FACTOR INFLUENCING INDIVIDUAL INVESTMENT DECISION MAKING IN STOCKMARKET WITH REFERENCE TO NEPALESE STOCK MARKET

A Dissertation Submitted to Office of the Dean Faculty of Management in Partial fulfillment of the Requirements of the Degree of Master of Business Studies (M.B.S.)

By

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Certification of Authorship

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled **"Factors Influencing Individual Investment Decision making in Stock Market with Reference to Nepalese Stock Market** ". The work of this dissertation has not been submitted previously for the purpose of conferral of any degrees nor has it been proposed and presented as part of requirements for any other academic purpose.

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

Reegma Gautam

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Report of Research Committee

Ms. Reegma Gautam has defended research proposal entitled **"Factors Influencing Investment Decision Making in Stock Market with Reference to Nepalese Stock 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 **Kamal Prakash Adhikari** and submit the thesis for evaluation and viva voce examination.

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Dissertation submitted date:
Dissertation viva voce date:

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Approval Sheet

We have examined the dissertation entitled **Factor Influencing Individuals Investment Decision Making in Stock Market with Reference to Nepal Stock Market** presented by Reegma Gautam a candidate for the degree of Master of Business studies. We hereby certify that the dissertation is acceptable for the award of degree.

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Reegma Gautam

Table of Contents

List of Tables

LIST OF FIGURES

Abbreviations

AGM	Annual General Meeting
AI	Accounting Information
BOD	Board of Director
BPS	Book Per share
BS	BikramSambat
CAPM	Capital Assets Pricing Model
CD	Certificates of Deposits
CDS	Central Depository System of Securities
d.f.	Degree of Freedom
ECN	Electronic Communication Network
FI	Firm's Image
GoN	Government of Nepal
ID	Individual Investment Decision
IPO	Initial Public Offering
Ltd.	Limited
MBM	Master of Business Management
MoF	Ministry of Finance
NASQAD	National Association of Securities Dealers Automation Quotations
NAV	Net Assets Value
NEPSE	Nepal Stock Exchange Pvt. Ltd.
NI	Neutral Information
NRB	Nepal Rastra Bank
OTC	Over the Counter
PF	Personal Financial Needs
SDC	Shanker Dev Campus
SEBON	Security Board of Nepal
SEC	Securities Exchange Center
SMC	Securities Marketing Center
SML	Security Market Line
TU	Tribhuvan University

Abstract

This research describes the individual investment decision of investor in Nepalese stock market. This research project tries to find to find the answers to these questions like what are the factors that influence individual investment decision. The main objective of this study is to identify individual investment decision of investor in Nepalese stock market.

This study adopted the descriptive research design. Sampling size for the survey were 333 respondents. Primary data for the research were collected from brokers, semi investors who are investing in stock market in Kathmandu Valley through structured questionnaire. To analyze the collected data, Pearson correlation and regression analysis were conducted to identify the relationship between independent variables (firm's image, advocate recommendation, neutral information and personal financial needs) and dependent variable (individual investment decision). SPSS was used to find the result of the data analysis and interpretation.

Based on regression analysis, all the independent variable; neutral information and personal financial needs have significant impact and firm's image and advocate recommendation have insignificant impact on individual investment decision. It means investors are more concerned about these factors while investing in stock market.

The conclusion drawn by this research is that Neutral information is found to be strong variable on individual investment decision. However, a significant finding from the study is the realization that majority of respondents were willing to invest in stock market. It indicates that they are intent towards their decision making. The crucial recommendations and conclusion are provided after interpreting and analyzing the collected data through primary sources for the further research.

CHAPTER I
INTRODUCTION

1.1 Background of the Study

An investment is always the result of the current expenditure of a resource (such as time, money, or effort) with the expectation of a future return that exceeds the initial investment. The markets are a source of assistance for numerous individuals, including yourself, who are attempting to purchase a property, fund their children's college education, or establish a retirement nest egg. However, the value of equities, bonds, and other securities is subject to market fluctuations, in contrast to the banking sector, where deposits are insured by the federal government. There is no assurance that your investments will generate profits, and they may depreciate in value. In simpler terms, investment is a process in which funds are allocated with the expectation of generating additional revenue. The investment decision is predicated on the question of whether the cost of acquiring capital assets today will be offset by the increase in revenues tomorrow.

Investment is the transfer of capital for productive purposes. The primary instrument of economic growth and development of a country is investment, which is highly emphasized. Investors and investment administrators are responsible for making investment decisions. Investment analysis is frequently conducted by investors through the application of technical analysis, fundamental analysis, and judgment. Decision instruments are frequently employed to facilitate investment decisions. Individuals' investment decisions are presumed to be systemically influenced by the market's factors and the information structure. Investor market behavior is a result of psychological principles of decision-making, which elucidate the reasons why individuals purchase or sell equities (Jagongo and Mutswenje, 2014).

Investors' investment decisions are also significantly influenced by news and market information. De Long et al. (1990) discovered that the overreaction of prices is a consequence of news, price fluctuations, and expectations. Consequently, sophisticated investors are able to generate superior returns by exploiting underreaction and overreaction without incurring additional risk. Chong and Lai (2011) discovered that neutral information was positively

correlated with expected return, whereas accounting information was negatively correlated. The social relevance factor was found to be significantly influencing the investment decisions of female investors in comparison to male investors.

The purchase of a small quantity of securities for one's personal account is the subject of individual investment decisions. Decision instruments frequently serve as an aid to investors' decisions. Investors' decisions and market outcomes are presumed to be influenced by the information structure and market factors. An investment analysis is conducted by investors through fundamental analysis, technical analysis, and their intuitive instinct. People are now more informed about investment opportunities due to the advancements in the media and business world. However, they lack the necessary knowledge to manage these opportunities efficiently. Investment opportunities are expanding daily, encompassing both financial and physical assets. Investors are able to engage their savings in a productive manner by investing in newer types of securities and instruments that align with their diverse risk and return requirements.The process of decision-making is intricate and involves the examination of numerous factors. The psychological principle of decision-making is the foundation of investor market behavior, which elucidates the reasons why individuals purchase or sell stocks. These factors will concentrate on the manner in which investors interpret and respond to information in order to make decisions. Shefrin (2000) defines behavioral finance as "a rapidly expanding field that examines the impact of psychology on the behavior of financial professionals." Behavioral finance is instrumental in comprehending the ways in which psychology impacts financial investment and investment decision-making.

It is crucial for financial planners to have a more comprehensive understanding of the behavioral processes of investors and their outcomes. This is because a better understanding of how investors respond to market fluctuations enables financial planners to develop effective strategies for asset allocation on behalf of their clients. Behavioral finance endeavors to elucidate and comprehend the impact of cognitive errors and emotions on the decision-making process of investors (Statman, 1999).

Investors are rational and consider the trade-off between investment risk and return (Bakeret al., 1977). The cognitive process of decision-making culminates in the selection of a single course of action from a variety of alternatives. Numerous equity investors lack the fundamental economic concepts necessary to make investment decisions. It is generally accepted that investment is influenced by a variety of factors, including the risk profile of the individual and the characteristics of the market. The financial market has been experiencing unforeseen and abrupt economic turbulences for the past few decades, which have either directly or indirectly increased stock returns. The identification of the factors that influence stock returns has become a challenging endeavor for financial economists, academics, and practitioners. Many endeavors have been made to identify these factors since the inception of the assets valuation model in the 20th century.

The primary concern of the text pertains to the inherent uncertainties and complexities that are present in investment decisions. In contrast to the guaranteed returns of bank deposits, investments in equities, bonds, and other securities are subject to market fluctuations, and there is no guarantee of profit. Investment is a critical component of economic growth and development, as it entails the allocation of capital with the expectation of future gains. Nevertheless, investors encounter obstacles as a result of psychological factors, biased behavior, and market information. These factors influence individual investment decisions, which are frequently substantiated by tools and analyses. However, they can also result in irrational behaviors, such as an overreaction or underreaction to market news. Behavioral finance investigates the influence of cognitive errors and emotions on these decisions. It is essential for financial planners to comprehend these psychological influences in order to create effective asset allocation strategies. Many investors are unable to effectively manage investment opportunities due to a lack of knowledge, despite the progress made in information access. Investors, financial economists, and practitioners continue to confront substantial obstacles due to the unpredictable character of financial markets and the complexity of identifying factors that influence stock returns.

1.1.1Nepal Stock Exchange (NEPSE)

The Nepal Stock Exchange Limited (abbreviated as NEPSE) is the only Stock Exchange of Nepal. It is located in Singha Durbar Plaza, Kathmandu, Nepal. On October 31, 2019 the equity market capitalization of the companies listed on NEPSE was approximately US$12.779 billion. The history of securities market began with the flotation of shares by Biratnagar Jute Mills Ltd. and Nepal Bank Ltd. in 1937. Introduction of the Company Act in 1964, the first issuance of Government Bond in 1964 and the establishment of Securities Exchange Center Ltd. in 1976 were other significant development relating to capital markets.

Securities Exchange Center was established with an objective of facilitating and promoting the growth of capital markets. Before conversion into stock exchange it was the only capital markets institution undertaking the job of brokering, underwriting, managing public issue, market making for government bonds and other financialservices. Nepal Government, under a program initiated to reform capital markets converted Securities Exchange Center into Nepal Stock Exchange in 1993.

The basic objective of NEPSE is to impart free marketability and liquidity to the government and corporate securities by facilitating transactions in its tradingfloor through member, market intermediaries, such as broker, marketmakers etc. NEPSE opened its trading floor on 13 January 1994. As on April 4, 2013, the numbers of listed companies are 334, which include Commercial Banks, Hydro Power Companies, Insurance Companies and Finance Companies among others. The Exchange has 50 registered brokers as of April 2019. The NEPSE Index is primary all equity market index of NEPSE. There are 245 companies listed on stock exchange till the date (as on 01-11-2019).It is regulated by the Securities Board of Nepal.

The current paid-up capital of NEPSE is approximately USD 4.5 million. Government of Nepal, Nepal Rastra Bank, RastriyaBanijya Bank (former, Nepal Industrial Development Corporation) and other securities businessperson (brokers) are the shareholders of NEPSE. The following shows the percentage of shareholdings by respective shareholders on the capital Structure: Government of Nepal 58.65%, Nepal Rastra Bank 34.6% RastriyaBaniyja Bank 6.12% and Members (Brokers) 0.62%.

1.2 Problem Statement

As the Nepalese capital market is considered as the imperfect or yet to mature market, even a small irrelevant information or news can significantly affect the investment decision of the investor. Most of the time stock price is inversely related to the external factor which actually has to affect the stock price in the similar manner. And as there are so many people investing in stock being a new investor from students to housewives to elderly people, there have not yet been any quality findings about what factors affect their decisions to invest in the stock market.
Investors in the capital market are fueling for the economy and stock exchange is contributing as the lubricant in the process. In this process, it is essential that all the information have to be identified and circulated to the buying and selling segments so that the efficient market mechanism will be created. The efficiency of the market indicates the replication of the information into stock price, as assuming that no information is costless. Every information whether issued by the institutions or leaked as the private information carries cost of benefits so that it should be reflected within a security's price sooner or later. The investor can use such information to make the perfection of their investment decision and to be aware about the facts which contribute in efficient market operation.

Warren et al. (1990) determined individual investment selections stranded on lifestyle and demographic attributes. These investors see rewards as contingent upon their own behavior. Nagy and Obenberger (1994) examined influencing factors of investors through a set of 34 questions. The study found that classical wealth-maximization criteria are important to investors, although they are affected by a variety of decisive factors while choosing stocks. Mutswenje (2014) found that investor's decisions are often supported by decision tools. According to Kimeu et al. (2016), investment decisions are influenced by either the traditional or the behavioral theory of finance. Companies can concentrate on particular profitability ratios if they would know the level of influences over the customers, and shape up their future company policies and strategies. According to Lucey and Dowling (2005), the image of stock provokes the emotions in investors to some extent derivative of the investment behavior. News and market information also plays an important role in influencing the investors investing decision. Similarly, Lee et al. (2009) found that company stability is the most influencing factor of stock selection of individual investors

Merikas et al. (2004) showed that the most important variables were related to classic wealth maximization criteria. Coverage in the press, statements from politicians and government officials, and political party affiliation were unimportant to most stock investors. The five important factors identified as accounting information, personal financial needs, subjective/personal, advocate recommendation, and neutral information. Falk and Matulich (1976) observed the relationship between some personal characteristics of a group of investors and a group of investment advisors, and the degree of risk attributed by them to various types of financial investments. Similarly, Sharpe (1964) surveyed on 5170 investors across five countries, namely Australia, Canada, United Kingdom and United States, to analyse the determinants of socially responsible investments. The results showed that investors took company environmental and social behaviour into consideration in making investment choices, which is actually reflected though the stakeholders' attitude toward the company from different sides of company performance.

Riley and Chow (1992) found that risk aversion increases with the increase of age which also decreases i.e., after 65 of age retirement. Hoffmann et al. (2006) assessed the needs and conformity behaviour on investors. The results indicated that besides satisfying the financial needs investors also struggle to satisfy socially oriented needs. In addition, Sevil et al. (2007) aimed at understanding the decision processes of small investors trading in Istanbul stock exchange. The study found that investors are not completely rational as perceived by traditional finance theories. Makrani and Abdi (2014) observed the effects of book value, net earnings and cash flow on stock prices of 129 selected firms listed on Tehran Stock Exchange over the period 2007-2012, the study has determined that the effects of book value, net earnings as well as cash flow decreases over the time although the effects of book value is bigger than net earnings and cash flow.

According to Khan (2015), people are not always rationale and their decisions are not always objective. Technically financial metrics like P/E ratio, EAT, dividend payout ratio, etc. should be the basis of investment decisions. However, such is not the case most of the times, because the prices of indices are also governed by various aspects and factors of human mind

set expectations, sentiments and excitement to name a few. Usmani (2022) revealed that individual's base their stock purchase decisions on wealth-maximization criteria combined with past and present stock performance along with other diverse variables. The study also showed that they do not rely on a single approach for making investing decisions. Investors' high expectation and irrational behaviour cause undue increase in market index and ultimately result in great fall in stock market ((Haque, and Faruquee, 2023)).

Though there are above mentioned empirical evidences in the context of other countries and in Nepal, there is no enough evidence about the impact of different factors on investment decision using the most recent data. Therefore, this study deals with the following issues
:

i. What factors affect the investment decisions of individual investors in the Nepalese stock market?
ii. Do investors rely on suggestions from friends, family, teachers, colleagues, or broker recommendations when investing in stocks?
iii. Are individual investors in the Nepalese stock market aware of the financial indicators that influence share prices?
iv. To what extent do these factors impact the investment decisions of individual investors?
v. Do these factors vary according to the demographic characteristics of investors?

1.3 Objectives of the Study

The broad objective is to describe the factors influencing individual investment decision making in stock market with reference to Nepalese stock market. This research has some special purposes to be accomplished. The research question is if demographic factors have influences on investor's decision making process or not. As a result, factors such as consultation, opinion of the family and moral values may affect the equity selections. Therefore, it is necessary to understand the specific factors that influence individual investor equity selection in the Nepalese context.

i. To examine the extent to which investors rely on recommendations from friends, family, teachers, colleagues, and brokers when making investment decisions.
ii. To assess the level of awareness among individual investors regarding financial indicators that influence share prices.
iii. To analyze the impact of identified factors on the investment decisions of individual investors.
iv. To investigate whether the factors influencing investment decisions vary according to the demographic characteristics of investors.
v. To provide recommendations for improving investment awareness and decision-making among individual investors in the Nepalese stock market.

1.4 Hypothesis

From the above discussion on problem and statement following hypothesis can be deduced:

$H_{1:}$ There is significant relationship between firm's image and individual investment decision of investors.

H_2: There is significant relationship between advocate recommendation and individual investment decision of investors.

H_3: There is significant relationship between personal financial need and individual investment decision of investors

H_4: There is significant relationship between neutral information and individual investment decision of investors.

1.5 Rationale of the Study

The study tries to identify what kind of investment of an individual affects their decision in the financial market investment.

The study provides an understanding of the various decisions to be made by investors based on the prevailing factors and the eventual outcomes for each decision. The investors can analyze and examine the factors influencing their individual decision making with regard to their investment. These analyses are crucial as this will influence their financial plans of future.

The study identifies the most influencing factors of their investors' behavior the investing pattern would affect company specific factor and the company profile. Accordingly the investing companies can decide on their future policies and strategies .Investment decisions by the investors will determine the company's strategy to be applied.

The study helps in a better understanding of individual behavioral, individual investment processes und outcomes that are important for financial advisors because an understanding of how investors generally respond to market movements should help them devise appropriate asset allocation strategies for their clients.

The identification of the most influencing factors will help it to modify required legislation and other procedures that are needed for satisfying the desires of investors and also giving more support to the market efficiency

1.6 Limitations of the Study

This study will be based on investor's decision making in stock market and two independent variables: Firm's image, and Advocate recommendation. These variables are taken for the study of the investment decision by a firm or an individual as a whole. Some of the limitations of the study are listed below:

Only limited responses from the individual are taken for the study which is difficult to generalize.

The study is based on four independent variables and it ignores other variables that may affect investment decision making in stock market.

This study uses only descriptive statistics for data analysis and result is concluded based on descriptive variables only.

The study will use convenient sample method.

All the respondents are from Kathmandu valley. Hence, the study does not incorporate wide geographical character of the respondents.

The study is predominantly based on the primary source of data. Therefore, reliability of conclusion of the study depends upon the accuracy of the information provided by the respondents.

1.7 Definition of the Terms

The following section deals with the different terms that are used in the research paper.

Decision-making: With institutional investors, the investments are usually overseen by different individuals in the organization. For example, the board of directors makes the decision-making process more challenging as people are likely to propose different ideas on what trades to make. As an individual investor, you are your boss and the sole decision maker when it comes to buying and selling shares. It depends upon us what decision we are individually taking to invest in share market.

Individual Investor: Individual investor is also called retail investor .A individual investor is someone who invests in securities and assets on their own, usually in smaller quantities. They typically buy stocks in round numbers such as 10, 25. 50, 75 or 100. The stocks they buy are part of their portfolio and do not represent those of any organization. However, many individual investors make trades based on their emotions. They let fear and greed dictate the stocks they buy. It is not the most optimal way to trade as stock markets are incredibly volatile, and it is often hard to predict the direction in which the stock will move.

Behavioral Finance: Behavioral finance is the study of the influence of psychology on the behavior of investors or financial practitioners and ultimately, the subsequent effect on the markets and attempt to understand how emotions and cognitive errors influence investors behaviors.. It focuses on the fact that investors are not always rational, have limits to their self-control, and are influenced by their own biases.

Heuristics: A heuristic is a mental shortcut that allows an individual to make a decision, pass judgment, or solve a problem quickly and with minimal mental effort. Heuristics are the rules of thumb, which makes decision making easier, especially in complex and uncertain environments by reducing the complexity of assessing probabilities and predicting values to simpler judgments. There are four components of heuristics: representatives, availability bias, anchoring, and overconfidence.

Prospect: Prospect theory is the theory that focuses on subjective decision-making processes including: regret aversion, loss aversion and mental accounting.

Market: Financial Markets can be affected by investor's behaviors in the way of behavioral finance are correct, it is believed that the investors may have over- rounder- reaction to price changes or news; extrapolation of past trends into the future; a lack of attention to fundamentals underlying a stock; the focus unpopular stocks and seasonal price cycles.

Herding: Herding effect in financial market is identified as tendency of investor's behaviors to follow the others actions. In the perspective of behavior, herding can cause some emotional biases, including conformity, congruity and cognitive conflict, the home bias and gossip. Investors may prefer herding if they believe that herding can help them to extract useful and reliable information.

Investment Performance: The return rate of stock investment is evaluated by asking investors to compare their currently real return rates to both their own expected return rates and the average return rate of the security market.

CHAPTER II
LITERATURE REVIEW

This chapter includes the literature review, theoretical framework, and concluding remarks. The literature review has been organized into three parts; review of major studies, review of recent studies and review of Nepalese studies. The theoretical framework shows the all dependent and independent variables with their relations. The entire study relies on the theoretical framework. So, it is a blueprint for the study. Lastly, this chapter includes the concluding remarks indicating the research gap after review of the literature.

2.1 Theoretical Review

Investors' decision-making behavior in the Nepalese stock market is a multifaceted process shaped by a variety of factors, including individual traits, market dynamics, and external stimuli. It is crucial for stakeholders such as market participants, regulators, and policymakers to grasp these dynamics in order to formulate effective strategies and policies. This theoretical exploration seeks to delve into the fundamental frameworks and concepts that underlie investors' decision-making processes within Nepal's stock market.

Behavioral finance theory asserts that investors' choices are often influenced by psychological biases and emotions, leading them away from purely rational decision-making. Key concepts such as prospect theory, loss aversion, and herding behavior are particularly instrumental in comprehending how investors behave in Nepal's stock market context. For instance, loss aversion may cause investors to hold onto declining stocks longer than warranted, while herding behavior can foster groupthink and market bubbles.

Prospect theory, pioneered by Kahneman and Tversky, proposes that individuals assess potential gains and losses differently. In Nepal, investors might display risk aversion when confronted with potential losses, potentially prompting more cautious investment decisions. Moreover, the theory's framing effect suggests that how information is presented can significantly influence investors' choices within the Nepalese stock market.

The Efficient Market Hypothesis (EMH) posits that stock prices reflect all available information, rendering historical price data ineffective for generating profitable trading strategies. In Nepal's stock market, the EMH can shape investors' perceptions regarding the predictability of stock prices and the risks associated with various investment approaches.

Investors in Nepal commonly rely on prospectuses and financial statements to inform their investment decisions. These documents play a pivotal role in shaping investors' perceptions of companies and influencing their investment preferences. Understanding how investors interpret and utilize this information is crucial for enhancing financial literacy and fostering informed decision-making.

Investors' decision-making behavior is further influenced by their investment objectives and risk tolerance levels. Nepalese investors pursuing long-term financial goals may adopt different investment strategies compared to those seeking short-term gains. Variations in risk tolerance among individuals also impact their asset allocation and risk management strategies.

2.1.1 Theories of Investors' Behavior

Theory of Regret

It elucidates the emotional response that individuals experience upon acknowledging that they have made a mistake in judgment. Investors are emotionally influenced by the price at which they acquired a stock when they are faced with the possibility of selling it. Therefore, they refrain from selling it in order to prevent the humiliation of reporting a loss and the regret of having made a poor investment. Regret theory may also apply to investors who discover that a stock they had contemplated purchasing but ultimately declined in value has experienced an increase in value. Certain investors adhere to the conventional wisdom or the principle of imitating the actions of their peers. Consequently, in order to prevent the possibility of experiencing this regret, an individual investor rationalizes their decision by purchasing only equities that are being purchased by the majority (Pareto, 2021).

Mental Accounting Theory

Mental accounting is a psychological theory that explains how purchasing, saving, and other household behaviors are influenced by limited thought. The objective of this theory is to address the inquiry, "What is the way in which individuals perceive money?" The solution lies in acknowledging that decision-making is fragmented rather than comprehensive. The empirical observation that individuals categorize their expenditures into distinct categories (e.g., lodging, food, clothing) is one of the motivations behind the theory of mental accounting. Each category is associated with a distinct mental account. Generalized mental accounts are employed as a method for individuals who are bloodily rational to simplify their financial decision-making. An important consequence of this is that the value that an individual assigns to a specific sum of money may be contingent upon the account to which it is assigned, which in turn is contingent upon context, framing, and circumstance (Thaler, 2017).

It asserts that humans have a propensity to categorize specific events into mental compartments, and the disparity between these compartments occasionally influences our behavior more than the events themselves. The most eloquent illustration of mental accounting in the investment sector is the reluctance to sell an investment that had previously generated staggering returns but has since experienced a modest increase. People become accustomed to robust, albeit paper, gains during an economic boom and bull market. Investors are more reluctant to sell at the reduced profit margin when the market correction diminishes their net worth. Thaler (2001) posits that they establish mental compartments for the profits they once enjoyed, which results in them anticipating the return of that lucrative period.

Prospect/Loss-Aversion Theory

It implies that individuals exhibit a distinct level of emotion in response to gains compared to losses. Individuals are more anxious about potential losses than they are about equal gains. Investors' attachment to losing equities is also explicated by prospect theory, which posits that individuals frequently assume greater risks in order to prevent losses than to realize profits. Consequently, investors are prepared to maintain a risky stock position in anticipation of a price rebound. In an effort to recoup their losses, gamblers during a losing streak will behave in a similar manner, doubling up on their wagers. Therefore, despite their rational desire to receive a

return for the risks they take, they tend to place a higher value on their possessions than the price we would typically be willing to pay for them. The loss-aversion theory suggests an additional rationale for why investors may elect to retain their losers and dispose of their victors: they may anticipate that today's losers will soon surpass today's winners. Investors frequently commit the error of investing in equities or funds that attract the most attention in order to capitalize on market fluctuations. Research indicates that the rate of money flow into high-performance mutual funds is greater than that of money flow out of underperforming funds (Kahneman and Tversky, 2022).

For instance, An investment advisor will not necessarily receive an abundance of messages from her client when she discloses, for example, a Rs. 500,000 increase in the client's portfolio. However, an individual may wager that the phone will respond when it experiences a loss of Rs. 500,000. Consequently, investors consistently prioritize loss over gain.

Over/Under Reacting Theory

It is stated that investors become optimistic when the market increases, presuming that it will continue to rise. In the event of a downturn, investors tend to become exceedingly pessimistic. The result of anchoring is the overemphasis on recent occurrences. While disregarding historical data, this is an over- or under-reaction to market events that leads to prices declining excessively in response to negative news and rising excessively in response to positive news. Investor greed propels equities beyond their intrinsic value during periods of optimism (Hong and Stein, 2022).

Theory of Overconfidence

The theory of overconfidence pertains to the notion that investors perceive their own knowledge as more precise than it actually is. Investors may have made decisions that were not in accordance with reality, which could have a negative impact on the future benefits of members and resulted in overconfidence. It asserts that individuals typically perceive their capabilities as superior to the average. Additionally, they overstate the precision of their knowledge and its comparative value to that of others. Numerous investors are under the impression that they can consistently predict the market. In reality, however, there is an abundance of evidence that

contradicts this assertion. Profits are diminished by trading costs as a consequence of overconfidence (Tapia and Yermo, 2007).

2.2 Review of Previous Studies

Potter (1970) conducted an investigation into the factors that motivate investors in the common stock market. The objective of the investigation was to determine the factors that influence or direct the investment decisions of ordinary stock investors. The primary source of data was employed in the investigation. The data was collected from 680 individual investors using a scientifically structured questionnaire that included 25 demographic questions and 50 behavior-related questions. Multiple factor analysis, regression analysis, and chi-square analysis were implemented to evaluate the relationships among the variables. The research demonstrated that the investing patterns and decisions of the groups of investors were often influenced by income from dividends, rapid development, purposeful investment as a protective outlet for savings, and professional investment management. The purchasing and selling behavior of individual investors at the turn of the year was evaluated by Ritter (2018). The primary source of data was employed in the investigation. The research suggested a variety of frameworks to elucidate the impact of the turn of the year on the purchasing and selling behavior of individual investors. The research determined that small equities perform exceptionally well at the beginning of the year. Nevertheless, the investigation was unable to elucidate the reason for the fact that small stocks generate greater returns than large equities over the course of a year. The study determined that the extent of the turn-of-the-year effect was significantly correlated with the year-to-year behavior of this buy/sell ratio.

Mitchell and Mulherin (2019) conducted an investigation into the influence of public information on the stock market. The objective of the investigation was to establish a correlation between Dow Jones & Company's daily news announcement count and market activity, which encompassed trading volume and market returns. The primary source of data was employed in the investigation. The correlation analysis was employed to evaluate the relationship between the variables. The research concluded that the quantity of Dow Jones announcements and market activity are directly correlated. Nevertheless, the observed correlation between news and

market activity is not particularly robust, and the patterns in the news announcements do not account for the day-of-the-week (weekday) seasonality in market activity. Odean (2020) investigated whether investors were hesitant to acknowledge their losses. The primary source of data for the research was the analysis of trading records for 10,000 accounts at a large discount brokerage house. Investors exhibit a strong preference for realizing victors over losers, according to the research. The research also demonstrated that their investment decisions are significantly influenced by their dread of losing.

According to the Over/Under Reacting Theory, investors become optimistic when the market increases, anticipating that it will continue to rise. In the event of a downturn, investors tend to become exceedingly pessimistic. An over or under-reaction to market events, which leads to prices declining too much on bad news and rising too much on good news, is a consequence of anchoring, which involves placing too much importance on recent events while ignoring historical data. At the height of optimism, investor avarice propels stocks beyond their intrinsic value (Hong & Stein, 1999).

The interrelationships between stock prices and significant macroeconomic variables were established by Pethe and Karnik (2020). The secondary source of data was employed in the investigation. The macroeconomic variables that have been specified are the prime lending rate, narrow money supply, broad money supply, index of industrial production, and exchange rate of Indian rupees into dollars. The error correction model, co-integration, and unit root testing were implemented to evaluate the relationship between the variables. They have determined that the stock markets are still demand-driven, and the leap-frogging strategy, which their policymakers have implemented, has yet to yield any results. Additionally, the investigation demonstrated that there is no apparent long-term, consistent correlation between the macroeconomic environment and stock prices.

Mlambo and Oshikoya (2021) investigated the macroeconomic factors and investment opportunities in Africa. In order to investigate the correlation between private investment in Africa and macroeconomic policy variables, the paper estimated quadrennial panel data regressions for the period 1970–96. The investigation determined that private investment was

substantially affected by macroeconomic uncertainty, fiscal, financial, and monetary policy, as well as trade variables. Additionally, the investigation demonstrated that Africa continues to be exceedingly susceptible to external disruptions. This has a detrimental effect on the recovery of private investment.

Macroeconomic influences on the stock market: Evidence from an emerging market in South Asia were examined by Gunasekarage et al. (2022). The secondary source of data was employed in the investigation. They examined variables for a 17-year period, spanning from January 1985 to December 2001. The relationship among the study variables was examined using unit roots, co-integration, vector error correction models (VECM), impulse response functions (IRFs), and variance decompositions (VDCs). These experiments were employed to investigate the long-term and short-term relationships between the stock market index and the economic variables. The research determined that the stock market is significantly influenced by macroeconomic variables, including the consumer price index, the money supply, and the Treasury bill rate. The study also revealed that the Treasury bill rate had the most significant impact on price variations in comparison to other variables.

In order to investigate the impact of fluctuations in investors' emotions on their decision-making processes, Lucey and Dowling (2005) evaluated the function of emotions in investor decision-making. The primary source of data was employed in the investigation. Investor sentiment was examined in two distinct domains: mood misattribution and the influence of stock image on investor decision-making. The research discovered that individuals who are in a happy mood make more positive decisions as a result of the favorable weather conditions. The research establishes that investors occasionally invest in a company based on their preference for or against it.

Al-Tamimi (2006) conducted a study on the factors that influence the behavior of individual investors in the financial markets of the United Arab Emirates. The primary source of data was employed in the investigation. To gather the data, a modified questionnaire was employed, consisting of thirty-four items. Of these, ten items are associated with the self-image/firm-image coincidence category, seven items are associated with the accounting information category,

seven items are associated with the neutral information category, four items are associated with advocate recommendations, and six items are associated with personal financial needs. The analysis employed a seven-point Likert scale. The research determined that the UAE's most significant determinants include the creation of an organized financial market, government holdings, past stock performance, stock marketability, and corporate earnings. The research also revealed that the least influential factors are the following: expected losses in other local investments, minimizing risk, expected losses in international financial markets, family member opinions, and intuitive feelings regarding the economy. Similarly, the religious reasons and the opinions of family members were the factors that had the least unexpected impact on the behavior of the UAE investor.

Hoffmann (2007) asserted that conventional finance theories presuppose that investors evaluate investment decisions solely based on risk and anticipated returns. Primary sources of data were employed in this investigation. The respondents of Hoffmann's online investment survey reported that they invest to fulfill both financial and socially oriented requirements. These investors derive pleasure from engaging in investment-related discussions and identifying themselves with other investors. Additionally, these investors regarded investing as a pleasant pastime. Hoffmann also examined the impact of attempting to meet these diverse requirements on the decision-making behavior of these investors. The research revealed that investors who prioritize socially oriented requirements also place a greater emphasis on the opinions of others regarding their investment decisions and request additional information from these individuals prior to making their own investment decisions.

Gichana (2007) investigated the factors that influence the investment decisions of stock brokers and dealers when they invest in securities at the Nairobi Stock Market. The primary and secondary sources of data were both employed in the investigation. Structured questionnaires were implemented to accumulate the primary data. The study's results suggested that the investment decision is influenced by economic factors, company-specific factors, government policy-related factors, and political and temporal factors.

Maditinoset al. (2007) conducted an investigation into the conduct of investors on the Athens Stock Exchange. In order to investigate the practice of investment management in relation to stock market forecasting and stock valuation, the investigation employed a questionnaire survey and a series of interviews as the primary source of data. The respondents are distributed across Greece and consist of six distinct categories of investors: official members of the Athens Stock Exchange, mutual fund management companies, portfolio investment companies, listed companies, brokers, and individual investors. The research demonstrated that individual investors prioritize fundamental and technical analysis over portfolio analysis, while professional investors prioritize the latter.

Al-Tamimi and Anood (2009) conducted a study on the financial literacy and investment decisions of investors in the United Arab Emirates. The primary source of data was employed in the investigation. The findings suggest that the financial literacy of investors in the UAE is significantly below the required level. Income, education, and workplace activity are all identified as factors that influence financial literacy. High-income respondents possess advanced educational degrees, and those employed in the finance/banking or investment sectors had a higher level of financial literacy than other respondents, as anticipated. The research revealed that financial ineptitude is prevalent among all respondents, irrespective of their age. The research determined that there is a substantial correlation between investment decisions and financial literacy.

Shu (2010) investigated the state of investor sentiment and financial markets. The primary source of data was employed in the investigation. The objective of the investigation was to establish a connection between empirical discoveries and financial theory. The study's findings indicated that investor mood is positively correlated with both equity and bill prices, with higher asset prices being associated with a more positive mood. In contrast, investor mood is negatively correlated with expected asset returns. The results of this study indicated that investor mood is a critical factor in the equilibrium of asset prices and returns. The integration of investor mood into asset-pricing models is a helpful method for interpreting the increasing body of seemingly anomalous evidence regarding investor behavior.

Masomi and Ghayekhloo (2010) evaluated the economic repercussions of human behaviors: The influence of behavioral factors on investment decision-making at the Tehran Stock Exchange. The study examined the impact of behavioral factors on the decision-making process of institutional investors on the Tehran Stock Exchange. The secondary source of data was employed in the investigation. The study employed a sample of 23 institutional investors. The study determined that the decisions of the investors were influenced by behavioral factors such as overconfidence, anchoring, gambler's fallacy, loss aversion, regret aversion, and mental accounting.

The factors that influence the equity selection procedure and its relationship with expected and actual return were investigated by Chong and Lai (2011). The primary source of data was employed in the investigation. Snowball and convenience sampling were employed to accumulate a total of 199 questionnaires that were suitable for use. Multiple regression analysis, correlation analysis, factor analysis, and descriptive studies were implemented to evaluate the interrelationships among the variables. The study's results indicated that investors prioritized "neutral information," which is derived from the substantial contributions of the firm's past performance, recent price fluctuations, and industry status, when making investment decisions. Additionally, the study revealed that the social relevant factor was a significant difference among the respondents' various age groups

The factors that influence the behavior of individual investors in India were examined by Chandra and Kumar (2011). A total of 350 investors were surveyed in the study. The primary source of data was employed in the investigation. The investigation determined that the behavior of individual investors is spurred by a diverse array of psychological biases and heuristics. In the context of Indian individual investor behavior, the study discovered four significant findings. The research determined that investors' investment decisions are formed on the basis of heuristics, and their investment behavior is significantly influenced by representatives and mental accounting.

Financial literacy and stock market participation were evaluated by Rooijet et al. (2011). The primary source of data was employed in the investigation. The queries were intended to assess individuals' numeracy and fundamental understanding of the operation of inflation and interest rates, as well as their financial knowledge of financial market instruments. Researchers discovered that investors with inadequate financial literacy are considerably less inclined to invest in equities.

The factors that influence the attitude of retail investors toward investing in equity securities in Tamilnadu, India, were examined by Bennetet al. (2011). They conducted a study to examine the investors' perceptions of the various factors that influence the decision to select an equity stock. The structured questionnaire was employed to acquire data from retail investors residing in Tamil Nadu from May to September 2010. The associate factors that influence the decision to select an equity stock were analyzed using the independent sample T Test, one-way ANOVA, and factor analysis. The Kaiser-Meyer-Olkin measure of Sampling Adequacy was implemented to evaluate the suitability of the data for factor analysis. Furthermore, Bartlett's Test of Sphericity is a statistic that is employed to investigate the hypothesis that the variables are uncorrelated in the population. The research demonstrated that the decision-making process of individual investors was influenced by the average value of the five factors, which include the return on equity, quality of management, return on investment, price-to-earnings ratio, and numerous company ratios.

Obamuyi (2013) investigated the variables that influence the investment decisions of individual investors in Nigeria's capital market. The objective of the investigation was to identify the primary factors that influence the investment decisions of investors and to investigate the relationship between these factors and the socio-economic characteristics of the investors in the Nigerian Capital Market. A total of 297 Nigerian investors were surveyed in the study. The collected data was subjected to independent t-tests, analysis of variance (ANOVA), and post-hoc tests. The findings indicated that the five most significant factors that influence the investment decisions of investors in Nigeria are the company's past performance, the anticipated stock split/capital increases/bonus, the dividend policy, the expected corporate earnings, and the desire to become wealthy quickly.

Ponnamperuma (2013) conducted a study on the factors that influence the behavior of investors on the Colombo Stock Exchange. The objective of the research was to identify the factors that influence the choice of stock by individual investors. The primary source of data was employed in the investigation. The study conducted an interview with 50 executives and surveyed the perceptions of 300 investors. The research determined that the most significant factor influencing the stock selection of individual investors is the stability of the company, while the past performance of the share is the second most significant factor influencing their behavior. Additionally, the research determined that the annual report's content is not relied upon by individual investors.

Akhter and Ahmed (2013) conducted a study on the behavioral characteristics of individual investors during their investment in the Bangladesh Stock Market. The primary source of data was employed in the investigation. The primary goal of this investigation was to establish a framework that would provide insight into the behavioral characteristics of individual investors in the context of investing in the Bangladeshi stock market. The research determined that the investor's decision was substantially influenced by the firm's accounting information, including EPS, financial statements, DPS, expected dividends, past performance, and money market conditions. The research determined that the decisions of individual investors were significantly influenced by the advice of friends, family, and brokers. The research also indicated that the decision to invest could be influenced by the following factors: the simplicity of obtaining borrowed funds, positive movement, affordable price, and past performance.

The factors that influence the decision-making behavior of individual investors were investigated by Bashir et al. (2013). Under the five categories of variables, the investigation examined 34 objects. The study employed the primary source of data, with a sample size of 125. The study concluded that the most influential variables in the investing decision of individual investors are self-image/firm's image and accounting information, such as dividend paid, reputation of firm, feelings for a firm's products and services, get rich quick, firm's involvement in solving community problems, and firm's status in industry.

Alanyaliet al. (2013) conducted a study to quantify the correlation between the stock market and financial news. The study examined the daily print issues of the Financial Times from January 2, 2007, to December 31, 2012, in order to quantify the correlation between financial news developments and market decisions. The study discovered a positive correlation between the daily transaction volume of a company's stock and the number of mentions of the company in the Financial Times on the day before and the day of the news release. The investigation offered quantitative evidence to substantiate the assertion that fluctuations in financial markets and fluctuations in financial news are intricately connected.

Mutswenje (2014) conducted a survey of the factors that influence the investment decisions of individual investors at the NSE. The study utilized primary sources of data. Fifty investors comprised the study's sample. The researcher personally administered a structured questionnaire to the respondents in order to gather data. The questionnaire consisted of 28 elements. Frequencies, mean scores, standard deviations, percentages, Friedman's test, and factor analysis techniques were employed in this investigation. The study verified that there is a certain degree of correlation between the factors that behavioral finance theory and previous empirical evidence identify as the most significant for the average equity investor. The research demonstrated that the following factors were the most significant in influencing individual investment decisions: the firm's reputation, its status in the industry, the expected corporate earnings, profit, and condition of the statement, the past performance of the firm's stock, the price per share, the economy's sentiment, and the expected divided by investors. The results offered a comprehension of the diverse decisions that investors must make in accordance with the prevailing factors and the resulting outcomes for each decision. They would also identify the most influential factors that will influence the behavior of the company's investors and the impact of their future policies and strategies. This is because the company's strategy will be determined by the investment decisions of the stakeholders.

The factors that influence the individual investor behavior and investment decisions of the Indian capital market were examined by Girish and Sanningammanavara (2014). The study conducted a convenient survey of 36 individual investors who are located in Mysore city. This

investigation is exploratory in nature and utilized primary data obtained through a structured questionnaire. The extensive literature survey was used to assess the factors and data collected in the advance economy. The factors that influence the behavior of individual investors were identified through factor analysis. The research demonstrated that the disposition effect, overconfidence, information heuristics anchoring, gamblers fallacy, risk aversion, and representativeness are the primary factors that influence the behavior and investment decisions of individual investors.

Sapna and Dani (2014) conducted an investigation into the stock market and the factors that influence volume. Their objective was to comprehend the relationship between stock price and volume in the stock market, as well as to analyze the various factors that influence the trading volume of the stock. The secondary source of data was employed in the investigation. The exploratory study of respondent and correlation analysis using the SPSS tool were employed to assess the relationship among study variables. The study determined that price and volume are highly correlated, and that the trading volume is influenced by a variety of factors in addition to the price.

Jagongo and Mutswenje (2014) investigated the factors that influence investment decisions on the Nairobi Stock Exchange. The primary source of data was employed in the investigation. The investigation was conducted on 42 investors, who comprised the sample size of 50 investors. Frequencies, mean scores, standard deviations, percentages, Friedman's test, and factor analysis techniques were employed to analyze the relationship between the variables. The research determined that the following factors were the most significant in influencing individual investment decisions: the firm's reputation, industry status, expected corporate earnings, profit, and condition of the statement, past performance of the firm's stock, price per share, and expected dividend by investors. The results of this research would offer a comprehension of the diverse decisions that investors must make in light of the current factors and the resulting consequences for each decision. Additionally, it would pinpoint the most influential factors on the behavior of investors.

Baker and Haslem (2015) conducted an analysis of the information requirements of individual

investors in 1973, which was subsequently updated in 2015. The primary source of data was employed in the investigation. The research revealed that stockbrokers and advisory services are the primary sources of investment information for individual investors. The research also revealed that financial statements are of minimal significance to individual investors as a source of information.

Khan et al. (2015) evaluated the variables that influence investors' investment decisions in the Bangladeshi stock market. A total of 270 investors in Khulna City were surveyed in the study. The primary source of data was employed in the investigation. The regression model was employed to investigate the relationship between the variables under investigation. The research determined that individuals who achieve financial stability through share investment have the greatest degree of influence over investors. The research also demonstrated that the decision to invest is significantly influenced by market factors, hedging factors, and economic factors. It was also discovered that the decision-making process of investors in the stock market is also influenced by the use of corporate annual reports that indicate financial ratios.

Islamoglu et al. (2015) conducted a study on the factors that affect the behavior of individual investors. The primary source of data for the study was a survey of financiers in Britain. In order to provide a numerical representation of the empirical analysis results, descriptive analysis was implemented, while factor analysis was implemented to evaluate the reliability and validity of the survey that was developed. Additionally, the analysis of moment structure was employed to conduct the hypothesis tests. Six factors were identified as influencing individual investor behavior as a consequence of the investigation. The most significant correlation was discovered between "conscious investor behavior" and "banking and payment behavior." Additionally, 11 of the research hypotheses were approved, while four were rejected. Within this framework, it was determined that there was a statistically significant correlation between the factors that influence the investment behaviors of individual investors.

The factors that influence the individual decision-making process in the Islamabad Stock Exchange were examined by Akbar et al. (2016). A total of 253 individual investors of the Islamabad stock exchange were surveyed in the study. Primary sources of data were

implemented in the investigation. The data was analyzed in detail using advanced econometric techniques. Descriptive statistics, regression analysis, and exploratory factors were implemented to evaluate the correlations among the variables under investigation. The investigation determined that there is a positive and substantial correlation between the investment decision-making process of investors, neutral information, advocate recommendations, and self-image/firm image coincidence. The study also discovered that the majority of investors in Pakistan do not make rational decisions based on accounting information. Rather, the investing decision is primarily influenced by the recommendations of stock brokers, colleagues, acquaintances, and the family.

Khanam (2017) evaluated the influence of demographic factors on the decisions of investors during the dividend declaration process on the Dhaka Stock Exchange in Bangladesh. He investigated the correlation between the quantity of stock market investment and the demographic characteristics of general investors, including age, education level, occupation, experience, and income. Primary sources of data were implemented in the investigation. The structured questionnaire was used to ascertain the average annual investment amount of 300 investors selected from the Dhaka Stock Exchange. The frequency table was employed to illustrate the number of investors who made this specific investment. In order to determine whether there is any interaction between two demographical characteristics and the yearly average investment amount of the investors, a two-way ANOVA test was implemented. The findings suggest that the average quantity of investment in various types of shares is influenced by specific demographic characteristics. For the first time, the paper investigates the correlation between the investment amount of general investors and their demographic characteristics. The study concluded that the yearly average investment amount of general investors is positively influenced by the interaction of various demographic factors.

The peer effects in decision-making evidence from corporate investment in China were investigated by Chen and Ma (2017). The primary source of data for the analysis was a sample of China's listed firms from 1999 to 2012. The investigation determined the economic repercussions, conditions, and mechanisms of peer effects in the investment decisions of firms. The study determined that peer effects are more pronounced when firms have information

advantages and the information disclosure quality of peer firms is higher, or when they face more intense competition. The investigation also determined that firms that are industry followers, inexperienced, or have financial constraints are exceedingly susceptible to their peers. In the case of firm investors, the study also demonstrated that quantifying the economic consequences generated by the peer effect enhances the firm's performance in future periods. Joshi and Bayra (2017) investigated the variables that influence investment decisions in the Indian stock market. The primary source of data was employed in the investigation. Descriptive analysis was implemented to evaluate the correlation between the variables. The research determined that the price-earnings (P/E) ratio and earnings per share (EPS) are accorded the highest priority in comparison to market share, company prestige, and liquidity. The study determined that investors must consider the economic condition and FII flow when making investment decisions.

In order to investigate the immediate market response to the announcement of a new, significant political announcement in the Nepalese stock market, Dangol (2008) conducted a study on unanticipated political events and stock returns. This investigation was founded on secondary data obtained from the NEPSE, which was later followed by an instantaneous political announcement. In order to investigate the stock market's reaction to a political announcement, eight significant political events from 2001 to 2006 were taken into account, and the return on the stock of the eleven commercial banks traded in the NEPSE was assessed. The paper concluded that the Nepalese stock market is inefficient at a semi-strong level, as evidenced by the analysis of the collected data. However, there is a strong correlation between political uncertainty and common stock returns.

Adhikari (2010) examined the investment behavior of Nepalese investors. A total of 49 respondents were surveyed in the study. The variables were described using descriptive tools, and the data were collected through online questionnaires. Nepalese investors invested in shares for both financial and non-financial factors, according to the research. The study also discovered that behavioral factors significantly influence the investment decision-making process of Nepalese investors. Investors' investment judgments are influenced by the presence of certain facets, including all three selected behavioral biases.

The Nepalese stock market was the subject of Kadariya's (2012) analysis of the factors that influence investor decision-making. A total of 185 respondents were surveyed in the study. Online questionnaires were implemented to accumulate the data. The variables were described using descriptive tools. Tangible and ethereal information were the sources of market reactions in the Nepalese stock market. The investigation investigated the perspectives of investors regarding Nepalese stock market matters. The study identified the factors that influence investment decisions, including the capital structure and average pricing method, political and media coverage, belief in luck and financial education, and market movement trend analysis. Consequently, the study concluded that both tangible and intangible information were necessary for success in the Nepalese capital market.

The determinants of stock market performance in Nepal were investigated by Shrestha and Subedi (2013). The secondary source of data was employed in the investigation. The empirical analysis of the determinants of the stock market performance in Nepal was conducted using monthly data from mid-August 2000 to mid-July 2014. The research determined that the Nepalese stock market exhibits a robust positive correlation with inflation and the expansion of the money supply, while it exhibits a negative response to interest rates. The study posits that the Nepalese stock market's performance is improved by the cheap interest rates and the availability of liquidity. More critically, the stock market has been observed to respond significantly to changes in the political environment and the policy of Nepal Rastrya Bank.

Adhakari and Phuyal (2016) evaluated the impact of political events on the volatility of the Nepalese stock market. The primary source of data was employed in the investigation. They conducted a three-fold analysis of the impact of politics on the Nepalese share market. The data was gathered by conducting a survey of stock market investors and brokers to identify potential factors that contribute to the volatility of the stock market. To determine whether a collection of economic variables could account for fluctuations in the stock index over the course of a decade, a multivariate analysis was conducted on a quarterly dataset. Attempts were made to investigate the correlation between stock market volatility and political instability in the study.

The research demonstrated a distinct positive correlation between political and stock market disruptions.

2.3 Research Gap

Research on the self-image of a firm has primarily concentrated on its external effects, including consumer behavior and market performance. Nevertheless, there is a significant lacuna in our comprehension of the ways in which a company's internal dynamics, such as decision-making processes, corporate culture, and employee engagement strategies, are influenced by its self-image. Investigating these internal dimensions could offer valuable insights into the ways in which firms can align their self-perception with strategic objectives to improve organizational cohesion and performance (Baker & Haslem, 2015).

Advocate recommendations are essential in consumer marketing; however, there is a significant void in research regarding their implementation in B2B environments. Although consumer advocacy is extensively documented, the extent to which advocate recommendations affect organizational purchasing behavior, supplier relationships, and strategic partnerships is still unexplored. Addressing this disparity could reveal effective strategies for leveraging advocate endorsements to enhance overall market competitiveness and strengthen business-to-business engagements. Although personal financial requirements are a critical component of financial planning, the majority of existing literature concentrates on individual objectives and strategies (Adhikari, 2010). There is a research gap in the area of the impact of demographic shifts, such as aging populations and changing family structures, on the evolution of personal financial requirements. Additionally, there is a necessity to examine the manner in which digital financial tools and platforms adapt to these evolving requirements, providing customized solutions that are consistent with a wide range of demographic profiles and socioeconomic contexts (Islamoglu et al., 2015).

Neutral information is a fundamental component of making well-informed investment decisions. Nevertheless, the efficacy of various formats in providing impartial financial information and their impact on the decision-making processes of investors have not been sufficiently investigated. By bridging this disparity, investors would gain a more comprehensive

understanding of how to perceive and utilize neutral information across a variety of media, thereby increasing transparency and trust in financial markets (Adhakari&Phuyal, 2016).

Investment decisions are intricate and significantly impacted by market conditions and behavioral biases. There is a lacuna in understanding the impact of behavioral biases, including herd mentality and loss aversion, on the decision-making processes of individual investors, despite the extensive research that has been conducted. Additionally, additional research is necessary to determine the extent to which these biases are mitigated or exacerbated by technology-driven investment platforms. By addressing this lacuna, the design of investor-centric platforms that facilitate rational decision-making and enhance overall investment outcomes could be informed (Khanam, 2017).

These identified research voids highlight the potential for future studies to further explore these critical areas, providing valuable insights that can inform strategies, policies, and innovations across a variety of domains, including business, finance, and consumer behavior (Shrestha & Subedi 2013).

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CHAPTER III
RESEARCH METHODS

Research methodology is the scientific discipline that governs the conduct of research and is a methodical approach to problem-solving. It establishes a fundamental framework for research, outlining the methods that researchers employ to elucidate, clarify, and anticipate phenomena. The systematic resolution of issues is facilitated by the methods and processes that are employed throughout the study, which are referred to as methodology. It entails the acquisition of data and information, as well as the establishment of a comprehensive study plan. This plan may encompass research from publications, interviews, surveys, and both historical and current data. Before conducting data analysis and interpretation, it is essential to provide a detailed description of the methodology to guarantee the logical organization of the material and the clarity of the study's objectives. Conclusions may be misinterpreted in the absence of a well-defined methodology. This chapter delineates the study's methodology, design, and approach, which encompasses the selection of the population and sample, the duration of the study, the accumulation of data, and the utilization of analytical tools and techniques. This section endeavors to be precise, effective, and beneficial for future research by utilizing scientific research methodologies. The research methodology is the primary component of the study, which is necessary for the systematic collection, analysis, and interpretation of information in order to make informed decisions and arrive at solutions.

3.1 Design of the Research

The factors that influence individual investment decision-making in the Nepalese stock market are investigated through a qualitative research approach in this study. It explores the fundamental issues associated with these factors by employing both descriptive research design and causal-comparative research design.

The descriptive research design is implemented to accumulate exhaustive data and facts regarding the variables that influence the investment decisions of individuals. In order to offer a comprehensive understanding of the circumstance, this design entails the systematic collection

and presentation of data. It enables a comprehensive analysis of the phenomenon in its current state, thereby facilitating the identification and comprehension of critical factors that influence investment decisions.

Furthermore, the study employs a causal-comparative research design to ascertain cause-and-effect relationships between the dependent variable, which is the individual investment decision, and independent variables (including the firm's image, advocate recommendation, personal financial needs, and neutral information). This design extensively utilizes statistics to evaluate the influence of a variety of factors on investment decisions. The study endeavors to establish the causal relationships between various variables and investment decisions by employing this design, thereby elucidating the fundamental mechanisms that influence individual investment behavior.

3.2 Sample and Population

All investors from the Nepal Stock Exchange comprise the target population of this investigation. It may be impossible to incorporate the entire population into this investigation. The investigation has utilized 333 sample sizes. The sample will consist of professional investors, self-employed investors, job investors, and business personnel. The sampling technique employed in this investigation will be non-probability sampling, which involves the selection of units based on criteria other than arbitrary chance. The respondent's response is obtained through conventional sampling.

In the Nepalese stock market, the population of this research consists of individual investors. These investors are the target group for comprehending the factors that influence their investment decisions. The representativeness and generalizability of the findings are guaranteed by the systematic selection of the sample. A questionnaire is intended to evaluate the identified factors that influence the decision-making process of an individual regarding their investments. The purpose of this questionnaire is to enable the researchers to analyze and comprehend the relationships between investment decisions and various factors within the Nepalese stock market context by collecting data from the selected sample.

The research collected the individual's perception of the share market through a structured questionnaire with the objective of identifying the factors that influence the individual investing decisions of investors. The qualitative data collected from the questionnaire was processed using SPSS software to compare it with the existing theory in the field of individual behavioral finance, specifically individual investor decision-making. The objective was to generate new findings.

3.3 Instruments

The investigation of the factors that influence individual investment decision-making in the Nepalese stock market is based on primary data collected through a structured questionnaire. The questionnaire is divided into two sections: the initial section collects demographic data, including gender, age, education, occupation, and monthly income. The second section explores the respondents' investment profiles, including their preferred stock market, the duration of their investment experience, their level of knowledge about the capital market, the frequency and quantity of their investments, and the sources of their investment advice. This section enables descriptive analysis to comprehensively comprehend the investment behaviors of the respondents and to profile them.

Furthermore, the second section of the questionnaire evaluates perceptions by employing a five-point Likert scale to evaluate statements that pertain to four critical variables: the image of the firm, the recommendation of an advocate, neutral information, and personal financial needs. Investors' decision-making processes in Nepal's stock market are significantly influenced by these variables. The responses to the Likert scale, which range from strongly disagree to strongly agree, offer a nuanced perspective on the factors that influence investment decisions by indicating the extent of agreement or disagreement with each statement.

Cronbach's alpha testing guarantees data reliability by verifying the consistency of responses across the survey items that assess each variable. The primary data is analyzed using SPSS 23, which involves the construction of a comprehensive data file, the definition of variables, and the

labeling of the data. In order to delineate the characteristics of the sample, descriptive statistics such as the mean, standard deviation, and range are implemented. Correlation analysis reveals the relationships between the dependent variable (individual investment decision) and the independent variables (Firm's Image, Advocate Recommendation, Neutral Information, Personal Financial Needs). Regression analysis further investigates the influence of these independent variables on investment decisions, both individually and collectively, using statistical tests such as t-tests and F-tests to evaluate the significance of the model.

3.4 Procedure

The opinion of respondents regarding investor decisions in the Nepali share market was evaluated using primary data in this study. The data was collected from individual investors who buy and sell securities on the Nepalese Stock Exchange. The primary source of primary data is a structured questionnaire that was developed and implemented to collect investors' opinions regarding the share market and individual investor behavior. The questionnaire was developed in accordance with the supervisor's guidance and the results of the literature review. The following is an explanation of the data collection procedure and the time necessary for it:

The questionnaires were distributed to investors through stock broker houses and personal relationships. The study was conducted in the Kathmandu valley by disseminating 350 questionnaires through field surveys and the internet. The study of investor behavior in Nepal has relied heavily on the opinions of 333 respondents. The questionnaires consisted of a total of 41 mixed-type inquiries, including personal information, closed-end multiple choice, five-point Likert scale items, and open-ended options. The initial five inquiries focused on the personal information of the respondents, including their gender, age, education, occupation, and monthly income. In total, respondents were required to select an appropriate option from six multiple-choice questions that were related to their share trading activities, knowledge, risk, and investment amount. Once more, an option-type query was devised to determine whether the independent variables provided have an impact on the decision-making process of investors. Ultimately, a five-point Likert-type query was devised to solicit the opinions of investors regarding the factors that influence their individual investment decisions in the Nepalese stock

market. The necessary data was gathered from investors residing in the Kathmandu valley between January and November 2021 using a structured questionnaire. The questionnaire was revised, corrected, and rephrased with the assistance of Google Sheets to ensure that it was comprehensible to the respondents and that it asked the intended questions. In order to guarantee that the questionnaire accurately represented the true picture, active investors were observed for a week by visiting various brokerage houses. The study also considered the references supplied by respondents as respondents.

3.5 Statistical Analysis

This section provides an overview of the manner in which the data that has been collected is utilized for the purpose of the study. The questionnaires were distributed via mail and messenger following their preparation with the assistance of Google Sheets. Nepalese investors of varying ages and backgrounds were requested to complete the questionnaire. The initial section comprised primary data analysis, which included a summary of descriptive statistics related to the general information of the respondents, such as their gender, age, education, occupation, and monthly income.

The initial section of the questionnaire pertains to demographic data, including the individual's gender, age, education, occupation, and monthly income. The investment profile is the subject of the second section of the questionnaire, which includes the following inquiries. In which of the following markets do you prefer to purchase shares? Additionally, please provide your level of expertise in the capital market, the duration of your investment experience, the amount of shares you invest in annually, and the individuals you consult when making investment decisions. This section of the questionnaire is utilized to conduct a descriptive analysis of the respondents. In the same vein, the third section of the questionnaire is intended to investigate the factors that influence the decision-making of investors in the Nepalese stock market. Each factor that affects an individual investor's investment is characterized by five statements.

The descriptive statistics, including the mean, frequency, maximum, and minimum values of seven influencing factors (firm's image, advocate recommendation, personal financial needs,

and neutral information), are analyzed in the second section by exception. These statistics are employed to characterize the sample during the period. The third section examined the Pearson correlation analysis to investigate the relationship between the dependent and independent variables in order to investigate the factors that influence individual investment decision-making in the stock market, with a particular emphasis on the Nepalese stock market.

In the same vein, the regression analysis of primary data is the subject of the fourth section. The relationship between the independent factors and the dependent variable, which is individual investment decisions, is estimated using regression models. SPSS is employed to analyze the data that has been collected.

The SPSS worksheet is used to code and tabulate the total responses collected from the respondents. The purpose of SPSS is to analyze the questionnaire results and subsequently assist in the interpretation of the results. The result is obtained by employing a variety of instruments, including descriptive statistics, frequencies, and casual comparative and reliability analysis (Cronbach's alpha). Additionally, the p-value is employed to evaluate the degree of significance of the various statements regarding employee absenteeism.

Reliability and validity

Validity is the extent to which a measure accurately represents the object it is intended to measure. It also ascertains the veracity of the results. It determines the accuracy of a measure and a measurement is valid when it measures and performs the functions that it supports to perform. Conversely, reliability is the extent to which an assessment instrument generates consistent and reliable outcomes. In other words, reliability is the extent to which the observed variable accurately represents the true value and is devoid of errors. The reliability of the respondents' responses is assessed and verified through the examination of their consistency and veracity in primary data.

The internal consistency or reliability of a statistical instrument is typically assessed using Cronbach's alpha. It has been employed to evaluate the validity and reliability of the primary data in order to ascertain the internal consistency among the various proxies of investment

decision, including the firm's image, advocate recommendation, personal financial needs, and neutral information. This is done by exception to assess the reliability of the various categories. The survey instrument's reliability and the internal consistency of the data grouped under distinct categories as identified from factor loading were assessed using Cronbach's Alpha. Furthermore, Cronbach's Alpha is also instrumental in determining the extent to which the scores of various variables are due to chance or random errors (Selltiz, Wrightman, & Cook, 1976) and in estimating the reliability of the participants' responses to the various dimensions of the variables (Helms et al., 2006). The outcome suggested that all variables have a value greater than the standardized value of 0.70 (Nunnually & Brainstrain, 1994). Consequently, the scales employed in survey instruments are undimensional, and the categories for survey instruments are both valid and dependable.

Descriptive Statistics

Descriptive statistics have been employed to consolidate the collected data and to describe and comprehend its fundamental characteristics in order to facilitate straightforward comparisons. It encompasses the computation of frequency and percentage schedules. The mean is employed to determine the central representative value of entire data sets, while the standard deviation is employed to quantify the dispersion.

Correlation Analysis

Correlation analysis is employed to quantify the relationship between independent and dependent variables. The direction and degree of a relationship are precisely determined by correlation analysis, which measures and analyzes the degree of relationship between two or more variables (Creative Research Systems, 2016). Correlation is a term that denotes the intensity of the relationship between two variables. A strong correlation indicates that two or more variables have a strong relationship, whereas a weak or low correlation of 30 indicates that the variables are hardly related (Crossman, 2018). Pearson's Correlation is the most frequently employed correlation coefficient. It has been implemented for the purpose of this investigation. These types of statistical analyses are beneficial because they can demonstrate the potential connections between various trends or patterns within society. The significance level is maintained at 0.05, indicating a 95% confidence level.

Model specification

The following regression model is used in this study to examine the relationship between investor's decisions making with the factors that influence investor's decision making variables .Thus, the following model equation is designed to test the hypothesis. From the conceptual framework the function of dependent variables (i.e. individual investment decision) takes the following form:

Individual Investment Decision =*f*(AR, NI, FI, PF)

More specifically, the given model has been segmented into the following models:

Model without intervening variables:

$ID = \beta^* + \beta 1AR + \beta 2NI + \beta 3FI + \beta 4PF + \mu$

Where,

β^*= Intercept

AR= Advocate Recommendation

NI= Neutral Information

FI= Firm Image

PF= Personal Financial need

ID=Individual Investment Decision

Analysis plan

This section gives a presentation on how the empirical data was used for research purpose to study on factors influencing individual investment decision making in stock market with reference to Nepalese stock market. It is necessary to follow certain steps and procedures in analyzing data in order to understand the results and generalize the findings. First, all data were collected through questionnaire and then it was managed. After gathering all the completed questionnaires from the respondent, it was analyzed and presented in proper tables. The data are collected and processed using Statistical Package of Social Science (SPSS) computer software and Microsoft Excel. After the analysis and interpretation of the responses, the results were presented. Thus, its reliability and validity test is conducted as per the research study i.e. Cronbach's alpha.

3.6 Conceptual framework

Conceptual framework is developed to link a relationship between independent variables and dependent variables. It is used to make conceptual distinction and organize ideas. Strong conceptual framework captures something real and does this in a way that is easy to remember and apply. Conceptual framework is a type of intermediate theory that attempts to connect to all aspects of inquiry with problem definition, purpose, literature review, methodology, data collections and analysis. Conceptual framework act like a map that give coherence to empirical inquiry as the conceptual framework are potentially so close to empirical inquiry, take different forms depending upon the research question or problem.

This study focuses on the factors influencing individual investment decision making in stock marketwith reference to Nepalese stock market. Conceptual framework is the key of any research report which helps us find the relationship of dependent variables with independent variables. Likewise we can clearly see the relationship between the dependent and independent variables like in this research. Individual Investment Decision of investor is dependent variable and there are four independent variables which are: Firm's Image, Advocate Recommendation, Personal Financial need, and Neutral Information.

In independent variables there are other variables too such as Firm's Image that contains Dividend Paid, Financial statement and Stock marketability (easily sold), etc. The framework below gives a much clearer view of the variables of this research:

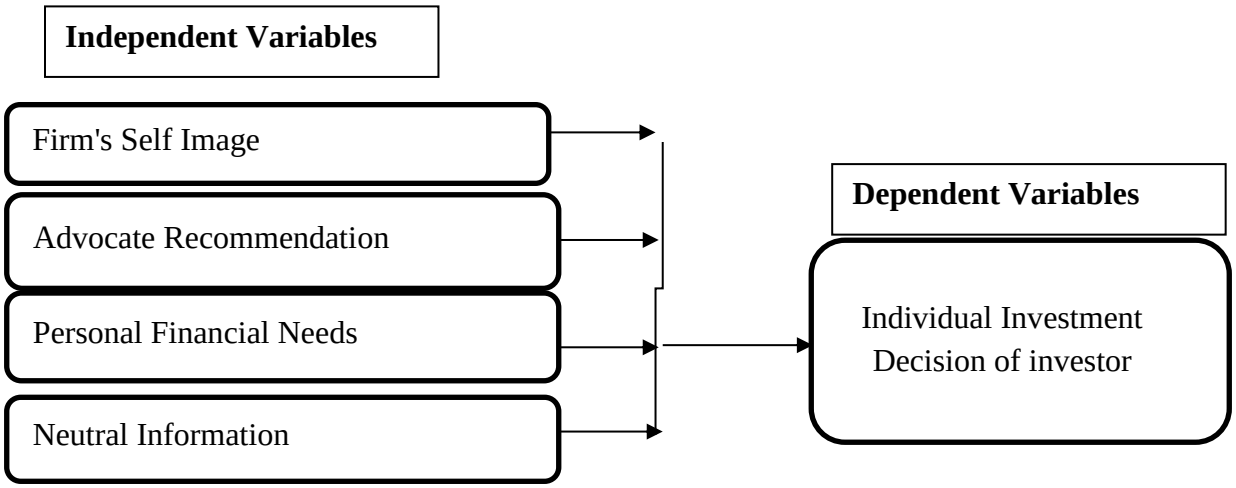

Figure 1: Conceptual framework on factors influencing individual investment decision on Nepalese stock market

Many scholars devoted their time and knowledge to identify the factors that influence individual investment decision making in stock market. There has been number of studies conducted on the related issues in national and international platform. From the review of empirical studies it is found that, behavioral finance is a good theory to understand and explain feelings and cognitive errors affecting investment decision-making. Investor's behavior is also one of the most important factors that depend upon the investing decision of individual as well as others. Supporters of behavioral finance believe that the study of social sciences such as psychology can help to reveal the behaviors of stock market, market bubbles and crashes. Until recently, behavioral finance is accepted as a feasible model to explain how investors of financial markets make decisions and then these decisions influence the financial markets. Secondly, due to some evidences objectives, academics and experimental it is concluded that Asian investors, usually suffer from cognitive biases more than people from other cultures.

3.7 Definition of Dependent Variables/Independent Variables

The self-image of the firm

The self-image of a company is the perception it has of itself, which encompasses its identity, values, reputation, and overall image. It is indicative of the organization's assessment of its strengths, vulnerabilities, opportunities, and threats, as well as its market positioning. The self-image of a company has an impact on its behavior, decision-making processes, and interactions with stakeholders, such as the public, investors, employees, and customers. A company's competitive advantage, brand loyalty, and overall success can be improved by cultivating a positive and robust self-image. It has the potential to cultivate trust and credibility in the marketplace, as well as attract investors, customers, and talented employees. In contrast, a negative self-image may result in diminished market performance, loss of trust, and reputational injury. Strategic branding, marketing, communication, and corporate social responsibility initiatives are frequently implemented by organizations to cultivate and manage their self-image. Firms can enhance their market position and achieve long-term sustainability and growth by establishing a favorable reputation and shaping perceptions.

Advocate Suggestion

Advocate recommendation is the term used to describe endorsements or referrals that are provided by advocates or promoters of a product, service, or brand. Advocates may include contented customers, influencers, celebrities, industry experts, or individuals who have a positive experience with a specific product or service and are willing to share their recommendations with others. Consumer behavior and purchase decisions are significantly impacted by these recommendations. The endorsements of advocates are frequently more persuasive and impactful due to their credibility and trustworthiness in the eyes of their audience. Advocates are essentially endorsing the quality, reliability, and value of a product or service when they recommend it, and this endorsement can have a substantial impact on the perceptions and decisions of others. Leveraging advocate recommendations is a potent marketing strategy that can be used to increase brand recognition, generate positive word-of-mouth, and facilitate customer acquisition and retention. To increase the impact of their recommendations and expand their audience, brands frequently utilize referral programs,

influencer partnerships, testimonials, and user-generated content campaigns to involve advocates.

Financial Requirements of the Individual

The individual requirements or objectives associated with managing one's finances are referred to as personal financial demands. These requirements can differ significantly among individuals and may encompass both immediate objectives, such as paying bills and covering daily expenses, and long-term objectives, such as saving for retirement, purchasing a home, or financing education. Effective financial planning and decision-making necessitate comprehension of personal financial requirements. It entails the evaluation of present financial circumstances, the identification of financial objectives, and the development of strategies to achieve them. Income, expenses, debt, risk tolerance, investment preferences, and life stage are all factors that contribute to an individual's financial requirements. Prudent risk management, saving, investing, and budgeting are necessary to address personal financial requirements. It may be necessary for individuals to prioritize their requirements according to the urgency, importance, and availability of resources. For instance, an individual who is approaching retirement may prioritize retirement savings over other discretionary expenditures, whereas a young professional may concentrate on the repayment of student loans or the establishment of an emergency fund. Financial advisors and planners frequently collaborate with individuals to evaluate their personal financial requirements, create personalized financial plans, and offer advice on how to accomplish their financial objectives. By ensuring that financial strategies are in accordance with personal objectives and requirements.

Information that is impartial

Neutral information is data or content that is factual and unbiased, and it presents information without any subjective influence or bias. It offers an unbiased perspective on a subject or circumstance, enabling individuals to formulate their own opinions and make well-informed decisions based on the information provided. In the context of investment decision-making, neutral information may encompass financial statements, market reports, economic indicators, company profiles, and industry analyses that are devoid of any promotional or persuasive intent. Neutral information presents data and analysis in a transparent, impartial, and comprehensible

manner, without attempting to influence the audience toward a specific viewpoint or agenda. Investors depend on neutral information to conduct research, analyze investment opportunities, assess risks, and make informed investment decisions. Investors can objectively assess the fundamentals of a variety of investments and assess the potential risks and rewards by obtaining unbiased information. Neutral information is also beneficial in the following ways: it reduces information asymmetry between investors and markets, promotes market efficiency, and fosters trust and credibility in financial markets. It facilitates transparent and equitable decision-making processes, which are advantageous to both individual investors and the broader financial ecosystem.

Investing Decision of an Individual Investor

Each investor's investment decision is a complex process that is influenced by personal financial objectives, market analysis, and risk assessments. This decision-making process commences with the establishment of unambiguous financial objectives, such as capital appreciation, income generation, or retirement savings. Investors must evaluate their risk tolerance in order to balance their desired returns against their willingness to tolerate volatility. The selection of assets that are specifically designed to achieve these objectives is informed by subsequent research and analysis of investment opportunities, which encompass financial statements, market trends, and economic indicators. The portfolio is further refined to align with the investor's risk profile and objectives through asset allocation, security selection, and the strategic distribution of investments across various classes. The portfolio is consistently monitored and adjusted to ensure that it is in accordance with the changing market conditions and personal circumstances. In general, individual investment decisions are highly personalized endeavors that are motivated by a combination of financial acumen, risk appetite, and market insights with the objective of attaining long-term financial success.

CHAPTER IV
RESULTS AND DISCUSSION

This chapter provides systematic and orderly presentation and analysis of primary data. Different statistical and regression models described in previous chapter have been used for the study purpose. This chapter is divided into three sections. The first section covers the presentation and analysis of primary. It presents the results of questionnaire survey. The main purpose of this chapter is to analyze and interpret the data collected during the study. The second section deals with the analysis of regression model including correlation analysis. The third section includes concluding remarks on the basis of findings from primary and secondary data analysis.

4.1 Results

This study is based on primary data, which mainly deals with qualitative aspects in terms of effects of factors influencing individual investment decision making in stock market with reference to Nepalese stock market. This section also reports the result of questionnaire survey conducted among different groups of investors.

Questionnaire survey was designed to understand the views of the respondents regarding the factors influencing individual investment decision making in stock market with reference to Nepalese stock market. A set of questionnaire including, multiple choices and Likert scale type of questions were provided. Altogether 333 respondents were surveyed and analyzed in accordance with the objective of the study. The respondents profile along with their personal characteristics and result of the survey are presented in the following sections. The percentages, frequency, mean value, maximum and minimum value has been calculated to do the proper analysis of the data.

4.1.1 Respondent's profile on the basis of demographic characteristics.

In this study using primary data analysis, discussion on the profile of the respondents is needed first. Demographic characteristics play a vital role in understanding the employee perception and their reliability in the organization. This section therefore describes the respondents' profile

which reveals the personal characteristics of respondents combined on the basis of gender, age, Education, Occupation, monthly income of individual, etc. Table 4.1.1 presents the demographic characteristics of the respondents.

Table 4.1

Demographic characteristics of the respondents

Analysis	Respondents' detail	Frequencies	Percentage (%)
Gender	Male	201	60.4
	Female	132	39.6
Age group(in years)	16 to 25	63	18.9
	26 to 35	81	24.3
	36 to 45	96	28.8
	46 to 55	57	17.1
	above 56	36	10.8
Academic qualification	Up to Intermediate level	57	17.1
	Undergraduate	120	36.0
	Graduate	96	28.8
	Post Graduate	60	18.0
Occupation	Service	66	19.8
	Business	96	28.8
	Self employed	66	19.8
	Student	63	18.9
	Others	42	12.6
Individual Income	Below 15000	33	9.9
(Monthly)Rs.	15000 to 25000	39	11.7
	25000 to 35000	90	27.0
	35000 to 45000	72	21.6
	Above 45000	99	29.7
Total		333	100

Source: Field Survey, 2024

Above table 4.1 shows that there are also demographic factors that's plays very important role in the decision making and investing in the share market. It also shows in which demographic profile individual investor invests much more in share market and less in share market of Nepal.Indeed, this section deals withgender, age, Education, Occupation, monthly income of individual, etc of the respondents. The analysis of respondents' details reveals a diverse demographic profile among 333 participants. Gender distribution shows a higher proportion of males (60.4%) compared to females (39.6%). The age group data indicates that the majority of respondents fall within the 26 to 35 (24.3%) and 36 to 45 (28.8%) age brackets, suggesting a predominantly middle-aged group.

In terms of academic qualifications, 36% of respondents hold an undergraduate degree, followed by 28.8% with a graduate degree, and 18% with a postgraduate degree, highlighting a well-educated sample. Occupationally, a significant number are engaged in business (28.8%), while service and self-employed individuals each constitute 19.8%, and students make up 18.9%.

The income distribution shows that the largest group of respondents (29.7%) earn above Rs. 45,000 monthly, with 27% earning between Rs. 25,000 and Rs. 35,000. This indicates a relatively higher-income demographic. The detailed breakdown of various demographic factors provides insight into the diverse backgrounds and economic statuses of the respondents, which can be crucial for understanding their perspectives and behaviors in further analyses. Overall, the sample is characterized by a predominance of educated, middle-aged males, with a significant representation of business professionals and higher-income individuals.

4.1.2 Response for important factor choosing while investing in stock market

Although there in above section 4.1.1 we consider the demographic response but that is only not important for the description for the stock market study in research project because we have to consider the response for important factor choosing while investing in stock market. It is so due to some of the characteristics like IPOs, secondary market, knowledgeable, monthly income investment, consulting to whom while investing, etc.

In this study using primary data analysis, the investment pattern of the inventors is collected. Investment pattern plays a vital role in understanding the investment decision of investors. This section therefore describes the respondents' investment profile of the respondents. Table 4.2 presents the investment pattern of the respondents.

Table 4.2

Response for important factor choosing while investing in stock market

Analysis	Characteristics	Frequencies	Percentage (%)
In which of the below market do you prefer to buy shares from?	IPOs	102	30.6
	Secondary market	69	20.7
	Both markets	162	48.6
How long have you been investing in share market?	Less than a year	63	18.9
	2 to 5 years	120	36.0
	5 to 10 years	93	27.9
	More than 10 years	57	17.1
How knowledgeable you are towards capital market?	Very less	63	18.9
	Fairly knowledgeable	159	47.7
	Highly Knowledgeable	111	33.3
How often do you investing in share in a year?	Less than 2 times	51	15.3
	2 to 5 times	69	20.7
	More than 5 times	129	38.7
	Occasionally when market is booming	84	25.2
How much do you invest in share?	Less than Rs.50,000	57	17.1
	50,001 - 100,000	66	19.8
	100,001 - 200,000	78	23.4
	Above 200,000	132	39.6
Whom do you consult when you are making investment on share?	Friends	39	11.7
	Parents	39	11.7
	Newspapers and Magazines	60	18.0
	Stock Broker	69	20.7
	Self-Judgment	126	37.8
Total		333	100

Source: Field Survey, 2024

Preference of buying shares

There are basically two options from where investors can invest in stocks of Nepalese stock market. Investors can either to invest in shares from IPO or secondary market. They can also invest from both the markets. The responses of investors on the basis of their preference are presented in the figure 4.6. The figure shows that majority of the respondents 48.65% invest in both the markets, followed 30.63 % investors spending in IPO and lastly 20.72% investors invest in secondary market.

Years of Investment in Share market

The years an investor has experienced in investing in shares is analyzed in the study. The years of investment has been categorized into 4 sections. The figure 4.7 shows that the majority of the respondents 36.04% have been investing in the shares from 2-5 years, followed by 27.93% who fall under the category of 6-10years investors. Similarly, 18.92% respondents fall under the category of less than a year and 17.12% respondents have invested for more than 10 years.

Knowledgeable towards capital market

The study has also included the analysis of the investor's knowledge towards stock market. The knowledge has been classified into 3 categories. The classification of respondents in terms of knowledge is shown in figure 4.8. The figure shows the majority of the respondents 47.75% are fairly knowledgeable towards the stocks, followed by 33.33% having high knowledge and lastly 18.92% respondents have very less knowledge about share market.

Frequency of investment in year

The study has also included the analysis of the investor's spending pattern in terms of the frequency of the times an investor invests in stocks. The figure 4.9 shows the classification of frequency of investments in terms of numbers. The figure shows that majority of the respondents 38.74% have invested for more than 5 times a year, while 25.23% of the respondents fall under the category of the investors investing occasionally when the market is booming. Similarly, 20.72% respondents fall under the category of (2-5 times) and 15.32% investors invests less than 2 times in a year.

Yearly investment in Rs.

The study has also included the analysis of the investor's spending pattern in terms of their yearly investment in terms of Rs in stocks. The investment pattern has been categorized into four sections. The figure 4.10 shows the classification of investors with respect to yearly investment in terms of numbers. The figure shows that the majority of investors 39.64% of the respondent's yearly investment ranges above 200000, followed by 23.42% respondents falling under the category 100001-200000.Similarly, 19.82% of the investors invest 50001-100000 and 17.12% respondents spend less than 50000

Stock picking consultation

The study has also classified the investment pattern on the basis of the suggestion they take while investing in stocks. The consultation in picking the stocks have been classified under 5 categories. The figure 4.11 shows the classification of investors with respect to investment consultation in terms of numbers. The figure shows that majority of the respondents 37.84% invest in shares through their self-judgment, followed by 20.72% of the respondents who seek their stock broker advice .Similarly, 18.02% respondents seek advice from newspaper and magzines.11.71% of the respondents seek advice from their parents and 11.71% of the respondents follow their friend's advice.

4.1.3 Distribution summary of Variables (Descriptive analysis)

In the current study, descriptive statistics is used to systematically summarize collected data and interpret its essential attributes for easier comparison. Thus, it is either the representation of a sample or entirety of a population. This test specializes in calculation of frequencies and percentage; it gives a short summary on specific data such as the sample and observations taken under study which in turn helps to describe and understand the basic attributes of specific data set.

For the current study, Mean, maximum value , minimum value and Standard Deviation of the data are analyzed in individual investment decision making in stock market with reference to Neplease stock market: mean is used to establish central representative value of the entire data set whereas standard deviation is used to measure dispersion of the data set. Furthermore, frequency along with percentage was used to provide a detail overview of respondent's profile in terms of gender, age and academic qualifications. Table's specific to each profile is used to

present the data. The Likert Scale ranged from 1 to 5 where, 1 is for Strongly Disagree, 2 is for Disagree, 3 is for Neutral, 4 is for Agree and 5 is for Strongly Agree. Therefore, the mean score that is more inclined towards 5 indicates high impact of selected variables as on individual decision making. The total number of respondents for this research was 333, their answers relating to each determinant and their descriptive statistics are presented below:

Table 4.3:

Descriptive statistics of Accounting Information

	N	Minimum	Maximum	Mean	Std. Deviation
Expected corporate earnings.	333	1	5	3.68	1.333
Expected Dividends.	333	1	5	3.88	1.201
Marketability of stock.	333	1	5	3.83	1.084
Dividend paid in the past	333	1	5	3.86	1.195
Performance of the firm's stock	333	1	5	3.93	1.231

Source: Field Survey, 2024

The above table shows the average value of accounting information (AI) of individual investment of stock market in Neplease. Since from above table we came to know that it is measured on the scale of likert model so that it ranges from strongly disagree to strongly agree in the range from 1 to 5. The above table 4.3 shows there are five sub divisions of questions of accounting information that is shows total no of respondent, maximum value, minimum value, average mean and standard deviation.

We clearly see above table 4.3 that in all total characteristics have its total respondents 333 that's N, where minimum value is 1 and maximum value is 5 of accounting information. The average mean ranges between 3.9 3 to 3.68 which means AI is nearer to its value for decision making in stock market. Now for further description of table is that performances of the firm's stock average mean shows higher than others that is 3.93 and its standard deviation is 1.231 and so for lower average mean is of expected corporate earnings that is 3.68 and its standard deviation is 1.333.

Explaining same for further, expected earning average mean is 3.88 and its standard deviation is 1.201 similar for dividend paid in the past average mean is 3.86 and its standard deviation is 1.195 and last characteristic that is marketability of stock average mean is 3.83 and standard deviation is 1.084 for accounting information descriptive analysis. It means that lower the standard deviation nearer to achieve its destination and vice versa.

Table 4.4

Descriptive statistics of Firm's Image

	N	Minimum	Maximum	Mean	Std. Deviation
Firms involvement in CSR	333	1	5	3.70	1.215
Feeling for firm's product/services.	333	1	5	3.91	1.106
Firm's reputation in industry	333	1	5	3.86	1.254
Firm's perceived ethics.	333	1	5	3.84	1.230
Get rich quick.	333	1	5	3.54	1.324

Source: Field Survey, 2024

The above table shows the average value of firm's image (FI) of individual investment of stock market in Neplease. Since from above table we came to know that it is measured on the scale of likert model so that it ranges from strongly disagree to strongly agree in the range from 1 to 5. The above table 4.4 shows there are five sub divisions of questions of firm's image that is shows total no of respondent, maximum value, minimum value, average mean and standard deviation.

We clearly see above table 4.4 that in all total characteristics have its total respondents 333 that's N, where minimum value is 1 and maximum value is 5 of firm's image. The average mean ranges between 3.9 1 to 3.54 which means FI is nearer to its value for decision making in stock market. Now for further description of table is that feeling for the firm's product/service average mean shows higher than others that is 3.91 and its standard deviation is 1.106 and so for lower average mean is of get quick rich that is 3.54 and its standard deviation is 1.324

Explaining same for further firm's reputation in the industry average mean is 3.86 and its standard deviation is 1.254 similar for firm's perceived ethics average mean is 3.84 and its standard deviation is 1.230 and last characteristic that is firm's involvement in CSR average mean is 3.70 and standard deviation is 1.215 for firm's image descriptive analysis. It means that lower the standard deviation nearer to achieve its destination and vice versa.

Table 4.5

Descriptive statistics of Advocate Recommendation

	N	Minimum	Maximum	Mean	Std. Deviation
Broker's recommendation	333	1	5	3.84	1.122
Family/Friends member	333	1	5	3.86	1.202
Opinion of firm's majority stockholder	333	1	5	3.83	1.084
Positive news of firms in market	333	1	5	3.80	1.091
Technical analysis	333	1	5	3.96	1.092

Source: Field Survey, 2024

The above table shows the average value of advocate recommendation (AR) of individual investment of stock market in Neplease. Since from above table we came to know that it is measured on the scale of likert model so that it ranges from strongly disagree to strongly agree in the range from 1 to 5. The above table 4.5 shows there are five sub divisions of questions of advocate recommendation that is shows total no of respondent, maximum value, minimum value, average mean and standard deviation.

We clearly see above table 4.5 that in all total characteristics have its total respondents 333 that's N, where minimum value is 1 and maximum value is 5 of advocate recommendation. The average mean ranges between 3.96 to 3.80, which means AR is nearer to its value for decision making in stock market. Now for further description of table is that feeling for the technical analysis average mean shows higher than others that is 3.96 and its standard deviation is 1.092

and so for lower average mean is of positive news of firms in market that is 3.80 and its standard deviation is 1.091.

Explaining same for further family/friends member average mean is 3.86 and its standard deviation is 1.202 similar for broker's recommendation average mean is 3.84 and its standard deviation is 1.122 and last characteristic that is opinion of firm's majority stockholder average mean is 3.83 and standard deviation is 1.084 for advocate recommendation descriptive analysis. It means that lower the standard deviation nearer to achieve its destination and vice versa.

Table 4.6

Descriptive statistics of Neutral Information

	N	Minimum	Maximum	Mean	Std. Deviation
Current economic factor like inflation, interest rates, etc.	333	1	5	3.74	1.330
Fluctuation/ Development of firm's index	333	1	5	3.78	1.176
Statement from government officials	333	1	5	3.85	1.095
Coverage in press	333	1	5	3.66	1.153
Recent price movement of firm's stock	333	1	5	3.80	1.108

Source: Field Survey, 2024

The above table shows the average value of neutral information (NI) of individual investment of stock market in Neplease. Since from above table we came to know that it is measured on the scale of likert model so that it ranges from strongly disagree to strongly agree in the range from 1 to 5. The above table 4.6 shows there are five sub divisions of questions of neutral information that is shows total no of respondent, maximum value, minimum value, average mean and standard deviation.

We clearly see above table 4.6 that in all total characteristics have its total respondents 333 that's N, where minimum value is 1 and maximum value is 5 of neutral information. The

average mean ranges between 3.85 to 3.66, which means NI is nearer to its value for decision making in stock market. Now for further description of table is that feeling for the statement from the government officials average mean shows higher than others that is 3.85 and its standard deviation is 1.095 and so for lower average mean is of coverage in press that is 3.66 and its standard deviation is 1.153

Explaining same for further recent price movement of firm's stock average mean is 3.80 and its standard deviation is 1.108 similar fluctuation/ development of firm's index average mean is 3.78 and its standard deviation is 1.176 and last characteristic that is current economic factor like inflation, interest rates, etc. average mean is 3.74 and standard deviation is 1.330 for neutral information descriptive analysis. It means that lower the standard deviation nearer to achieve its destination and vice versa.

Table 4.7

Descriptive statistics of Personal financial Needs

	N	Minimum	Maximum	Mean	Std. Deviation
Diversification Needs	333	1	5	3.68	1.292
Expected losses in international financial markets	333	1	5	3.86	1.097
Minimizing risk	333	1	5	3.88	1.123
Attractiveness of non-stock investors	333	1	5	3.78	1.168
Ease of obtaining borrowed funds	333	1	5	3.69	1.289

Source: Field Survey, 2024

The above table shows the average value of personal financial needs (PF) of individual investment of stock market in Neplease. Since from above table we came to know that it is measured on the scale of likert model so that it ranges from strongly disagree to strongly agree in the range from 1 to 5. The above table 4.7 shows there are five sub divisions of questions of

personal financial needs that is shows total no of respondent, maximum value, minimum value, average mean and standard deviation.

We clearly see above table 4.7 that in all total characteristics have its total respondents 333 that's N, where minimum value is 1 and maximum value is 5 of personal financial needs. The average mean ranges between 3.88 to 3.68, which means PF is nearer to its value for decision making in stock market. Now for further description of table is that feeling for the minimizing risk average mean shows higher than others that is 3.88 and its standard deviation is 1.123 and so for lower average mean is of diversification needs that is 3.68 and its standard deviation is 1.292

Explaining same for further expected losses in international financial markets average mean is 3.86 and its standard deviation is 1.097 similar attractiveness of non-stock investors average mean is 3.78 and its standard deviation is 1.168 and last characteristic that is ease of obtaining borrowed funds average mean is 3.69 and standard deviation is 1.289 for personal financial needs descriptive analysis. It means that lower the standard deviation nearer to achieve its destination and vice versa.

Table 4.8

Descriptive statistics of Individual Investment Decision

	N	Minimum	Maximum	Mean	Std. Deviation
Advocate Recommendation	333	1	5	3.91	1.064
Personal Financial Needs	333	1	5	3.98	1.033
Firm's Image	333	1	5	3.87	1.227
Neutral Information	333	1	5	3.77	1.147

Source: Field Survey, 2024

The above table shows the average value of individual investment decision (ID) of dependent variable of stock market in Neplease. Since from above table we came to know that it is measured on the scale of likert model so that it ranges from strongly disagree to strongly agree in the range from 1 to 5. The above table 4.8 shows there are four sub divisions of questions of

individual investment decision that is shows total no of respondent, maximum value, minimum value, average mean and standard deviation.

We clearly see above table 4.8 that in all total characteristics have its total respondents 333 that's N, where minimum value is 1 and maximum value is 5 of personal financial needs. The average mean ranges between 3.98 to 3.77, which means ID is nearer to its value for decision making in stock market. Now for further description of table is that personal financial needs average mean shows higher than others that is 3.98 and its standard deviation is 1.033 and so for lower average mean is of neutral information that is 3.77 and the standard deviation is 1.147

Explaining same for advocate recommendation average mean is 3.91 and its standard deviation is 1.064 and last characteristic that is firm's image average mean is 3.87 and standard deviation is 1.227 for individual investment decision descriptive analysis. It means that lower the standard deviation nearer to achieve its destination and vice versa.

4.1.4Correlation analysis

Correlation is a statistical measure that indicates the extent to which two or more variables fluctuate together. It is used to checking directional relationship between variables. This section of the study presents the results and discussions of the correlation analysis. The correlation analysis has been carried out to investigate the direction and magnitude of the relationship of relational capital components variables and the organizational performance of the Nepalese Stock market. The correlation measures the strength of the linear relationship between variables. The strength of linear association between two numerical variables in a sample of population is determined by the correlation coefficient.

Pearson's correlation analysis has been carried out to analyze the degree of relationship between two or more variables and to know to what extent variables under study are correlated to each other. A strong correlation depicts high explanatory power of the independent variables. A positive correlation reveals that the direction of relationship is positive with one increasing in relation to the other's increase. Meanwhile, a negative correlation reveals that an inverse of the above which means, increase in one variable when there is decrease in other. More specifically, it shows the correlation coefficient of dependent and independent variables for factors influencing individual investment decision. The correlational analysis has a ranges from -1 to

+1, where -1 indicates a perfect negative relationship which means the relationship between variables is such that if one variable increases the another variable will decrease and 1 indicate a perfect positive correlation which means the relationship between variables is such that if one variable increases the another variable will also increase.

Table 4.9

Correlation Matrix of Dependent and Independent Variables

		Individual Investment Decision	Firm's Image	Advocate Recommendation	Neutral Information	Personal Financial Needs
Individual Investment Decision	.774**	1				
Firm's Image	.834**	.748**	1			
Advocate Recommendation	.786**	.794**	.771**	1		
Neutral Information	.794**	.871**	.722**	.798**	1	
Personal Financial Needs	.721**	.779**	.753**	.730**	.780**	1

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

Source: Field Survey, 2024

The table 4.9 shows result of the Pearson's correlation coefficient between Individual Investment Decision and the independent variables taken under study. The result demonstrates

all the independent variables have positive and significant relationship with the dependent variable at 1 percent level of significance.

The highest correlation coefficient of Individual Investment Decision can be observed as 0.871 with Neutral Information variable. It means common information can lead to increase in Individual Investment Decision and the relationship is significant at 1 percent level of significance. Hence good assurance by depository unit ensures higher satisfaction level in investors.

The correlation coefficient between Individual Investment Decision and Personal Financial Needs variables 0.779, which suggests that Personal financial Needs, leads to increase in investor's decision. It shows a positive relationship between these two variables. There is significant relationship between Individual Investment Decision and Personal Financial Needs variable at 1 percent level of significance.

The correlation coefficient between Individual Investment Decision and Advocate Recommendation variable is 0.794, which suggests that Advocate Recommendation leads to increase in Individual Investment Decision. It shows a positive relationship between these two variables. There is significant relationship betweenIndividual Investment Decision and Advocate Recommendation variable at 1 percent level of significance.

The correlation coefficient between Individual Investment Decision and Firm's Image variable is 0.748, which suggests that Firm's Image leads to increase in Individual Investment Decision. It shows a positive relationship between these two variables. There is significant relationship between Individual Investment Decision and Firm's Image variable at 1 percent level of significance.

In conclusion, we can say that, neutral information factor has the strongest positive Association with Individual investment decision (r = 0.871), personal financial needs (r = 0.779) advocate recommendation (r = 0.794) and firm's image (r = 0.748) also has a positive association with investor's decision toward services provided by depository units in Nepal.

4.1.5 Multicollinearity

In research, multicollinearity occurs if two or more independent variables, also known as predictor variables, have a high correlation between them. To check for multicollinearity between the Individual investment decisions dimensions, a test between independent variables was performed to identify tolerance values and variance inflation factors (VIF) with the help of SPSS software which is shown in the table 4.10.

Table 4.10

Collinearity Statistics (Coefficients[a])

Model	Tolerance	VIF
Firm's Image	.241	4.143
Advocate Recommendation	.271	3.687
Neutral Information	.244	4.094
Personal Financial Needs	.313	3.197

a Dependent Variable: Individual Investment Decision

Source: Field Survey, 2024

The results in the table 4.10 shows that variance inflation factor (VIF) value for all variables is below 5 . Similarly, tolerance value for all variables is higher than 0.2. The research standard for tolerance is greater than 0.2 (Tolerance > 0.2) whereas for variance inflation factor it is less than 5 (VIF < 5). Based on the research standard, multicollinearity problem does not exist in this research because the value of tolerance and the value of variance inflation factors are well within the accepted margin.

4.1.6 Regression analysis

The regression analysis has been carried out to find the variability and significance of the independent variable on dependent variable (Ndubisi, 2007). As part of this study, regression analysis was also performed on the survey data. It was performed to understand the variability and significance of the variables taken under the study. The independent variables for this study were firm's image, advocate recommendation, neutral information and personal financial needs, whereas the dependent variable for this study was individual investment decision. The table 4.11 represents the regression analysis of the relationship between the independent

variables and the dependent variable based on the data obtained from 333 respondents. The following liner regression model was used:

Model without intervening variables:

$ID = \beta^* + \beta 1AR + \beta 2NI + \beta 3FI + \beta 4PF + \mu$

Where,

β^*= Intercept

AR= Advocate Recommendation

NI= Neutral Information

FI= Firm Image

PF= Personal Financial need

ID=Individual Investment Decision

μ = error term

Table 4.11

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.897[a]	.805	.800	.41798

a. Predictors: (Constant), Personal Financial Needs, Advocate Recommendation, Neutral Information, Firm's Image

Source: Field Survey, 2024

In the table 4.11 the value of R Square is 0.805. It inferences that 80.5% of the variation in the dependent variable i.e. individual investment decision can be explained by the independent variables i.e. firm's image, advocate recommendation, neutral information and personal financial needs. Where R is .897, adjusted R square is 0.800 and standard error of the estimate is 0.14798.

Table 4.12

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	155.381	8	31.076	177.878	.000[b]
	Residual	37.736	324	.175		
	Total	193.117	332			

a. Dependent Variable: Individual Investment Decision

b. Predictors: (Constant),), Personal Financial Needs, Advocate Recommendation, Neutral Information, Firm's Image

Source: Field Survey, 2024

According to Table 4.12 the fitness of the model is stated by F- value of 177.878. at .00 percent level of significance. This implies that the research model is a good-fit in explaining the Individual investment decision in Nepalese stock market.

Table 4.13

Regression Coefficients

		Unstandardized Coefficients		Standardized Coefficients		
Mode		B	Std. Error	Beta	t	Sig.
1	(Constant)	.250	.131		1.905	.058
	Firm's Image	.091	.056	.099	1.615	.108
	Advocate Recommendation	.166	.062	.154	2.664	.008
	Neutral Information	.509	.060	.518	8.516	.000
	Personal Financial Needs	.145	.051	.153	2.837	.005

a. Dependent Variable: Individual Investment Decision

Source: Field Survey, 2024

The result from the table 4.13 represents the regression analysis which can be used to form an equation by referring to B value in the table that are statistically significant in determining the

impact of each independent variable on the dependent variable. The result shows that the independent variables neutral information and personal financial needs have a P value of less than 0.05. Hence, these variables are statistically significant at 5 percent level of significance. Therefore, it can be concluded that advocate recommendation, neutral information and personal financial needs all have a positive and significant relationship with individual investment decision. However firm's image variables have a P value of more than 0.05. Hence, are statistically insignificant and are not used in the following equation.

Based on the result of regression analysis, the equation with the statistically significant variables is:

Individual Investment Decision = 0.250 + 0.166*Advocate Recommendation + 0.509 * Neutral Information + 0.145 * Personal Financial Needs + 0.131

Therefore, based on the liner equation of this study, Individual Investment Decision variable "Neutral Information" has the highest impact on Individual Investment Decision in Nepalese stock market. Hence, by keeping every other independent variable constant, an increase of one unit in neutral information will lead to an increase of 0.509 units in the level of Individual Investment Decision, followed by personal financial needs with an increase of 0.145

4.1.7 Hypotheses Testing

On the basis of the above findings, from the opinion survey of the respondents following conclusions regarding the hypotheses have been derived.

Table 4.14

Hypothesis summary

S.N	Hypothesis	Model used	Outcome
H_1	There is significant relationship between firm's image and individual investment decision of investors.	Correlation & Regression	Rejected
H_2	There is significant relationship between advocate recommendation and individual investment decision of investors.	Correlation &Regression	Accepted

H_3	There is significant relationship between personal financial need and individual investment decision of investors.	Correlation &Regression	Accepted
H_4	There is significant relationship between neutral information and individual investment decision of investors	Correlation & Regression	Accepted

Correlation and regression have been used to test the hypotheses.

H_1: Firm's Image has a P value of more than 0.05 (0.108 > 0.05). Hence, this variable is statistically insignificant at 5 percent level of significance. Therefore, it can be concluded that is statistically insignificant with individual investment decision. So, firm's image is rejected in its outcome.

H_2: Advocate Recommendation has a P value of more than 0.05 (0.008 < 0.05). Hence, this variable is statistically significant at 5 percent level of significance. Therefore, it can be concluded that is statistically insignificant with individual investment decision. So, advocate recommendation is rejected in its outcome. Therefore, it can be concluded that advocate recommendation has a positive and significant relationship with individual investment decision.

H_3: Neutral Information has P value of less than 0.05 (0.00 < 0.05). Hence, this variable is statistically significant at 5 percent level of significance. Therefore, it can be concluded that neutral information has a positive and significant relationship with individual investment decision. So, neutral information is accepted in its outcome

H_4: Personal Financial Needs has P value of less than 0.05 (0.005 < 0.05). Hence, this variable is statistically significant at 5 percent level of significance. Therefore, it can be concluded that personal financial needs has a positive and significant relationship with individual investment decision. So, a personal financial need is accepted in its outcome.

4.2 Discussion

The provided analysis delves into the intricate relationship between various factors and individual investment decisions within the Nepalese stock market. Correlation coefficients between individual investment decisions and advocate recommendation, as well as a firm's

image, are notably high, indicating a strong positive relationship between these variables. This suggests that both advocate recommendation and firm's image play significant roles in influencing individual investment decisions, with results statistically significant at the 1 percent level.

Further examination of the regression analysis reveals compelling insights into the explanatory power of the model. An R-square value of 0.805 indicates that approximately 80.5% of the variation in individual investment decisions can be explained by the independent variables considered in the study, namely firm's image, advocate recommendation, neutral information, and personal financial needs. The high adjusted R-square value of 0.800 reaffirms the robustness of the model, accounting for potential overfitting and providing a more accurate representation of the true relationship between the variables. Additionally, the F-value of 177.878, significant at the 0.00 percent level, underscores the model's overall fitness in explaining individual investment decisions within the Nepalese stock market. This suggests that the combined effect of the independent variables on the dependent variable is statistically significant, providing confidence in the reliability of the research model.

The regression coefficients reveal that advocate recommendation, neutral information, and personal financial needs exhibit statistically significant impacts on individual investment decisions, with p-values less than 0.05. This implies that these variables have a positive and significant relationship with individual investment decisions, indicating that investors are influenced by recommendations from advocates, access to neutral information, and their own financial needs when making investment decisions. However, the variable representing the firm's image shows a p-value greater than 0.05, rendering it statistically insignificant in predicting individual investment decisions. This suggests that, contrary to expectations, the perceived image of a firm does not significantly influence investors' decisions in the Nepalese stock market, at least within the context of this study.

In conclusion, the findings highlight the importance of advocate recommendation, access to neutral information, and personal financial needs in shaping individual investment decisions within the Nepalese stock market. While a firm's image may not exert a significant influence in this particular context, the overall research model demonstrates strong explanatory power, providing valuable insights for investors, financial practitioners, and policymakers alike. Further

research could explore additional factors and variables to gain a more comprehensive understanding of individual investment behavior in Nepal's evolving financial landscape.

The findings also align with existing literature on the significance of information sources and personal financial needs in investment decisions. For instance, Barber and Odean (2008) in "The Behavior of Individual Investors" discuss how individual investors often rely heavily on recommendations and readily available information, impacting their investment choices. Similarly, Graham and Harvey (2001) in "The Theory and Practice of Corporate Finance: Evidence from the Field" emphasize the role of external advice and personal financial conditions in shaping investment behavior. These insights suggest that financial literacy and proactive engagement with financial reports can further enhance the quality of investment decisions, underscoring the need for market participants to develop and disseminate knowledge on financial information utilization.

CHAPTER V
SUMMARY AND CONCLUSION

5.1 Summary

Like any other financial market, the Nepalese stock market is influenced by a variety of factors that influence the investment decisions of individual investors. These variables may encompass economic indicators, external market conditions, and personal preferences, in addition to risk tolerance and personal preferences. Investors, financial institutions, and policymakers equally must comprehend the dynamics of these influences.

The perceived image of the firms in which investors are contemplating investing is a significant factor that influences investment decisions. Investors can develop a sense of trust in a company that is reliable, trustworthy, and worthy of investment as a result of a positive firm image. In contrast, a negative firm image may discourage investors and result in a decrease in investment activity in the company's stock. Consequently, it is imperative to examine the influence of firm image on individual investment decisions in order to comprehend investor behavior in the Nepalese stock market.

Advocate recommendation is an additional critical factor, which encompasses endorsements or referrals from advocates, including friends, family, instructors, colleagues, or brokers. These recommendations have the potential to considerably impact investor behavior, as individuals frequently rely on the opinions and experiences of those they know and respect. Consequently, it is imperative to evaluate the influence of advocate recommendations on individual investment decisions in order to comprehend the role of interpersonal relationships and social networks in investment decision-making.

Individual investment decisions are also significantly influenced by personal financial requirements. Investors may have a variety of financial objectives and goals, including the acquisition of a home, financing education, or saving for retirement. Investors' investment preferences and their tolerance for risk are determined by these requirements. Consequently, it is essential to investigate the influence of personal financial requirements on the investment

decisions of individual investors in order to comprehend the manner in which investors prioritize and allocate their resources in the Nepalese stock market.

Furthermore, the availability of neutral information, which provides unbiased and factual data regarding investment opportunities, can influence the decisions of individual investors. Investors depend on neutral information to conduct research, analyze investment options, and make informed decisions. As a result, it is imperative to assess the influence of neutral information on the investment decisions of individual investors in order to comprehend the manner in which investors access and utilize information in the Nepalese stock market.

Overall, these factors collectively influence the investment decisions of individual investors in the Nepalese stock market. By conducting an analysis of the influence of firm image, advocate recommendation, personal financial requirements, and neutral information on individual investment decisions, researchers and practitioners can acquire valuable insights into market dynamics and investor behavior. In summary, it is imperative to comprehend the multifarious factors that influence individual investment decisions in order to effectively navigate the Nepalese stock market. Researchers and practitioners can create strategies to assist investors in making informed decisions and foster a more transparent and efficient market environment by analyzing the influence of a variety of factors.

5.2 Summary

Savings funds are allocated to opportunities that are anticipated to generate a higher return in the future, which is known as investment. There are numerous investment opportunities available in the market. The current sacrifice of one's expenditures in exchange for future benefits is known as investment. Diverse variables could influence investors' investment decisions, and they did not depend on a single integrated factor. An investment is a monetary asset that is acquired with the expectation that it will generate an income in the future or can be sold at a higher price to generate a profit. We are also aware that the decision is contingent upon the self-judgment of the individual investor. It is claimed that self-decision is more efficient than group decision-making due to the fact that self-decision does not necessitate any form of deliberation among others; it is self-contained.

The title of this investigation is "Factors Influencing Individual Investment Decision Making in the Stock Market with Reference to the Nepalese Stock Market." It is entirely dependent on the facts regarding the subject matter. In total, there were four independent variables (firm's image, advocate recommendation, neutral information, and personal financial requirements) and one dependent variable (individual investment decision). Therefore, the objective is to determine the nature of the relationship between the dependent variable and the independent variables.

In its entirety, this investigation is founded upon primary data that was collected entirely through questionnaires. The convenience sampling technique was employed to distribute the questionnaires to 350 respondents. Following an exhaustive examination of the completed questionnaires, it was determined that 28 of them were devoid of data. Consequently, it was rendered inoperable. Consequently, this investigation exclusively employed the responses of 333 respondents. The descriptive research design was implemented in this investigation. SPSS 25 software was employed to process and analyze the data collected. In order to determine whether the data was suitable for regression analysis, tests such as Cronbach's Alpha, correlation analysis, and multicollinearity were conducted. Hypotheses were developed and evaluated in accordance with the existing literature. The results of the test indicated that there is a substantial correlation between personal financial need and the individual investment decisions of investors, as well as a substantial correlation between neutral information and the individual investment decisions of investors. Therefore, hypotheses H4, H3, and H2 were adopted, while hypotheses H1 were rejected. Furthermore, the research suggests that the education, age, gender, qualification, and income level, among other factors, are also significant.

The statements of government officials have a greater impact on neutral information, and minimizing risk is also one of the factors that has a greater impact on the sector of personal financial requirements, according to the majority of the research. The sector of individual decision-making is significantly influenced by these two factors. It is astonishing that the image of a company does not play a significant role in the decision-making process in the Nepalese stock market. Therefore, the individual is not required to consider the expected dividends, past performance of the stock, broker's recommendation, firm's reputation, or sentiments of the product or service.

5.3 Consequences

It is evident that we are perpetually preoccupied with the financial aspects of transactions, whether they pertain to donations, investments, or expenditures on basic necessities or luxury items. Our investment decisions are contingent upon our personal preferences as to which sector to allocate funds. We take into account a variety of factors, such as inflation, interest rates, government officials' statements, expected earnings, and dividends, when making decisions in the market. Therefore, we have the opportunity to double the amount of money we have invested in the market.

The Nepalese stock market is of particular interest to individuals aged 36 to 45, who are more inclined to make investment decisions. Conversely, individuals with an income exceeding Rs. 40,000 are more inclined to invest in the stock market. Investors are more interested in both primary and secondary markets than in IPOs or secondary markets when discussing the market. The study primarily focuses on business professionals, with the majority of them being undergraduate investors. Self-Judgment, who has fairly extensive knowledge of the stock market, primarily recommends these.

To invest in the Nepalese stock market, it is imperative to possess a greater level of knowledge than in the secondary market or primary market. This is due to the fact that we must be aware of the fundamental factors that influence the decision of an individual investor. This necessitates the establishment of a variety of policies and programs by the NRB and SEBON to enhance the stability and perfection of the capital market. In order to prevent unwarranted market fluctuations, they should appropriately supervise and monitor the capital market. The capital market can be rendered more efficient and hassle-free by increasing their investment in technology and promoting it.

The research also demonstrated that annual reports are not a significant factor for individual investors in the Nepali share market. This information may come as a surprise, given the intricacy of contemporary financial reporting. Nevertheless, it is imperative that companies reevaluate the way in which they report and present their financial information, as the quality and the small investor in Nepal may prioritize the comprehensiveness of the information over all other factors.

Additionally, it is crucial to encourage the number of market participants by informing small and medium-sized investors of the potential advantages of investing in the stock market. Therefore, future research could also explore practical and feasible methods for implementing this.In addition, the government and private sector should investigate methods to attract low and medium-level investors, such as offering low-interest loans to motivate small investors.

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APPENDIX: SURVEY

I am a student of MBM program. I am going to conduct a research Paper in the title "**Factors Influencing Individual Investment Decision making in Stock Market with Reference to Nepalese Stock Market**".

Your information would be confidential and it would be used for completing research work only .I'll be really thankful for your time and response for helping me by filling out this simple questionnaire.

Thanking You!

Yours Sincerely,

Reegma Gautam

MBS

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Group A

Demographic profile of respondents

Respondent Name: .....

Choose one of the following options and write number in the given box.

Gender:

1. Male
2. Female
3. Others

Age group:

1. 16 to 25
2. 26 to 35

3. 36 to 45
4. 46 to 55
5. 56 and above

Education Level:

1. Up to Intermediate level
2. Undergraduate Level
3. Graduate Level
4. Post Graduate

Occupation:

1. Service
2. Business
3. Student
4. Self-employed
5. Others

Family Income (per month):

1. Below 15000
2. 15000-25000
3. 25000-35000
4. 35000-45000
5. 45000 and above

Some of the important factor choosing while investing in stock market

Q1. In which of the below market do you prefer to buy shares from?

1. IPOs

2. Secondary Market (i.e. via broker)
3. Both Markets

Q2. How long have you been investing in Share market?

1. Less than a year
2. 2-5 years
3. 6-10 years
4. More than 10 years

Q3. How knowledgeable you are towards capital market?

1. Very less
2. Fairly knowledgeable
3. Highly knowledgeable

Q4. How often do you invest in shares in a year (select any one)?

1. Less than 2 times
2. 2-5 times
3. More than 5 times.
4. Occasionally when market is booming

Q5. How much do you invest in shares?

1. Less than 50000
2. 50001-100000
3. 100001-200000
4. Above 200000

Q6. Whom do you consult when you are making investment on shares?

1. Friends

2. Parents
3. Magazines and Newspaper
4. Stock brokers
5. Self-judgment

Group B

Tick marks ☑ the following questions according to your choice.

Accounting Information

Factor I preferred to make Individual investment decision on the basis of:	**Strongly Agree (1)**	**Agree (2)**	**Neutral (3)**	**Disagree (4)**	**Strongly Disagree (5)**
Expected corporate earnings.					
Expected Dividends					
Marketability of stock					
Performance of the firm's stock					
Dividends paid in the past					

Firm's Image

Factor I preferred to make Individual investment decision on the basis of:	**Strongly Agree (1)**	**Agree (2)**	**Neutral (3)**	**Disagree (4)**	**Strongly Disagree (5)**
Firm's reputation in Industry					
Firm's perceived ethics					
Feeling for firm's product/services					
Get rich quick					
Firms involvement in CSR					

Advocate Recommendation

Factor I preferred to make Individual investment decision on the basis of:	**Strongly Agree (1)**	**Agree (2)**	**Neutral (3)**	**Disagree (4)**	**Strongly Disagree (5)**
Family/Friends member					
Broker's recommendation					
Technical analysis					
Opinion of Firm's majority stockholder					
Positive news of firms in market					

Neutral Information

Factor I preferred to make Individual investment decision on the basis of:	**Strongly Agree (1)**	**Agree (2)**	**Neutral (3)**	**Disagree (4)**	**Strongly Disagree (5)**
Current economic factor like inflation, interest rate etc.					
Fluctuation/ development of firm's index					
Recent price movement of firm's stock					
Statement from government officials					
Coverage in press					

Personal Financial Needs

Factor I preferred to make Individual investment decision on the basis of:	**Strongly Agree (1)**	**Agree (2)**	**Neutral (3)**	**Disagree (4)**	**Strongly Disagree (5)**
Diversification Needs					
Expected losses in international financial markets					
Ease of obtaining borrowed funds					
Minimizing risk					
Attractiveness of non-stock investors					

Individual Investment Decision

Factor I preferred to make Individual investment decision on the basis of:	**Strongly Agree (1)**	**Agree (2)**	**Neutral (3)**	**Disagree (4)**	**Strongly Disagree (5)**
Accounting Information					
Firm's Image					
Advocate recommendation					
Neutral Information					
Personal Financial Needs					

FACTOR INFLUENCING INDIVIDUAL INVESTMENT DECISI...

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