, individuals can acquire and refine their finance skills, becoming valuable assets in both personal and professional spheres (<https://bau.edu/blog/finance-skills>).

Financial Attitude

Financial behavior is shaped by one's financial attitude—essentially, the mindset or outlook an individual develops and consistently maintains influences their actions and defines their behavior. For instance, someone who has witnessed their parents constantly grappling to meet financial obligations and sustain a certain lifestyle may view money as a highly coveted commodity. This person may harbor a perpetual concern about earning more money to avoid the constraints of financial limitations. Consequently, they may actively seek ways to increase their income, either through strategic means or by putting in extended work hours. The underlying attitude is that a substantial amount of money is indispensable for a good life, and one must always strive to have enough. This attitude translates into the behavior of actively seeking opportunities to earn and save money.

In a similar vein, an individual's financial behavior can stem from various influences, such as managing a significant amount of pocket money, having close connections in the financial field, early exposure to banking operations, expressing a willingness to seek assistance, or a general curiosity to learn more (<https://wizely.in/wizeup>).

Personal Saving

Savings is the amount of money that remains for an individual or household after deducting consumer spending from their disposable income during a specified time period. In essence, savings signify a net surplus of funds after covering all expenses and obligations (<https://www.investopedia.com/terms/s/savings.asp>).

CHAPTER-IV

RESULTS AND DISCUSSION

The outcomes obtained from the data analysis are presented to facilitate the availability of results concerning the study's objectives. The data have been analyzed in alignment with the research methodology outlined in the third chapter to ensure optimal results. The aim of this chapter is to acquaint the reader with the mechanics of data analysis and interpretation. The presentation is systematically organized based on the array of tools and techniques utilized to discern relationships and relevance between the data and the objectives. It encompasses an analysis of primary data and its corresponding findings.

4.1 Result

4.1.1 Demographic Characteristics

This section included the general information of the respondent, including the information of their education, organization etc.

Table 4.1

Demographic Variables

Variables	Detail	Frequency	Percent
Age	Between 18-25	73	16.2
	Between 26-45	134	29.8
	Between 46-55	131	29.1
	Above 56	112	24.9
Total		450	100.0
Gender	Male	132	29.3
	Female	318	70.7
Total		450	100.0
Education	Below SLC	93	20.7
	Having SLC	151	33.6
	Intermediate	89	19.8
	Bachelor And Above Degree	117	26.0
Total		450	100.0
Profession	Student	60	13.3
	Banker	105	23.3
	Employees	105	23.3
	Business Person	180	40.0
Total		450	100.0
Income Level	monthly up to 15000	107	23.8

15000-20000 in a month	170	37.8
20001-50000 a month	45	10.0
monthly earning more than 50000	128	28.4
Total	450	100.0

Source: *Field Survey-2023*

Table 4.1 shows the different demographical variables related detail. The detail related to the age is between; 18-25 are 73 out of 450 respondent in number and 16.2 percent out of hundred. The age “between” 26-45 are 134 out of 450 respondent in number and 29.8 percent out of hundred. The age “between” 46-55 are 131 out of 450 respondent in number and 29.1 percent out of hundred. The age above 56 are 112 out of 450 respondent in number and 24.9 percent out of hundred. The detail of Gender of respondent is about male and female two types of the respondent. The male respondent is 132 in number and 29.3 percent out of 100 percent. The female respondents are 132 in number and 29.3 percent out of 100 percent. All show the education of the respondent they are different education group. They are below SLC, Having SLC, Intermediate and bachelor and above degree. Below SLC are 93 in number and they are 20.7 percent. Having SLC are 151 in number and they are 33.6 percent. Below SLC are 93 in number and they are 20.7 percent. Education intermediates are 89 in number and they are 19.8 percent. Education bachelor and above degree are 117 in number and they are 26 percent. Here shows the income level of the respondent. The income level of the respondent are monthly up to 15000 are 107 in number and 23.8 in percent out of 450 in number. The income level of the respondent is monthly 15000-20000 are 170 in number and 37.8 in percent out of 450 in number. The income level of the respondent is monthly 20001-50000 are 45 in number and 10 in percent out of 450 in number. The income level of the respondent is monthly earning more than 50000 are 128 in number and 28.4 in percent out of 450 in number. Table also shows the profession of the respondent. The profession of the respondent is student group having 60 in number and in percent they are 13.3. The profession of the respondent is bankers group having 105 in number and in percent they are 23.3. The profession of the respondent is Government and other private sector employees group having 105 in number and in percent they are 23.3. The profession of the respondent is bankers group having 180 in number and in percent they are 40.

4.1.2 Reliability Analysis

In this instance, dependability is assessed using the Cronbach's alpha formula. Using the Likert scale, it assesses the reliability of surveys with many questions. The following are criteria for interpreting the alpha Likert scale:

Table 4.2

Reliability Statistics

Variables	Cronbach's Alpha	N of Items	Internal Consistency
Investment Decision	0.929	6	Excellent
Financial Knowledge	0.75	5	Acceptable
Financial Behaviors	0.605	5	Questionable
Financial Skill	0.756	5	Acceptable
Financial Attitude	0.737	5	Acceptable
Personal Saving	0.652	5	Questionable

Source: *Field Survey-2023*

Table 4.2 demonstrates that the total number of variables on the Likert scale are at a questionable level. Therefore, the research's questions are highly pertinent, and the analysis based on the information gathered from the questionnaire is trustworthy for the study. The question is above a good level for all of the variables.

4.1.3 Descriptive Statistics

Descriptive statistics serve as statistical tools for measuring various variables, including mean, median, minimum, maximum, standard deviation, and more. These descriptive statistics provide insights into both dependent and independent variables in the study.

Table 4.3

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Investment Decision	450	4.00	5.00	4.95	.170
Financial Knowledge	450	4.60	5.00	4.90	.167
Financial Behaviors	450	4.40	5.00	4.89	.186
Financial Skill	450	4.40	5.00	4.82	.267
Financial Attitude	450	4.00	5.00	4.89	.208
Personal Saving	450	4.00	5.00	4.92	.170
Valid N (list wise)	450				

Source: *Field Survey-2023*

Table 4.3 shows the descriptive statistics of different 450 observations of investors. Here maximum, minimum, mean and Standard Deviation is calculated for the independent variables Financial Knowledge, Financial Behaviors, Financial Skill, Financial Attitude and Personal Saving and dependent variables investment Decision. The minimum, maximum, mean and standard deviation is calculated based on the respondent responded to the question of the questionnaire. Here investment decision of the respondent is minimum, maximum, mean and standard deviation is 4.00, 5.00, 4.95 and 0.170 respectively. Financial Knowledge of the respondent is minimum, maximum, mean and standard deviation is 4.60, 5.00, 4.90 and 0.167 respectively. Financial Behaviors of the respondent is minimum, maximum, mean and standard deviation is 4.40, 5.00, 4.89 and 0.186 respectively. Financial Skill of the respondent is minimum, maximum, mean and standard deviation is 4.40, 5.00, 4.82 and 0.267 respectively. Financial Attitude of the respondent is minimum, maximum, mean and standard deviation is 4.00, 5.00, 4.89 and 0.208 respectively. Personal Saving of the respondent is minimum, maximum, mean and standard deviation is 4.00, 5.00, 4.92 and 0.170 respectively. The current position of the financial literacy and investment decision of the given table shows that respondent response is maximum are good and consistence because of the standard deviation of the research is very low which means the variation of the data also very low.

4.1.3 Correlation Analysis

This statistical tool is employed to ascertain the direction and strength of the relationship between two sets of variables. The relationship is elucidated through the utilization of the Pearson correlation coefficient. The correlation coefficient value ranges from -1 to +1. A correlation coefficient of exactly -1 indicates a perfect negative correlation, signifying that the two variables move precisely in opposite directions.

Table 4.4

Correlation of Variable

	Investment Decision	Financial Knowledge	Financial Behaviors	Financial Skill	Financial Attitude	Personal Saving
Investment Decision	1					
Financial Knowledge	.256**	1				
Financial Behaviors	.316**	.948**	1			
Financial Skill	.291**	.874**	.828**	1		
Financial Attitude	.501**	.749**	.816**	.690**	1	
Personal Saving	.065	.393**	.386**	.674**	.485**	1

Source: *Field Survey-2023*

Table 4.4 is the correlation table of different variables. Here 450 respondents of the investors are taken and correlation is calculated between dependent and independent variable. The independent variables are financial knowledge, financial behaviors, financial skill, financial attitude and personal saving and dependent variable is investment decision. The relationship of the research is related to the objectives two. The objectives to be meeting by the calculation of the correlation between the variables. The data for the calculation of the correlation is collected using questionnaire as primary data from the share market investors inside the Kathmandu valley and they are 450 called respondent of the research.

The relationship between investment decision and financial knowledge is positive correlated and that is significant too. The correlation value is the positive 0.256 and which is significantly correlated because significant value is 0.000 which is less than 0.01 called one percent level of significant.

The relationship between investment decision and financial behaviors is positive correlated and that is significant too. The correlation value is the positive 0.316 and which is significantly correlated because significant value is 0.000 which is less than 0.01 called one percent level of significant.

The relationship between investment decision and financial skill is positive correlated and that is significant too. The correlation value is the positive 0.291 and which is significantly correlated because significant value is 0.000 which is less than 0.01 called one percent level of significant.

The relationship between investment decision and financial attitude is positive correlated and that is significant too. The correlation value is the positive 0.501 and which is significantly correlated because significant value is 0.000 which is less than 0.01 called one percent level of significant.

The relationship between investment decision and personal saving is positive correlated and that is not significant. The correlation value is the positive 0.501 and which is not significantly correlated because significant value more than 0.05 called not significant.

4.1.4 Multiple Regression Analysis

The primary objective of multiple regression analysis is to forecast alterations in the dependent variable based on changes in the independent variables. This analysis helps evaluate how effective the multiple regressions are as predictors. Additionally, the multiple regression determination can be interpreted as the percentage of variation in the dependent variables that the regression equation can explain.

Table 4.5

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.666 ^a	.443	.437	.128

a. Predictors: (Constant), Personal Saving, Financial Behaviors, Financial Attitude, Financial Skill, Financial Knowledge

Source: *Field Survey-2023*

Table 4.5 shows the model summary of 450 observations different group of people. $R^2=0.443$ means 44.3% of total variations in Investment decision is explained by independent variable called predictor of the research i.e. Personal Saving, Financial Behaviors, Financial Attitude, Financial Skill and Financial Knowledge but 54.7 % of total variation on Investment decision is explained by other factors. Here adjusted R square is 0.437 which represent the goodness of fit. It's the cumulative variations to the investment decision by independent variable called predictor are Personal Saving, Financial Behaviors, Financial Attitude, Financial Skill and Financial Knowledge.

Table 4.6

ANOVA Table

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	5.812	5	1.162	70.676	.000
	Residual	7.302	444	.016		
	Total	13.115	449			

a. Dependent Variable: Investment Decision

b. Predictors: (Constant), Personal Saving, Financial Behaviors, Financial Attitude, Financial Skill, Financial Knowledge

Source: *Field Survey-2023*

Table 4.6 shows the ANOVA 450 observation of the respondent in share market. Here dependent variables is investment decision and independent variable personal saving, financial behaviors, financial attitude, financial skill, and financial knowledge. The

regression value is significant because significant value is 0.000 which is less than 5%. Its mean the regression is strong.

Table 4.7

Coefficient of Variable

Model		Unstandardized		Standardized		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	6.767	.346		19.577	.000
	Financial Knowledge	-.986	.142	-.969	-6.941	.000
	Financial Behaviors	-.162	.119	-.177	-1.361	.174
	Financial Skill	.693	.070	1.083	9.831	.000
	Financial Attitude	.781	.055	.951	14.247	.000
	Personal Saving	-.680	.062	-.677	-11.037	.000

a. Dependent Variable: Investment Decision

Source: *Field Survey-2023*

Regression model ID = 6.767 - 0.986 × FK - 0.162 × FB + 0.693 × FS + 0.781 × FA - 0.68 × PS + e

Table 4.7 shows the coefficient of investors. The coefficient table is based on the regression model of $ID = \alpha + \beta_1 \times FK + \beta_2 \times FB + \beta_3 \times FS + \beta_4 \times FA + \beta_5 \times PS + e$. Here coefficients of 450's observations. Dependent variables is investment decision and independent variable personal saving, financial behaviors, financial attitude, financial skill, and financial knowledge. Here coefficient table shows the individual variable variation to the dependent variable, their accuracy and significant level.

The financial knowledge has beta is negative 0.986. Here the beta said that 1 % change in the financial knowledge then 0.986% negatively change in to the investment decision of the investors in the share market. The accuracy of the calculated value is 0.142 which is low it means the calculated result is high accurate. The significant value of the coefficient is 0.00

which is less than 0.05 so the impact of the financial knowledge to the investment decision is significant.

The financial behaviors has beta is negative 0.162. Here the beta said that 1 % change in the financial behaviors the 0.162% negative change in to the investment decision of the investors in the share market. The accuracy of the calculated value is 0.119 which is low it means the calculated result is high accurate. The significant value of the coefficient is 0.174 which is less than 0.05 so the impact of the financial behaviors to the investment decision is not significant.

The Financial Skill has beta is positive 0.693. Here the beta said that 1% change in the financial knowledge then 0.693% positively change in to the investment decision of the investors in the share market. The accuracy of the calculated value is 0.07 which is low it means the calculated result is high accurate. The significant value of the coefficient is 0.00 which is less than 0.05 so the impact of the Financial Skill to the investment decision is significant.

The Financial Attitude has beta is positive 0.871. Here the beta said that 1% change in the financial knowledge then 0.871% positively change in to the investment decision of the investors in the share market. The accuracy of the calculated value is 0.055 which is low it means the calculated result is high accurate. The significant value of the coefficient is 0.00 which is less than 0.05 so the impact of the Financial Attitude to the investment decision is significant.

The Personal Saving has beta is negative 0.68. Here the beta said that 1 % change in the financial knowledge then 0.68% negatively change in to the investment decision of the investors in the share market. The accuracy of the calculated value is 0.062 which is low it means the calculated result is high accurate. The significant value of the coefficient is 0.00 which is less than 0.05 so the impact of the Personal Saving to the investment decision is significant.

4.2 Discussion

The first objectives of the research is to examine the current position of financial literacy and investment decision in Nepalese share market. It is found that the current position of the

financial literacy and investment decision of the given table shows that respondent response is maximum are good and consistence because of the standard deviation of the research is very low which means the variation of the data also very low. The result is consistence with the result of (Alaaraj & Bakri, 2020). The result is also consistence with the result of (Oteng, 2019) and consistence with the result of (Abdeldayem, 2016).

The second objectives of the research is to analyze the relationship between financial literacy and investment decision in Nepalese share market. It is found that the relationship between investment decision and financial knowledge is positive and that is significant. The result is consistence with the result of (Hastings & Mitchell, 2020). The relationship between investment decision and financial behaviors is positive and that is significant. The result is differed with the result of (Hamza & Arif, 2019; Wijayanto, Ridloah, Abiprayu, Permana & Rafinda, 2023) and result is consistence with the result of (Alaaraj & Bakri, 2020; Mirosea & Hajar, 2023). The relationship between investment decision and financial skill is positive and that is significant too. The relationship between investment decision and financial attitude is positive and that is significant. The relationship between investment decision and personal saving is positive and that is not significant. The result is consistence with the result of (Hastings & Mitchell, 2020).

The third objectives of the research is to analyze the impact on financial literacy of investment decision of Nepalese share market. It is found that the impact of the financial knowledge to the investment decision is negative and significant because significant value is less than five percent. The result is consistence with (Putri et al., 2022). Impact of the financial behavior to the investment decision is negative and significant because significant value is less than five percent. The result is consistence with the result of (Kumari, 2020). Impact of the financial skill to the investment decision is positive and significant because significant value is less than five percent. The result is consistence with the result of Pastor, Almazan, Flores, Lopez, Maralit & Melo, 2022). Impact of the financial attitude to the investment decision is positive and significant because significant value is less than five percent. The result is consistence with the result of (Putri, Christiana, Kalsum, Widya & Justianti, 2022). Impact of the personal saving to the investment decision is negative and not

significant because significant value is more than five percent. The result is consistence with the result of (Mbwambo, Magoma, Gasper & Mwashu, 2022).

CHAPTER-V

SUMMARY AND CONCLUSION

This chapter comprises three key components: summary, conclusion, and inference. The summary provides a comprehensive overview of the entire study process, encompassing the entirety of the research efforts from initiation to completion. Both the summary and conclusion of the thesis are incorporated in this section. Additionally, the implications of the results obtained from the thesis work are discussed.

5.1 Summary

In the investment process, investors are presented with a diverse array of options, and the selection is typically made among one or more alternatives offering superior rewards. This process is referred to as an investment decision. Notably, the Nepalese stock market is undergoing rapid expansion, evidenced by the increasing number of new investors participating in various Initial Public Offerings. These newcomers actively engage in buying and selling shares and debentures in both primary and secondary markets. Against this backdrop, the research is conducted to investigate the relationship between Financial Literacy and Investment Decision in the Nepalese Share Market.

The objectives of research is to examine the current position of financial literacy and investment decision in Nepalese share market, to analyze the relationship between financial literacy and investment decision in Nepalese share market, to analyze the impact on financial literacy of investment decision of Nepalese share market. The objectives are prepared because of the solving the problem and they are in the statement and they are what are the factors of financial literacy affecting the investment decision in Nepalese share market? Is there any relationship between financial literacy and investment decision in Nepalese share market? What is the impact of financial literacy on investment decision in Nepalese share market? The various article and thesis are reviewed from the google scholar and Shanker Dev Library. The article reviewed developed the conceptual framework with Dependent variables is investment decision and independent variable personal saving, financial behaviors, financial attitude, financial skill, and financial knowledge. The descriptive and casual comparative research design is used. SPSS and Excel are the tools of data analysis. Total

investors of the Kathmandu valley are the population of the research and the sample are the 450 as a convenience sampling techniques used. Primary source of data are used and they are collected using questionnaire survey. The analysis methods are descriptive statistics, correlation analysis and multiple regression analysis. The tool for analysis are excel and SPSS. The finding of the research is that variables of the research is consistence or less fluctuating nature. The relationship between financial knowledge, financial behaviors, financial skill and financial attitude is positive and significant with investment decision of the research. The relationship between personal saving and investment decision is positive but not significant. The impact of financial knowledge and personal saving to the investment decision is negative and significant. The impact of financial skill and financial attitude to the investment decision is positive and significant. The impact of financial behavior and investment decision is negative but not significant.

5.2 Conclusion

The first objectives of the research is to examine the current position of financial literacy and investment decision in Nepalese share market. It is found that the variables of the research is consistence or less fluctuating nature. In conclusion the current position of the financial literacy and investment decision are consistence or frequency are consistence.

The second objectives of the research is to analyze the relationship between financial literacy and investment decision in Nepalese share market. It is found that the relationship between financial knowledge, financial behaviors, financial skill and financial attitude is positive and significant with investment decision of the research. The relationship between personal saving and investment decision is positive but not significant. In conclusion the relationship between financial literacy and investment decision of Nepalese investors is positive and significant.

The third objectives of the research is to analyze the impact on financial literacy of investment decision of Nepalese share market. It is found that the impact of financial knowledge and personal saving to the investment decision is negative and significant. The impact of financial skill and financial attitude to the investment decision is positive and significant. The impact of financial behavior and investment decision is negative but not

significant. In conclusion the impact of financial literacy to the investment decision of Nepalese investors is significant.

5.3 Implications

The significance of financial knowledge and investment choices varies among investors in the Nepalese stock market. Investors take into account their level of financial knowledge and associated financial practices when making investment decisions. With the Nepali stock market experiencing rapid expansion, there is an influx of new investors, some of whom may possess limited knowledge about financial matters and financial habits. The decision to invest in shares on the market holds particular importance.

This study is valuable for a wide range of individuals interested in stock market investment, including employees, students, business professionals, and others. It equips them with the essential elements required for making investment decisions based on financial literacy. Recognizing the importance of financial literacy in decision-making may contribute to the development of sound financial knowledge and behavior.

Entities such as the Nepali Security Board, stock brokers, and all participants in the buying and selling of shares can derive benefits from the findings of this research. Additionally, new researchers exploring the same subject will find this study to be a useful reference.

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APPENDICES

Appendix 1: Survey Questionnaire

June-July, 2023

Dear Respondent,

As required by the MBS program, I am conducting this questionnaire survey for an academic study. "FINANCIAL LITERACY AND INVESTMENT DECISION IN NEPALESE SHARE MARKET" is the title of my study. I would like to make it clear that this research is solely for academic purposes, and I am only looking for an honest response from you. I guarantee that all information you provide will be kept strictly confidential and used solely for academic purposes. Convenience sampling was used to guarantee that the traders chosen for the study were those who showed an interest in taking part and were prepared to respond to the questionnaire.

Thank you for your cooperation.

Tirtha Raj Pokhrel

MBS Student

Shanker Dev Campus, Kathmandu

Part I: BIO DATA

1. Your Full Name

2. Age (Put in to the bracket 1 between 18-25, 2 for 25-45, 3 for 46-55 and 4 for above 56)

- between 18-25 ()
- 25-45 ()
- above 56 ()

3. Marital status (Put in to the bracket 1 for married and 2 for unmarried)

- Married ()
 - Unmarried ()
4. Gender of the respondent (Put in to the bracket 1 for male and 2 for female)
- Male ()
 - Female ()
5. Education (Put in to the bracket 1 for below SLC, 2 for having Slc, 3 for intermediate and 4 for bachelor and above degree)
- Below SLC ()
 - Having SLC ()
 - Intermediate ()
 - Bachelor and more degree ()
6. Mention your profession. (Put in to the bracket 1 for Student, 2 for bankers, 3 for Government and other private sector employees and 4 for business person)
- Student ()
 - bankers ()
 - Government and other private sector employees ()
 - business person ()
7. Mention your income level? (Put in to the bracket 1 monthly up to 15000 , 2 for 15000-20000 in a month, 3 for 20001-50000 a month and 4 for monthly earning more than 50000)
- monthly up to 15000 ()
 - 15000-20000 in a month ()
 - 20001-50000 a month ()
 - monthly earning more than 50000 ()
8. Time you involve in the investment sector (Put in to the bracket for below 5 year, 2 for 5-8 year, 3 for 8-12 year and 4 for more than 12 years)
- Below 5 year ()
 - 5-8 year ()
 - 8- 12 year ()
 - More than 12 years ()

Part II

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

(1 = strongly Disagree, 2= Disagree, 3 = Neutral, 4 = Agree and 5 = Strongly Agree)

A) Investment Decision

Questions	1	2	3	4	5
Investors require sound investing decisions.					
Making investing decisions requires financial literacy.					
Financial knowledge has an impact on investment decisions.					
Financial behavior and investment decisions are related.					
Investment choice and financial expertise are related.					
Saving is importance for the investment decision to the investors.					

B) Financial Knowledge

Questions	1	2	3	4	5
The importance of financial knowledge in investing decision-making.					
All investors in the stock market require financial expertise.					
Profit booking on the stock market involves having sound financial knowledge.					
Financial expertise influenced the choice of an investment.					
You believe that good financial behavior is a necessary trait for investors.					

C) Financial Behavior

Questions	1	2	3	4	5
Investment decision-making is influenced by financial behavior.					
All investors in the stock market require financial behavior.					
Financial conduct is at the heart of share market profit booking.					
Investment decisions were influenced by financial behavior.					
You consider good financial behavior to be a trait of successful investors.					

D) Financial Skill

Questions	1	2	3	4	5
The importance of financial knowledge in investing decision-making.					
All investors in the stock market require financial skill.					
Profit booking on the stock market is purely a matter of financial competence.					
The choice of an investment was influenced by financial skill.					
You believe that one of the qualities of successful investors is financial skill.					

E) Financial Attitude

Questions	1	2	3	4	5
The importance of financial attitude in investing decision-making.					
All investors in the stock market need a strong financial attitude.					
Profit booking on the stock market is mostly driven by financial attitude.					
Financial mindset had an impact on the investment choice.					

You believe that one trait of successful investors is a positive financial mindset.					
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F) Personal Saving

Questions	1	2	3	4	5
Personal savings are crucial when making financial decisions.					
All investors in the stock market need personal savings.					
Profit booking in the stock market is all about personal savings.					
A factor in the investment decision was personal savings.					
You consider personal savings to be a desirable trait among successful investors.					

Thank you for your participation. Hope you have a great day!!!

Appendices 2: Calculation thorough SPSS

		Age			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	betwwen 18-25	73	16.2	16.2	16.2
	26-45	134	29.8	29.8	46.0
	46-55	131	29.1	29.1	75.1
	above 56	112	24.9	24.9	100.0
	Total	450	100.0	100.0	

Gender

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	male	132	29.3	29.3	29.3
	female	318	70.7	70.7	100.0
	Total	450	100.0	100.0	

Education

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	below slc	93	20.7	20.7	20.7
	habving slc	151	33.6	33.6	54.2
	intermediat	89	19.8	19.8	74.0
	bachelor and above degree	117	26.0	26.0	100.0
	Total	450	100.0	100.0	

Income Level

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	monthly up to 15000	107	23.8	23.8	23.8
	15000-20000 in a month	170	37.8	37.8	61.6
	20001-50000 a month	45	10.0	10.0	71.6
	monthly earning more than 50000	128	28.4	28.4	100.0
	Total	450	100.0	100.0	

Profession

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Student	60	13.3	13.3	13.3
	bankers	105	23.3	23.3	36.7
	Government and other private sector employees	105	23.3	23.3	60.0
	business person	180	40.0	40.0	100.0
	Total	450	100.0	100.0	

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Investment Decision	450	4.00	5.00	4.9585	.17090
Financial Knowledge	450	4.60	5.00	4.9018	.16791
Financial Behaviors	450	4.40	5.00	4.8911	.18678
Financial Skill	450	4.40	5.00	4.8227	.26717
Financial Attitude	450	4.00	5.00	4.8947	.20812
Personal Saving	450	4.00	5.00	4.9222	.17014
Valid N (listwise)	450				

Correlations

		Investment Decision	Financial Knowledge	Financial Behaviors	Financial Skill	Financial Attitude	Personal Saving
Investment Decision	Pearson Correlation	1	.256**	.316**	.291**	.501**	.065
	Sig. (2-tailed)		.000	.000	.000	.000	.169
	N	450	450	450	450	450	450
Financial Knowledge	Pearson Correlation	.256**	1	.948**	.874**	.749**	.393**
	Sig. (2-tailed)	.000		.000	.000	.000	.000
	N	450	450	450	450	450	450

Finacial Behaviours	Pearson Correlation	.316**	.948**	1	.828**	.816**	.386**
	Sig. (2-tailed)	.000	.000		.000	.000	.000
	N	450	450	450	450	450	450
Financial Skill	Pearson Correlation	.291**	.874**	.828**	1	.690**	.674**
	Sig. (2-tailed)	.000	.000	.000		.000	.000
	N	450	450	450	450	450	450
Financial Attitude	Pearson Correlation	.501**	.749**	.816**	.690**	1	.485**
	Sig. (2-tailed)	.000	.000	.000	.000		.000
	N	450	450	450	450	450	450
Personal Saving	Pearson Correlation	.065	.393**	.386**	.674**	.485**	1
	Sig. (2-tailed)	.169	.000	.000	.000	.000	
	N	450	450	450	450	450	450

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

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.666 ^a	.443	.437	.12825

a. Predictors: (Constant), Personal Saving, Finacial Behaviours, Financial Attitude, Financial Skill, Financial Knowledge

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	5.812	5	1.162	70.676	.000 ^b
	Residual	7.302	444	.016		
	Total	13.115	449			

a. Dependent Variable: Investment Decision

b. Predictors: (Constant), Personal Saving, Financial Behaviors, Financial Attitude, Financial Skill, Financial Knowledge

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	6.767	.346		19.577	.000
	Financial Knowledge	-.986	.142	-.969	-6.941	.000
	Financial Behaviors	-.162	.119	-.177	-1.361	.174
	Financial Skill	.693	.070	1.083	9.831	.000
	Financial Attitude	.781	.055	.951	14.247	.000
	Personal Saving	-.680	.062	-.677	-11.037	.000

a. Dependent Variable: Investment Decision